

case study

Corporate Sponsorship for Nonprofits: The case of Reach High Texas not reaching in the right direction

by Emily Zirbes

Introduction

This case study sheds light on some of the potential problems that nonprofit organizations face in obtaining sponsorship by corporate sponsors for events as well as how mismanagement practices can lead to financial hardship. As a nonprofit organization, competing for funding from corporate donors proves to be incredibly challenging. Nonprofit organizations often rely primarily on donations of individual donors. However, those donors are typically not donating large sums of money at one time and are not stable predictors of future generated income for a nonprofit. Fritz (2015) observed that from data collected through the National Center for Charitable Statistics, donations to public charities, rather than corporate sponsorship, comprised roughly half of their overall revenue.

When nonprofit organizations rely so heavily on individual donations, the transition and risk to try and incorporate corporate contributions are substantially higher. Questions arise regarding what approach can be the most effective for a nonprofit organization in its efforts to secure corporate donors for their projects and events. This case study more specifically looks to identify both the techniques that Reach High Texas uses to try and reach their goal of corporate sponsorship as well as what nonprofits can take away from the mistakes made by Reach High Texas to ensure better future success in obtaining corporate support for their organization. Additional questions include:

- Can you treat corporate sponsors the same as you treat individual donors?
- Should the profiles of the potential corporate donors be in line with the audience of the nonprofit?
- Is there a limitation on the number of corporate donors an event should have?
- What kind of incentives can you offer as a nonprofit to corporate sponsors for their funding?
- How can you ensure that your incentives are being matched adequately to their contribution?
- What is the best practice to maintain corporate sponsorship for nonprofit events in the future?

Background

Reach High Texas acts as a mediator for immigrant families to help them settle into their new communities as quickly and smoothly as possible by providing them with new and gently used household appliances, clothing, and furniture. Inspired as an immigrant herself, Sherri Bakain, the founder of Reach High Texas, has taken pride in the last three years serving the immigrant communities in the surrounding Houston areas.

As no profit is being generated from these acts and all money that is generated goes back into the organization, Reach High Texas is classified as a nonprofit organization. Reach High Texas relies primarily on both tangible (furniture, clothing, etc.) and financial donations by individuals and other small businesses within their community. These donations go mainly to fund actions such as providing transportation services for household donations to be both picked up and delivered, the purchasing of goods to be given to immigrant families, payment of labor and drivers, trucks to be used or loaned and other miscellaneous expenses. On average for each month, transportation services account for roughly \$500 per month. Taking out the few occasional volunteers who help run a large proportion of the organization, labor accounts for two full-time employees who make \$12 per hour, amounting to a little more than \$3500 per month. Goods that cannot be obtained through donations amount to roughly \$300 - \$500 per month. Rent and utility costs also amount to \$1400 each month.

Currently, general public donations account for roughly 65% of their total funding, while corporate donations are nonexistent. Government subsidies account for approximately 35% of the revenue with \$2000.00 per month. Recent economic hardships faced by individual donors have led to individual donors donating less, on average, to Reach High Texas. This average decline of individual donations has, in consequence, reflected a decrease in the average financial resources Reach High Texas can use for its services. This recent negative trend has also contributed to Sherri wanting to consider new financial sources for generating income. The average per-donor donation value is typically higher coming from corporate sponsorship than an individual donation. Therefore, it is a goal for Reach High Texas to see an increased shift in the number of contributions stemming from a corporate donation. According to Getz and Page (2016), nonprofit firms may actually have a more challenging time obtaining commercial

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Table 1**Donation Representation for a Typical Month**

Donation	Details	Total	Receipt Contact
Furniture Donation	Dining Room Set	350	Public
Cash Donation	Direct Donation	50	Private
Children's Clothing	Miscellaneous	50	Private
Appliance Donation	Television	50	Private
Women's Clothing	Blouse x10	50	Private
Miscellaneous Item Donation	Vacuum Cleaner	20	Private
Cash Donation	Direct Donation	200	Private
Furniture Donation	Mattress x10	1000	Public
Appliance Donation	Television x2	100	Private
Cash Donation	Direct Donation	200	Private
Appliance Donation	Laptop x4	200	Private
Household Goods	Misc. Cups/Plates	20	Private
Appliance Donation	Washing Machine	40	Private
Cash Donation	Direct Donation	100	Private
Women's Clothing	Blouse x15	75	Private
Women's Clothing	Dress Shirt x35	350	Private
Men's Clothing	Dress Shirt x20	200	Private
Household Goods	Baking/Pans	60	Private
Furniture Donation	Couch/Tables	300	Private
Children's Clothing	Miscellaneous	80	Private
Children's Clothing	Miscellaneous	50	Private
Miscellaneous Item Donation	Books x30	30	Private
Household Goods	Plates/Cups	40	Private
Furniture Donation	Sofa	70	Private
Cash Donation	Direct Donation	500	Public
Furniture Donation	Kitchen Set	150	Private
Miscellaneous Item Donation	Board Game x25	125	Public

