

The Rise of the E-Giving Mall:

Cause-related marketing has come to the Web, with a spate of shop-for-charity sites aggressively vying for customers

By Susan Compo

That shiny new espresso maker you coveted for Christmas never turned up under the tree. So you contemplate pointing your car in the direction of the nearest Big Box superstore before feeling a pang of remorse: People have real needs and you're stuck on designer coffee!

Don't despair. Now you can have your coffee and do good too—all in your Lands' End pajamas (which themselves can benefit your favorite nonprofit).

Welcome to the world of shop-for-charity Web malls. The latest take on cause-related marketing, it's what the first such site, iGive.com, calls "virtuous shopping." Online retailers pay a sales commission to an e-mall operator every time an item is sold through a link to the retailer's Web site, and all or part of that commission is then passed on to a nonprofit.

The way the process works varies from mall to mall, but essentially the free service enables a shopper to choose a nonprofit organization (usually from a pre-determined list) and then proceed to order from a variety of merchants featured at the site. A portion of what the consumer spends—anywhere from 2% to 30%—is forwarded to the shopper's charity of choice.

There's usually a mechanism that allows individual shoppers and/or nonprofits to apply for inclusion. A number of mall portals, such as 4Charity, will deal the consumer a "default" charity selected at random from its database if the shopper fails to designate a specific nonprofit as beneficiary.

For the most part, listed retailers are familiar names. CharityMall, for example, includes Amazon.com, reel.com, J Crew, K-Tel, art.com, BabyCenter and about 100 other well-established online merchants. Charities featured at the portals tend to be high-profile names as well, such as Big Brothers Big Sisters, Habitat for Humanity and the American Red Cross.

But there's definitely room for lesser-known groups to get a piece of the action at sites like Shop2Give, which lets shoppers choose a charity from the entire database of 640,000 IRS-recognized 501(c)(3) organizations, or at MyCause, whose database includes over 275,000 nonprofits.

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At GreaterGood, the process for inclusion requires that a nonprofit be nominated online. A representative from GreaterGood then contacts the nonprofit, and also apprises the person who requested that the organization be included. Other shop-for-charity sites use online application forms that nonprofit managers themselves may submit.

Once a nonprofit is listed at a site, the organization is generally required to add a link from its home page to the mall's site. In some cases, groups that don't already have an Internet presence may be offered the opportunity to have one created for them. Typically, retailers pay "affiliate commissions" for all purchases made through the portals. How much of that gets passed on to a nonprofit is up to the portal operators. CharityMall and 4Charity have a policy of forwarding 100% of the affiliate commission to nonprofits. Others, such as Charitableway, Shop2Give, and GreaterGood, pass on lesser percentages. (A chart comparing the rates of commissions that the various malls convey to participating nonprofits can be found at the 4Charity.com site.)

Some of the bigger online malls, like iGive.com, promote the fact that they are open to local groups—schools, scout troops, neighborhood associations. Currently iGive lists some 6,500 groups in its roster of designated recipients. Since opening in late 1997 (originally under the name "eyegive"), it has distributed more than \$500,000 to those groups.

iGive is unique in making its tally public. Most of the other e-giving portals decline to reveal detailed financial information, claiming that they have yet to compile accurate data, or that the figures would be subject to misinterpretation if prematurely disclosed.

Because the shop-for-charity malls are commercial enterprises, they have no legal obligation to reveal such data. Most observers believe that as the competition for participants heats up, the mall operators will be under increasing pressure to make the data public.

Like most Internet startups, the companies that run the malls are not yet showing a profit. The money they make comes through advertising or through special arrangements with the merchants featured at their sites. What they have to offer these merchants is a substantial new customer base—a phalanx of mostly upscale, Web-savvy shoppers with the potential to develop the same loyalty to a good online retailer that they already have to a good cause.

