

Partnering Small Enterprises and Local Nonprofits to Help Sustain Local Economies and Reduce the Spread of COVID-19

Patricia Farrell Donahue 

A lesson learned from decades of research is that businesses and nonprofits can form private partnerships to serve the public good. One such partnership is a cause-related marketing campaign, where a business donates a portion of its sales to a nonprofit to address a social need. To help counter the devastating health and economic impact of COVID-19, this article briefly describes how small enterprise and nonprofit partnerships might implement local cause-related marketing campaigns focused on sustaining economic activity and slowing the spread of the pandemic. Successful campaigns may also enhance community self-reliance and reduce health inequities. Public policies and programs could encourage these private partnerships.

KEY WORDS: cause-related marketing, community, COVID-19, development, nonprofit, small businesses

Introduction

In just over six months, COVID-19 spread from China to 188 countries, resulting in nearly 13 million confirmed cases, and over 566,000 deaths worldwide (Center for Systems Science and Engineering [CSSE], 2020). In response to this global pandemic, many countries or smaller jurisdictions have implemented partial or complete shutdowns of nonessential economic activity. Early estimates predict that protracted partial shutdowns could reduce the level of gross domestic product by over 20 percent in many advanced economies. To mitigate the economic impact of this pandemic, international, national, and subnational agencies are offering a wide variety of financial and technical assistance to key stakeholders in the public and private sectors (Organisation for Economic Co-operation and Development [OECD], 2020a, 2020b).

In addition to the laudable public-private partnership model, research has also shown that businesses and nonprofits¹ can form private partnerships to help serve the public good during a crisis. For instance, businesses might work with nonprofits to improve social well-being through philanthropic donations, workforce volunteering, and other socially responsible activities (Kotler, Hessekiel, & Lee, 2012). One type of partnership is called cause-related marketing (CRM), where a business donates a portion of its sales to a nonprofit partner to help it

address a social need, such as health care or food insecurity. In return, the business benefits from being publicly associated with a good cause in promotional materials (Thomas, Kureshi, & Vatawala, 2019; Varadarajan & Menon, 1988). This article briefly describes how micro, small, and medium for-profit enterprises (MSMEs)² might partner with local nonprofits, and other entities serving the public good, to implement community-based CRM campaigns to help sustain economic activity, slow the spread of COVID-19, and reduce health inequities.³

Background

The basic steps in a CRM campaign are (i) a firm and a nonprofit form a partnership to address a public need or cause; (ii) they formally agree on the campaign's elements, such their respective responsibilities, the scope of the firm's sales included in the campaign (e.g., all sales, certain brands or products), and the percent of sales revenues to be donated to the nonprofit; (iii) they jointly implement the campaign for a specific time frame; and (iv) the nonprofit spends the donation addressing the designated cause. One or both partners promote the campaign to the target consumers, and update the public on its progress and use of the donations (Lafferty, Lueth, & McCafferty, 2016; Thomas et al., 2019; Varadarajan & Menon, 1988).

The objectives of a CRM campaign are to produce financial rewards for the partners (sales revenues for the firm and donations for the nonprofit) and social rewards for the public. A successful campaign can also yield significant secondary benefits for the partners, such as enhancing their reputations, increasing their participant base, and/or enhancing their management capacity (Lafferty et al., 2016; Thomas et al., 2019). On the contrary, participating in a campaign also poses risks to the firm and/or the nonprofit, such as straining limited resources, undermining their principal mission, and/or hurting their reputation (Runté, Basil, & Deshpande, 2009; Russo & Tencati, 2009; Schiller & Almog-Bar, 2013).

One of the earliest CRM campaigns, in the United States during the 1960s, illustrates a basic small-scale campaign. In this case, a local pharmacy partnered with a neighborhood nonprofit in a four-year campaign to raise funds for youth recreation. The nonprofit collected the pharmacy's register receipts from neighborhood customers and returned them to the pharmacy, which then donated 2 percent of the value of collected receipts to the nonprofit. The nonprofit used the donations to purchase recreational equipment for a local public park (Donahue, 2017).

Over the decades, there has been a dramatic rise in the use of CRM in numerous advanced and emerging economies. For example, by 2014, CRM accounted for nearly \$2 billion in U.S. corporate spending. Much of the CRM research literature describes large campaigns sponsored by partnerships between national corporations, such as credit card companies, food manufacturers, online retailers, and national or regional nonprofits (Lafferty et al., 2016; Thomas et al., 2019).

Recent research suggests that CRM is becoming more diverse, such as its use by MSMEs or in developing and emerging economies, and having diverse goals, such as promoting health care or reducing the risk of a disaster (Aliperti, Rizzi, & Frey, 2018; Kumar, Singh, Pereira, & Leonidou, 2020; Russo & Tencati, 2009).

Discussion

In 2011, there were over 400 million formal and informal MSMEs operating around the world, and over 350 million operating in developing economies. Research suggests that, in many countries, they are a major source of employment and help to drive economic growth (Stein, Ardic, & Hommes, 2013). Another significant part of many national economies is the nonprofit sector, often contributing to over 3 percent of the gross national product, and over 40 percent of the economic value coming from the health and social service sectors (United Nations, 2018). Given the severe health and economic impact from the COVID-19 pandemic, MSMEs and nonprofits have a vested interest in working to help sustain the local economy, such as safeguarding the health of employees, customers, and volunteers (Katz et al., 2018; OECD, 2020a). Partnering in a CRM campaign is one strategy that they could use to strengthen local economic and health infrastructures.

