



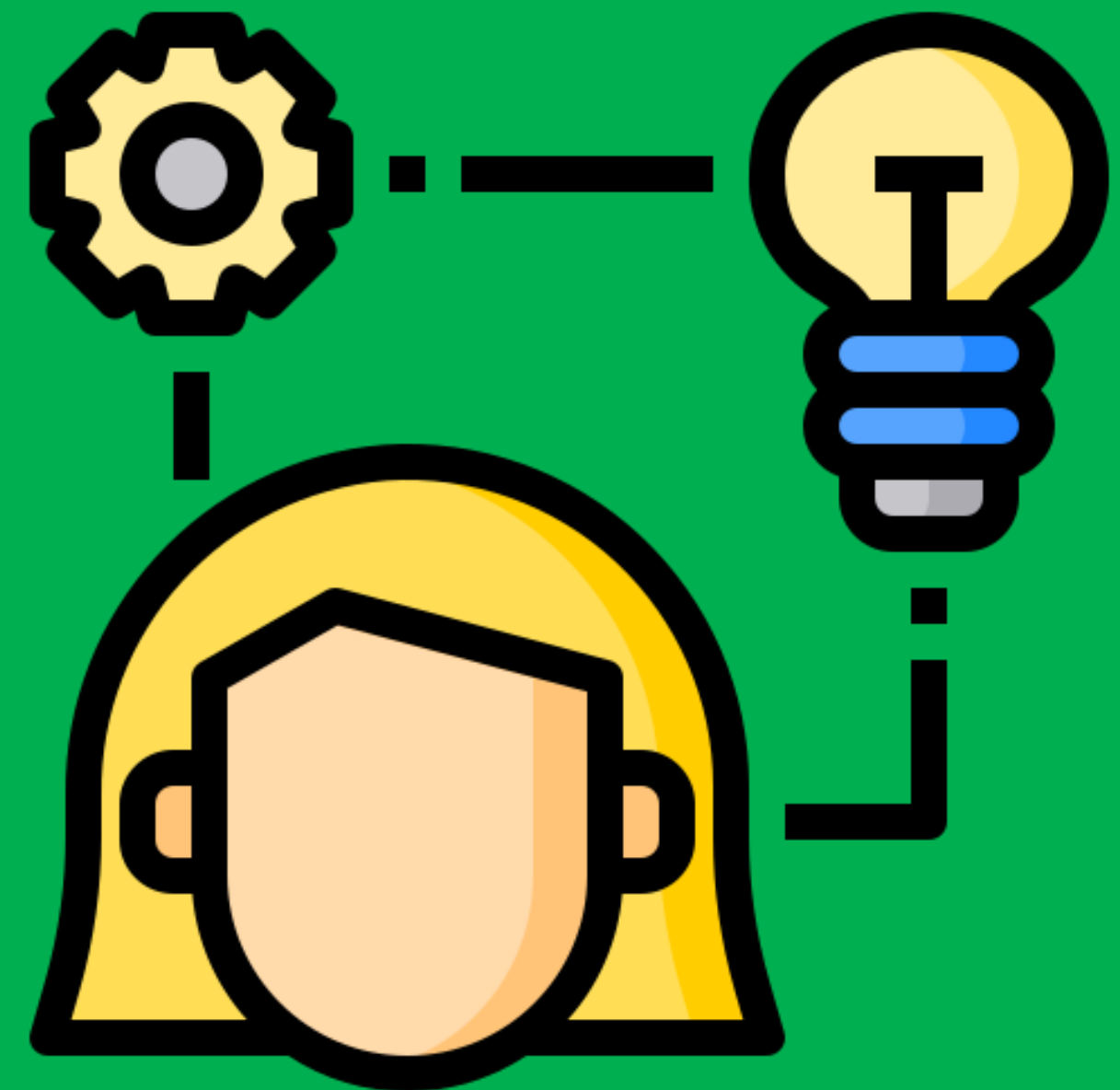
Catalyst Consulting Group

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For-profit CSR vs. **Non-profit Actions**

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Important note on this report

It was the aim of the Catalyst Consulting Research Institute to provide organizations involved in the CSR, ESG, and non-profit space with an analysis of our defined trend, and best practices for strengthening the efficiency of their operations and overall impact. In the context of this report, the research conducted and the conclusions drawn suggest that the scope of the environmental service sector presents non-profits with opportunities to expand their reach, and ensure long-term viability. The strategies proposed within this paper will aid non-profits in increasing their efficiency, access to alternate sources of income to fund their activities, and help them to strengthen their marketing efforts. Implementation of the recommendations will ultimately support non-profits in continuing along their mission of fostering change within their communities.