A study released last September by Craver, Matthews, Smith & Co., a consulting firm that specializes in direct marketing for nonprofits, suggests the broad extent of that customer base. The survey of 800 adults with Internet access found that while only 7% had made charitable donations online, "the potential universe of socially engaged Internet users is as large, or larger, than the direct mail universe." The direct mail donor pool was estimated at about 12 million individuals, while Americans with Internet access and a history of social engagement was estimated at 50 million.

Socially engaged donors were defined as those who had donated money or time over the previous two years to poverty, civil or human rights, animal protection, or environmental organizations. Directing such individuals to online giving sites, the study suggests, requires word of mouth, conventional advertising techniques, dedicated search engines, and solid public relations efforts. At the shop-for-charity malls, the hook is cause-related e-commerce.

The for-profit nature of these "charity dot-coms" may be troubling to some, but John Fensterwald, technology columnist for the San Jose Mercury News, points out that venture capitalists "don't hand over millions to startups out of compassion alone." The underlying business assumption, according to Fensterwald, is this: "High-tech entrepreneurs have the technologies and the know-how that most nonprofits cannot—and shouldn't try to—duplicate. The charity dot-coms will make money only by cutting nonprofits' operating costs and increasing their donations."

In other words, the commercial sites can turn a profit only if they're able to generate substantial revenue for nonprofits. They must demonstrate that they can produce higher returns for charities than those same charities have been getting out of conventional vehicles for raising money, such as direct mail. As Fensterwald sees it, "A charity portal like Charitableway, with brand recognition and marketing, can give unmatched visibility for small and medium-size nonprofits."

As the number of e-giving malls has grown, so has the battle for participants. Lured by the prospect of new, cost-free revenue streams, many groups assume that the process is effortless—an impression that the sites' own rhetoric does little to discourage. Charitableway.com, for example, stresses that "nonprofit organizations can attract new donors without any additional fundraising costs." Says the Schoolpop home page, "It's easy, fast and effective." And Webstore America touts its "simple and effective fundraising solutions...for everyone."

But professional fundraisers at many organizations remain wary. They note that what a group gets out of a site is proportional to what it puts in. Since commissions are fractional, it takes many sales to produce a sizable chunk of money. Without concerted efforts to promote a site among constituents and the general public, the rewards are likely to be scant. Smaller groups with limited resources may conclude that their time and energies are better spent on more traditional fundraising methods.

Another factor to consider is the risk of alienating supporters by subjecting them to too much advertising. The member agreement between organizations and iGive, for example, indicates that they may see ads from “paying advertisers who wish to reach the member for the purpose of showing the member ads or selling merchandise.”

The prospect of being on the receiving end of ads can be a disincentive for some nonprofits. “I wasn’t sure I wanted our donors deluged with advertisements simply because they chose us to benefit from their purchases,” says Helen Anderson, who represents a Los Angeles-area anti-hunger group. After researching the options, Anderson decided to go with MyCause.com “because we didn’t have to register, the site was easy to use—and we weren’t bugged by advertising.” So far, Anderson says, she’s been satisfied, especially with the “very prompt” response she got from MyCause regarding an error in their initial posting about her group.

“I’d noticed that the site listed our annual revenue at \$1 million when in fact it’s closer to \$4 million,” she says. “I e-mailed the change to MyCause and they corrected it overnight.” Anderson also likes the extra services that MyCause provides, including “the fact that we were able to list our book recommendations with them.”

For those who still prefer to shop till they drop the old-fashioned way, consider Westfield Works Wonders. For a \$5 ticket, \$1 of which is passed on to participating charities, shoppers in Connecticut are admitted to a real live mall for an after-hours buying spree.

Just remember where you parked. So far no one has come up with a way to bookmark a car.