*Public denotes a company

\$4460

Roughly 65% of total funding

*Private denotes a private party

\$2000

Roughly 35% Government Support

partners than for-profit firms. This absolutely seems to be the case for Reach High Texas as potential corporate partners do not seem interested when she informally initially brought up the idea to some local businesses.

On top of the declining total financial support Reach High Texas has been receiving this year, the number of families requesting assistance from Reach High Texas has also been on the rise. This increase in the need for support also brought concern that if this negative shift is not addressed soon, there will not be enough funding to support the requesting families. As Sherri was optimistic about her chances to obtain sponsorship from a corporate partner, she committed to helping

those families in the near future by setting appointments with them so that she would be able to schedule in advance the transportation of their belongings. Furthermore, although informally Sherri got an initial bad response, to cope with the influx of required funding, Reach High Texas has decided to proactively write letters to immigrants that she had helped in the past that are now working in corporations to try and showcase the work that not only has been done but what she intends to get done, in hopes to attract more significant corporate sponsors to Reach High Texas' cause.

Approaching Sponsors

Sherri started Reach High Texas a few years after coming to Texas. After being inspired by how she and her family had been cared for by a nonprofit religious organization that also assisted new immigrants to find the things they needed to have a smooth transition after immigrating, Sherri decided to take up her own volunteer work. Unlike her example, her nonprofit is nonreligious in nature but her mission is relatively the same in that she hopes to be able to serve a larger area of the immigrant population by providing household items for free or at a substantially low price to help them get on their feet. Sherri was confident that her best bet to get corporate sponsorship was to look and see if any corporations around had any immigrants in their top executive levels that may have either been positively impacted previously by her services or those similar to Reach High Texas. Sherri's audience seemed appropriate, given her mission. However, it was the approach that seemed to fail her again as she wasn't getting responses back.

Talk is Cheap, and Resources are Costly

Over the course of two weeks, Sherri invested a lot of time re-searching the top executive teams to find if there were any recent immigrants working in corporate settings that she could appeal to for corporate sponsorship. She constructed mass emails that she sent out to each contact, explaining who she was and how they could help by contributing to Reach High Texas and the population they would be impacting. Unfortunately, her conclusion was rendered unsuccessful as she did not receive the positive responses back that she had expected from those she contacted. Many of the contacts, in fact, forwarded email addresses to the human resource department instead without a personalized response or did not respond back at all. Sherri knew she must have done something wrong but was not sure what, as this approach has worked effectively at gaining individual donors in the past. Furthermore, Sherri was now unsure if it would be possible to readjust her strategies in time to gain a corporate sponsor to help with the influx of arriving families to the Houston area.

The following chart provides a glimpse into a typical month of donations and contributions to Reach High Texas. Governmental subsidies are consistent each month at \$2000 per month; however, donations and contributions are not. The challenges of securing donations, contributions, and sponsorships faced by this nonprofit organization, similar to other nonprofit organizations, are problematic. However, in 2020, with the onset of COVID-19, Sherri saw a downturn in the amount of money given as in-kind contributions, which are typically her higher value donations. The current new safety precautions certainly made it even more challenging for both corporations and nonprofit organizations. Sherri tried to adapt by making efforts to post donation links online and changing in-person drop donations to contactless drive-through and pick-up donations. This strategy, how-

ever, has also raised the cost of transportation with each pick-up done. These struggles in finding the right funding strategies are similarly a very timely topic, especially for the Hospitality and Tourism industry. Many locations also suffered profit losses and needed to change their ways of providing services to better meet the community's needs and governmental regulatory measures.