Things to keep in mind before reading:

1 The following focuses on initiatives within the *environmental sector*

2 The report analyzes CSR efforts of individual companies, as opposed to their support of non-profits.

3 Research intends to explore what has been the catalyst for for-profit success in terms of their CSR initiatives, on the basis of customer understanding and feedback implementation, access to capital, and marketing strategies

4 The report will propose key steps non-profits can take to in order to reflect the best practices of for-profits, and in turn, execute on their value proposition with force and conviction to achieve long-run viability.

OVERVIEW

For-profit CSR vs. NPO Efforts

FOR-PROFIT

For-profits typically have an arm of their business dedicated towards Corporate Social Responsibility (CSR). Their actions intend to support their stakeholders and support communities in which they operate through various investments in philanthropic initiatives. In recent years, a conscious effort towards CSR has been deemed vital for success as consumers have shifted to “conscious consumerism”. Diligent commitment to CSR leads to trust and rapport within the market place, and can be a catalyst for brand recognition and loyalty.

NON-PROFIT

Non-profit efforts are completely focused on communal well-being, notably with a lack of any additional agendas (for e.g. increasing revenues, strengthening market position, etc.). In this regard, 100% of their resources are allocated to initiatives that span a variety of sectors, including youth homelessness, impoverishment among developing nations and as is the focus of this paper, the environment.

84%

of customers surveyed noted that **a company’s poor environmental position** would **deter them from purchasing** from the company.

Measuring Success

To understand the scale of the impact created by for-profits and non-profits, success is measured against several Key Performance Indicators (KPIs). Figure 1 summarizes the KPIs and provides a brief explanation.

Trend Identification

Through a market-driven analysis of the Environmental, Social, and Corporate Governance (ESG) sector, our team has identified the following trend:

For-profit companies have been able to execute on corporate social responsibility initiatives in a manner that exceeds the reach of, and value-created from non-profit activities.

Trend Significance

The inability to implement and understand donor feedback/ purchasing behaviour, and procure adequate funding and compensation, has brought the long-term sustenance of non-profits into question.

50%

of the non-profits in the United States only **had 3-months** worth of **liquid capital** on hand

Wall Street Journal, 2018

Analyzing the scale, operations, execution and impact of CSR initiatives driven by for-profits, will allow non-profits to leverage off of the key factors that drive the formers’ success, and ultimately, allow them to enjoy a high-level of operational efficiency. This is important because the sole focus of the social institution(s) is to benefit the communities they serve - a systematic and comprehensive analysis will enable them to do so with a high level of impact.

FIGURE 1

| KEY PERFORMANCE INDICATOR | DESCRIPTION |
|---|---|
| Financial and Non-financial ROIs/gains | Assessing the merits of: (1) corporate initiatives - revenue inflows, success of marketing campaigns, and (2) NPO initiatives - including, donations and grants received, among others. |
| Scale of Impact (e.g., trees planted → carbon neutrality, etc.) | Provides insight into the extent of the social change, in terms of both quantitative and qualitative data results. |

CORPORATE ADVANTAGES

Why Do For-Profits Succeed?

ADVANTAGE 1 –

ACCESS TO CAPITAL

Corporations sell goods and services, generating profits that can be reinvested into the company for initiatives such as corporate social responsibility programs. In contrast, non-profits rely on earned income (i.e. revenues generated from services, tickets to performances or selling merchandise related to the organizations charitable purpose, etc.), individual donations, and grants. Having access to sufficient amounts of capital is vital to success. It could mean more employees, greater investment into marketing, and larger scale events with greater ROI. The bottom line? While for profit organizations are able to generate strong revenues via robust core business operations of which they allocate a portion to CSR initiatives, many non-profits struggle with access to capital and funding



Photo via One Tree Planted, Indonesia, 2020

144

Since 1970, more than **200,000** non-profits have opened in the U.S., but only **144** of them have reached **\$50 million** in annual revenue

Stanford Social Innovation Review

CASE STUDY: TEN TREE VS. ONE TREE PLANTED

In comparing [Ten Tree](#) (for-profit) with [One Tree Planted](#) (an NPO) , both organizations with a focus on global reforestation and environmental stewardship, it was found that the former had \$28.3 million (USD) in revenue vs. One Tree Planted’s \$5 million in revenue, in 2019. Utilizing the KPIs mentioned previously, Ten Tree planted +11 million trees in comparison to One Tree Planted who planted +4 million trees in 2019. As evident, Ten Tree has a significantly larger amount of revenue compared to One Tree Planted, this revenue is likely a significant contributor in their ability to make a larger impact on their mission as in 2019, Ten Tree planted over 11 million trees in comparison to One Tree Planted who planted just over 4 million trees. Ten Tree is likely able to use this large amount of revenue towards improving efficiency through hiring more employees and obtaining more resources, improving marketing to gain brand awareness and scaling overall growth which in turn allows them to have a greater impact.