Benefactory Outlets

www.CharityMall.com - Consumers shop from over 100 online merchants by clicking on the merchants' logos. The company says that it sends "100% of retailer's standard affiliate commissions to a member's chosen charity." Commissions range from 3% to 30% of the purchase price. Organizations receive quarterly payments and are encouraged to link CharityMall to their own Web site, although groups without an Internet presence may still participate.

www.CharityWeb.com - A breadbasket logo denotes this site, which promotes "peace, life and love." Nonprofits are added based on a review of their Web sites and a check of their charitable status. Participating retailers include eToys.com and Dell Computer; participating charities include Friends of the National Arboretum and Sustainable Harvest International. For a fee, CharityWeb.com will set up a merchant credit card for online processing and real-time authorization, which is then linked to the nonprofit's Web site.

www.4Charity.com - Begun as a nonprofit project by a group of Stanford MBA students, 4Charity went for-profit in order to stay competitive and still do good works. The site now includes over 140 online merchants. There's a built-in, random default charity, and visitors have to register before they can change it. "Prompts" point visitors to the site's best deals. 100% of the affiliate commission paid by a merchant is passed on to the registered shopper's designated charity.

www.GoodsForChange.com - A project of Working Assets, a San Francisco-based firm that specializes in selling services that help fund progressive causes, GoodsForChange donates 5% of every purchase to groups like Human Rights Watch, Friends of the Earth and Stand for Children. The virtual marketplace includes an "Ethical Shopper" section that features "socially and environmentally responsible products ranging from clothing to gifts, household goods and more."

www.GreaterGood.com - Billing itself as "the leading cause-related e-commerce company," this well-organized site rivals the mega-malls in its breadth and size. Retailers may be selected by name and also by category (Kids & Toys, School & Office, Books & Music, Home & Garden, etc.). To ensure shopper-donors' privacy, the company has created an online "Bill of Rights," and charities' names and logos are used only with the charities' permission. GreaterGood says that it will forward revenues to nonprofits within 30 days of the close of each calendar quarter, "no matter how large or

small the check.” An “open book” policy permits nonprofits to review retailer reports and fee accounting.

www.iBelong.com - Focused exclusively on creating Internet programs for affinity groups and their members, iBelong works with alumni associations, labor unions, hobbyists and similar groups. The company produces customized portal sites that provide news and information for these groups, along with a “marketplace” where members can shop online. Every time members make a purchase through the marketplace, their group receives revenue. A group can select which merchants it wants to include, and may block merchants, products, or advertising that it considers offensive or at odds with the group’s mission or philosophy.

www.iGive.com - The oldest and probably the highest-profile shop-for-charity mall, it’s one of the few sites that allows consumers to nominate their own charity, however small or regional in focus. Even grass-roots groups without 501(c)(3) status, such as neighborhood animal rescue groups, may be designated as the beneficiary. Checks are issued monthly to participating nonprofits. Special offers provide for bonuses and higher premiums to be paid out to nonprofits. iGive is comprised of 80 well-known retailers (including grocers) and the site passes on approximately 8% of the purchase price to designated nonprofits. “We are neutral on the causes we support and adamant about supporting the causes our members choose,” iGive states. “We do not, however, support causes that advocate violence, break the law or are political in nature.”

www.MyCause.com - MyCause donates between 2% and 12% of purchase price to the consumer’s cause of choice selected from a database of 275,000 organizations, or dealt by the site’s “random act of kindness” feature. The site boasts “registration-free” online shopping, and doesn’t ask for a shoppers’ credit card number or name. (The online merchants take care of that.) “Over the holidays, MyCause introduced a special gift registry, enabling a customer to create a wish list at Amazon.com. Any purchases made by friends and family resulted in a contribution to the registrant’s charity of choice.

www.Schoolpop.com - Based in Menlo Park, Calif., Schoolpop made its Web debut in 1999 and has already registered more than 12,000 schools to receive rebates through its online shopping mall. That success is largely due to a vigorous marketing campaign, underwritten by a Silicon Valley venture capital group, and to active promotion at corporate Web sites such as Cisco Systems’. Like scrip, the shopping certificates that have become a favorite fundraising tool for schools, Schoolpop’s rebates encourage parents and

others to use cooperating merchants who pass on a percentage of the purchase price to the shopper's chosen school. Schoolpop points out that now anyone with Internet access—including friends and relatives in other parts of the country—can shop online and name a local school as beneficiary.