Shallow Review of Corporate Fundraising

This shallow review focuses on an area of corporate fundraising that has been judged to have the highest expected fundraising returns based on previous conversations CS staff have had with fundraising experts. This area is corporate sponsorship of a charity's activities. Corporate sponsorship is a form of advertising in which companies pay to be associated with certain events. When the sponsorship of a nonprofit or charitable event is involved, the sponsorship activity is often referred to as event marketing or cause marketing [1]. There does not seem to be a clear distinction between donations and sponsorship; rather, these terms exist on a continuum. Even the Canadian Tax Acts fail to define corporate sponsorship [2] . The motivations for corporations to sponsor nonprofits may vary, but are likely to include increasing brand image, improving sales and improving employee satisfaction [3].Note that these estimates are based largely on my subjective sense of the asking price of sponsorships for similar charitable activities.

In total, corporations will spend about 10% of their sponsorship budget on charities, which equates to ~$2 billion on the sponsorship of nonprofits [4]. Email exchanges with GuideStar and Charity Navigator suggest that hard data on the frequency of corporate sponsorship of charities is difficult to find. My opinion is that corporate sponsorship is fairly common, most charities have engaged in it at some point, and almost all have considered it.

~60% of large Canadian corporations and ~15% of small Canadian businesses offer sponsorships to charities [5]. In these sponsorships, the large corporations give ~$500,000 and

a small corporations give ~$4000 [6]. Note here that a large corporation refers to a corporation that has >$25 million in revenue, and that these sponsorship figures do not show how much is spent on each individual sponsorship, but rather how much is spent on all sponsorships. Only 20-25% of sponsorships go towards international aid, and only 75-97% of sponsorships were in cash [5]. Multiplying through by these numbers gives the estimate that only 2-4% of small corporations and 9-16% of large corporations would be willing to sponsor us. My prior is that there is a very low probability that a large corporation would sponsor a small nonprofit like CS, so I would adjust this figure to include only 3%-10% of large corporations. These numbers indicate that it would be difficult to find sponsors, and match my intuition that the easiest way to gain sponsorship would be to leverage existing relationships.

Regarding how high the sponsorship fee should be, there is no precise formula to determine an asking price. One way suggested is to calculate the cost of the event and double it [7]. Alternatively, we could do a quick back of the envelope calculation using:

- ❖ That our web site receives 84000 visitors per year [8].
- ❖ The average advertising payments are $3.10 per 1000 impressions [9].
- ❖ The prediction that Charity Science events double in size in the coming year and using rather subjective estimate that the walk reaches ~2000 people, Living on Less reaches ~2000 people and then CS conference interactions reach another ~4000 people for a total of ~8000 people.
- ❖ A plausible estimate that these impressions are ten times the quality of impression of an average internet impression.
- ❖ A sponsorship fee of a charity should at least be double a normal advertising fee [10].

This calculation produces a total asking price of ~$2000 for a sponsorship of all CS activities. This price would include displaying advertising on the website, advertising on web pages involved with Living on Less and some form of physical advertising at the CS walk and conference appearances. I would treat ~$2000 as a lower bound. We should pitch our asking price to however much a potential sponsor would be willing to pay. If we skilfully market ourselves, I can imagine situations where each individual event may be sponsored for a significant amount. My estimates for such values are:

	LOW	MID	HIGH
CS Walk	$250	$1600	$3000
Living on Less	$250	$1125	$2000
Conference Attendance	$100	$550	$1000
Website	$250	$875	$1500
Total	$850	$4175	$7500

In terms of resources spent to achieve these sponsorship deals, I feel that it will probably take 10-50 hours to write up a high quality sponsorship proposal, and an similar amount of time (10-100 hours) to determine and contact possible clients. This best outline that I came across for the whole process was written by Kym Oberauer [11]. Within our sponsorship proposal, we would have to outline and justify what the sponsorship money would be used for. We should also put a lot of emphasis on what the sponsorship will be able to give to the corporation [11]. This information would include which demographics their brand would reach through the sponsorship and what the positive consequences of the halo effect could be. It will also be useful to offer different levels of sponsorship. One charity walk that likely had more participants than our own had sponsorship levels ranging from $250-$2000 [12]. A sponsorship matrix is a generally used and recommended way of going about setting these different sponsorship levels, see [13] for an example. We are probably better off seeking one major sponsor than several minor ones [7]. Determining and approaching different sponsors would involve looking through local directories, performing internet searches, approaching local businesses in person, initiating contact over email and phone, and likely arranging an in person meeting. Based on these expected time costs and my estimate of the expected value of sponsorship, it is not going to be worth the time to attempt to find a sponsorship for our conference attendance or website. It might be a good strategy to keep these items in reserve to be used as further encouragement for a potential sponsor of the CS walk or Living on Less.

According to my estimates, attempting to find sponsors for the CS walk or Living on Less would result in the following figures:

Expected Value:	Resources Spent:	Fundraising Ratio:
Low: $210	Low: $400	Low: 0.7
Mid: $1375	Mid: $1700	Mid: 0.6
High: $1800	High: $3000	High: 4.7

Obviously, there is a large amount of uncertainty involved in these estimates as they have been based largely upon subjective reasoning. However, I highly doubt that this uncertainty will result in estimates being off by an order of magnitude. Based on this analysis, I don't feel like corporate sponsorship is a promising avenue to pursue, especially as the upper bound of my estimate is only $7500 moved to top charities. I feel that until we have an audience that is an order of magnitude larger, the expected value of corporate sponsorship may simply be too low to make it worthwhile. As such, I feel that we should explore other fundraising avenues as a priority, as these options seem likely to result in helping more people. As always though, if the opportunity were to present itself and a well suited sponsor became known, CS would gladly accept the offer.

This also seems like it is a relatively low skill job, so it may be a good area to use a non-EA staff member since we are doing these events anyway. Note that in the calculated fundraising ratio, the costs have been based upon a $20 per hour salary for EA staff. If their salary was reduced to the $12 hour wage of a non-EA staff member, than the median fundraising ratio would approach $3 for every $1 spent. I think that the best experiment we could do would be to let this staff member do their best to try and secure a sponsorship while recording data.

This data should focus on answering the following questions:

- ❖ How much time does it take to secure a corporate sponsor?
- ❖ How many businesses are interested in sponsoring CS activities?
- ❖ What type of business is interested in sponsoring CS events?
- ❖ What is the expected value of a corporate sponsor?
- ❖ Are some events much more appealing to corporate sponsors than others?
- ❖ What is the best way to make contact with and approach potential sponsors?

The fundraising ratio for corporate sponsorship will dramatically improve as our donor base and audience size increase. This indicates that corporate sponsorship would be a very promising area to return to in the future once these increases have occurred. It is also worth bearing in mind how our audience might react to potential sponsors and sponsorship methods. If there is a clear clash in values or the sponsorship is done in a distasteful way, it is possible that donors and audience members will react negatively. See [14] for some examples.

References

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