CORPORATE ADVANTAGES

Why Do For-Profits Succeed?

ADVANTAGE 2 –
**LEVERAGE
FEEDBACK**

2

For-profit companies have an extremely thorough understanding of their customers, thanks to a heavy emphasis put on market research and customer feedback. Through the collection of data on customers, companies are able to determine the exact needs of their customers, as well as their wants and preferences. This is part of the reason companies initially turned to corporate social responsibility initiatives – because they understood that a growing number of their customers were actively caring about social and environmental impact.



Example: Sourcing of Coffee

The sourcing of coffee, a drink that individuals consume daily, has been something that companies such as Nestle and Starbucks have come under fire for. Consumers have, and continue to voice their concerns regarding the ethics and sustainability surrounding the sourcing of coffee, and want to ensure that their drinks are brewed using beans free from pesticides, and were harvested by an employee earning a living wage. This feedback from customers prompted action, and Starbucks specifically has made a promise to work towards ethically and sustainably sourcing 100% of their coffee, tea, and cocoa products.

Left: Agronomist Carlos Mario Rodriguez visits with neighborhood farmers to talk about donated seeds and the future of sustainable coffee ear Hacienda Alsacia, Starbucks' coffee farm in Costa Rica on February 27, 2018 . Photo by Luanne Dietz

While non-profits are able to effectively understand the needs of their customers, some struggle to understand the preferences and distinct experiences of the individuals and communities they work to help. A majority of the respondents to the Stanford Social Innovation Review cited that the two main reasons that feedback systems were not being implemented were:

- 1 Lack of staff capacity
- 2 Lack of resources

These systems can prove to be “complicated” and “costly”. This puts the non-profit organizations at a disadvantage in comparison to the for-profit companies, who typically have a higher degree of disposable resources.

88%

of 1,986 respondents reported that **“gathering feedback”** was one of their priorities in measuring impact but that “only **13%** were using it as a top source of insight for improving services”.

Stanford Social Innovation Review, 2018

CORPORATE ADVANTAGES

Why Do For-Profits Succeed?

ADVANTAGE 3 –

REACH & MARKETING STRATEGIES

3

The most visible advantage companies have is their reach, and strategic marketing initiatives. For-profits typically have a larger reach thanks to influencers, partnerships or high profile initiatives. Many businesses have an established social media presence before the introduction of their CSR initiatives, allowing them direct access to the feeds and homepages of their current, or potential customers.

There are a number of barriers preventing non-profits from effectively pursuing the same avenues including budgetary concerns and a lack of experienced marketing talent. Historically, non-profits have relied heavily on brochures, posters, direct mail and email campaigns, and sometimes fail to take full advantage of social media. Finding and retaining the right people is also a struggle for many organizations, as experienced marketing talent is hard to acquire on a smaller, or nonexistent, budget. An average volunteer may not be the most knowledgeable about the latest marketing trends.

77%

Of non-profits from those surveyed they believe that skilled volunteers could significantly improve their organization’s business practices

2017 Deloitte Impact Survey

CASE STUDY: PATAGONIA LEVERAGES CAUSE MARKETING

“Cause marketing” occurs when for-profit businesses marketing seek to both increase profits and to better society through marketing in accordance with corporate social responsibility. Patagonia has successfully integrate this strategy into their brand. In 2011, they pushed social responsibility as a core business practice upon the launch of their “Don’t Buy This Jacket” campaign in response to other brands typically promoting new purchases on Black Friday. This helped to increase their revenues by 30% in 2011. Outdoor clothing and equipment company REI has also consistently run a successful Black Friday campaign rooted in cause marketing. In addition, they have also launched the #OptOutside campaign which features a montage of friends and families exploring the wilderness, promoting REI’s customers to get outdoors as they close their stores for Black Friday to discourage overconsumption. Their anti-Black Friday ad has done well gaining attention on social media, and Fast Company, a monthly American business magazine, reported that “in 2015, #OptOutside attracted more than 1.4 million people and 170 outdoor companies, non-profits, and organizations to participate, and over the last three years that’s grown to 15 million people and 700 organizations.”



RECOMMENDATIONS

Recommendation 1:

Develop effective strategies to obtain funding, increase access to capital and enhance financial position for non-profits.