One illustrative example of a health-care cause that a local CRM campaign could address would be handwashing. According to a WHO-UNICEF program, hand hygiene is critical to preventing the spread of COVID-19. Yet, according to estimates from 2016 and 2017, about three billion people worldwide do not have soap and water at home. Within some countries there are large inequalities in hygiene services, with many homes, schools, and/or health-care facilities lacking indoor water and soap (Joint Monitoring Programme for Water Supply, Sanitation and Hygiene [JMP], 2020). CRM campaigns that provided more water and supplies to those in need of hygiene services can help to reduce the spread of infectious diseases, like COVID-19, and mitigate existing health inequities attributed to wealth. Of course, the extent of these impacts would depend on several factors, such as the size, location, and effectiveness of the campaigns.

Essential MSMEs conducting in-person and/or online transactions with customers, such as food vendors, pharmacies, or supply stores, could partner with a local nonprofit or community-based organization serving the public good, such as a local association, cooperative, or club. The MSME and the nonprofit would agree that a certain percent of the firm's sales, over a specified period, would be donated to the nonprofit. The nonprofit could use the donations to purchase and distribute water, soap, or other handwashing supplies to needy residents. Alternatively, the nonprofit could recirculate the donations through the local economy by using a portion of the donations to issue microloans or grants to small disadvantaged enterprises to make and sell soap, face coverings, and other hygienic supplies. CRM hygiene-focused campaigns that also provide income for the hygienic-supply workers would help them continue to purchase food, medicine, and/or housing,

further reducing the spread of disease and mitigating existing health inequities due to wealth.

A common finding from CRM research is that successful campaigns have several common attributes, such as a formal agreement between the partners detailing the terms and respective responsibilities; a clear link between the cause and the MSME's goods or services; and clear goals, expectations, and measurable results that are publicly reported. Moreover, they have a sufficient balance of trust, respect, and equity among the MSME, the nonprofit, customers, and beneficiaries (e.g., Schiller & Almog-Bar, 2013; Thomas et al., 2019; Varadarajan & Menon, 1988).

Conclusions and Policy Implications

MSMEs and nonprofits have a vested interest and critical roles to play in sustaining local economies and mitigating the COVID-19 pandemic during whole or partial shutdowns. CRM is one of the strategies that they could deploy to strengthen their local economy and health care during this ongoing crisis. A successful campaign could produce a form of mutual financial aid between the MSME and local nonprofit. It may also enhance a community's self-reliance because implementing a campaign does not require the involvement of public agencies or other types of outside institutions. Last, an inclusive and successful campaign could reduce some of the health inequities experienced by poor vulnerable groups by empowering them as employees, customers, volunteers, or beneficiaries in this community-based response.

Sponsoring a CRM campaign is a private policy decision made between a MSME and a nonprofit to raise funds to help address a community cause or need through commercial transactions. One of the broader policy implications is whether public agencies and/or larger private institutions, such as business associations or nongovernment organizations (NGOs), could develop programs or policies to educate MSMEs and nonprofits about CRM, and help them find and implement these partnerships.

Limitations and Bias

Even though the published research describes CRM campaigns implemented in numerous countries, much of this literature focuses on national campaigns conducted in the United States through large corporations and national nonprofits. The applicability of these reported findings to the implementation of community-based CRM campaigns in other cultures will surely vary. There are few examples, standards, or metrics to guide MSMEs and local nonprofits in implementing and/or assessing their CRM campaign. Last, a CRM campaign could perpetuate existing health inequities if its outputs intentionally benefit only a favored group, and neglect other deserving beneficiaries (e.g., Russo & Tencati, 2009; Schiller & Almog-Bar, 2013; Thomas et al., 2019). One way CRM campaign partners can mitigate such risks is by reporting progress and use of donations to the wider public on a regular basis. This type of campaign visibility and transparency can

enhance public awareness and accountability of the campaign implementation and outcomes (Lafferty et al., 2016; Thomas et al., 2019; Varadarajan & Menon, 1988).

Patricia Farrell Donahue, PhD, owner of Public Policy Research, LLC, and a policy fellow at George Mason University, conducts research exploring participation and its recursive relationship with political, economic, and social structures in different communities.

Notes

Conflicts of interest: None declared.

Corresponding author: Patricia Farrell Donahue, pdonahue@gmu.edu

1. Nonprofits are private organizations where willing participants work to address identified gaps in the delivery of public goods or services. Nonprofits, and other entities with similar purposes, can vary significantly in size and form, from large incorporated charities to small community-based groups (United Nations, 2018).
2. In general, microenterprises have fewer than five employees, small enterprises have fewer than 50 employees, and medium enterprises employ fewer than 250 employees. Formal enterprises are registered with a public agency or tax authority, whereas informal entities are not (Stein, Ardic, & Hommes, 2013).
3. Health inequities refer to avoidable or remediable differences in the health of groups of people stemming from a failure to avoid or overcome inequalities that infringe on fairness and human rights norms (World Health Organization [WHO], 2020).

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