- 1

DEVELOP FUNDING IN ONE CONCENTRATED SOURCE RATHER THAN ACROSS DIVERSE SOURCES:

Studies have shown that non-profit’s who have achieved significant growth and impact actually focus on **one type of funding source..** When choosing this major source of funding, it is important to secure multiple streams of funding within the same type of funding source, for instance, if a non-profit chooses to focus on corporate donations as the main source of funding, they would not solely rely on corporate donations, but also focus on in-kind corporate donations.

→

RESULT: NPOS funding efforts will heavily concentrate on generating the most amounts of funding from one source rather than less significant amounts from a diverse range of sources.
- 2

FIND A FUNDING SOURCE THAT IS A NATURAL MATCH TO THE NPO’S MISSION:

It is important to find matches between the non-profit and funding sources, ensuring these sources are a natural match with the organization. Many of the significant funding sources have specific funding interests, meaning that they are more likely to provide funding to specific types of organizations based on how their values align with the organization’s mission. Figure 2 provides examples of types of NPOs funding sources and who they cater to.
- 3

BUILD A PROFESSIONAL ORGANIZATION AROUND THIS FUNDING MODEL:

Once the previous steps are implemented, it is imperative to build the organization around this funding model and invest significant amounts of time and money to attract the right types of funding. For instance, this can be done through hiring employees/volunteers who excel at grant writing and increase focus on hiring volunteers who are efficient at obtaining donations.

FIGURE 2

| SOURCE | AREAS OF SUPPORT/ TYPES OF NPOs CATERED TO |
|--------------|--|
| Government | Generally, provides for needs that easily fall within a particular government agency’s set of responsibilities as well as low income needs. <ul style="list-style-type: none">• Federal agencies: medical research, food, and foreign affairs.• State and local governments: human services, employment development, and education organizations. |
| Service Fees | The following services can typically benefit from service fees: <ul style="list-style-type: none">• Community health clinics• Student loan providers• Employment agencies for the disabled |
| Corporations | Each corporation has varying CSR goals and will provide support based on their short and long time priorities. Most funding is through in-kind donations, not cash. |
| Individuals | Tend to support organizations with a mission to benefit for future of society or provide more personal and immediate benefits . Note that individuals are more compelled to donate to organizations that have a clear and basic message that directly aligns with their values and is simple and easy to donate to. |
| Foundations | Foundations become dominant funders only when sufficient funding is lacking in solving a large scale problem. Foundations seem to be more focused on their traditional role of starting new programs rather than supporting them at scale. |



RECOMMENDATIONS

Recommendation 2:

Acquire volunteers or co-op employees from high schools and universities to help implement customer feedback.

It has been established that the two biggest barriers preventing non-profits from implementing customer feedback are a lack of resources and staff. The previous recommendation establishes how non-profits can work to secure additional capital in order to run their activities, and in order for organizations to acquire new, efficient employees, one also recommends hiring volunteers, or employees, through high schools and university programs. This is the perfect target demographic for non-profits to recruit from due to the following reasons:

- 1** High school students are incentivized to reach 40 hours of community service
- 2** University students are eager for new experiences to build professional skills

While this demographic may lack traditional industry experience, youth are extremely tech-savvy and typically on the pulse of new trends, which can offer new perspectives to non-profits, and aid them in the implementation of customer feedback.

Recommendation 3:

Adopt a stronger use of social media marketing and include calls-to-actions within posts.

As we move further into the 21st century, we recommend that non-profits take full advantage of social media marketing, as a low-cost and direct way to reach their customers. Through social media, organizations have the ability to reach thousands, even millions of people in interactive ways. Some ways NPOs can do this include:

VIRAL MARKETING
A strategy that uses an existing platform to promote products, services, or initiatives. It focuses on a spread of information to customers through customers, much like word of mouth marketing. NPOs and other social media users alike can leverage this technique to authentically connect with an audience base with similar interests based on available algorithms.

CREATION OF COMPELLING AND ENGAGING CONTENT
When creating content to be featured on social media or through other promotional mediums, it is important to create compelling and engaging content, such as videos of events and initiatives, behind the scenes videos, specific campaigns, the use of hashtags, Instagram/Twitter/Facebook Stories and including a call to action in the posts. This type of content is much more likely to generate more awareness and allow the NPO to directly connect with their desired audience

LEVERAGE STORYTELLING
The use of storytelling and playing into customer emotions are marketing strategies that are likely to be very effective as an appeal to emotions using storytelling and/or factual based data compels the viewer to support the cause.

HIRE MARKETING/SOCIAL MEDIA INTERNS AS PER RECOMMENDATION 2
Hiring marketing/social media interns from post secondary programs is a cost effective method and is likely to be effective as students have high demand for internship positions and are more aware of new marketing trends



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