Table 1 shows a donation representation for a typical month before COVID-19 created a downturn in individual and local business donations. 'Donation' is listed to indicate the general category of contributions, with the 'Details' column giving a better description of that particular donation. In the 'Total' column, the value of the donation is denoted, while finally the 'Receipt Contact' column indicates whether the donor was a public or private donor. 'Private' indicates that the donor was a private party, while 'Public' typically indicates a local business or company. In total in this example month, Reach High Texas raised \$4460, which is roughly 65% of what they make each month with a stable \$2000 that comes as a government subsidy each month, which equals to typically 35% of Reach High Texas' total income.

Discussion

There are several issues at hand when looking at both the sponsorship situation and the unfortunate financial outcome for Reach High Texas. Sherri could not recognize that corporate sponsors and individual donors need to be individually distinguished. She did not receive the responses that she was looking for in part due to her unstructured request for corporate sponsorship. You cannot treat corporate sponsors the same way you treat individual donors. Sherri also did not make personalized emails to each sponsor, which could persuade potential donors that Sherri did not value their contributions. Sherri's approach of reaching out to individuals within a corporation was not appropriate for the overall goal she had for corporate sponsorship. This approach works well for individual donors, but for corporate sponsorship, funding requests need to be more formal (Crompton 1993). For example, she should have made a formal request with human resources or another appropriate department to potentially have a meeting with a decision maker where Sherri could have made a formal presentation on the value of sponsorship for their target organization.

When approaching a corporate sponsor, it is essential to prepare unique selling points of why they should sponsor your organization or event. Individual donors are operationally different from those of corporate sponsors because individual donors can be appealed through philanthropic means. Corporate sponsors, on the other hand, specifically need a return investment for their sponsorship (Weppler and McCarville, 1995). As the requester, you must think about this in terms of marketing power for the corporation as opposed to the notion of goodwill and civic duty, more commonly motivating

individual donors (Mount and Niro, 1995).

For instance, considering important questions like, who is your audience, can help one rein in on better initial approaches. Considering how the corporation can utilize your audience to their advantage helps you get into the perspective of the organization that you want to solicit for corporate sponsorship. If these questions are hard to answer, it brings up the second point that asks whether you have made it clear enough for an organization to understand whether there are apparent correlations to your sponsors and your organization to be able sell why they should sponsor your organization or event. For instance, Sherri could appeal to a bank to support her event by correlating that the new immigrants that the organization is serving will require a local bank account upon arriving in Texas. This would give the bank an inherent and logical reason as to why sponsoring her could be two-fold in that they would be getting a benefit back from it.

Through branding at her event, the bank's name could be both visible and accessible, through potentially even having a representative present at the event, to send inquiries to create new partnerships with these individuals creating direct profit for the bank itself alongside the benefit of the nonprofit. The return investment, in this case, is evident and more acceptable than contacting a petroleum sales company, for instance, and trying to convince them to promote your event when there is no apparent correlation or benefit from them doing so.

The ability to successfully manage any event often lingers on the question of whether the event planner has enough funding to fund the development successfully. As in any event management scenario, securing enough sponsorship is undoubtedly crucial to the success of the event and potential future sponsorship opportunities. This is often the case, as the event's, as well as the sponsor's reputation, is often reflected by the quality level of operations for an event. Reach High Texas is a nonprofit organization that habitually relies on individual donors. As a relatively new organization, corporate sponsorship is still something that has not been approached effectively. Reach High Texas, in this case study, struggled to identify how to initiate and engage with potential corporate sponsors, making their goals of increasing overall sponsorship funding, this year, unlikely.

To stimulate class discussion, instructors can utilize an open discussion format to ask questions to engage students. For example:

- Was Sherri's scope on corporate sponsorship too broad?
- How could she have better narrowed her target audience?
- Is there a limitation on the number of corporate donors an event should have?
- What would a harmony of individual-corporate donors look like for a nonprofit organization?
- What kind of incentives can you offer as a nonprofit to corporate sponsors for their funding?
- How can you ensure that your incentives are being matched

adequately to their contribution?

- What is the best practice to maintain corporate sponsorship for nonprofit events in the future?
- What kind of practices distinguish an approach to individual versus corporate sponsorship?

Suggested Readings

- Anderson, T., Getz, D., Mykletun, R., Jaeger, K., & Dolles, H. (2013). Factors influencing grant and sponsorship revenue for festivals. *Event Management*, 17 (3), 195-212.
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Case Study Summary

Reach High Texas is a nonprofit organization based out of Houston, Texas, that sustains itself primarily through individual donors and governmental subsidies. Recent trends in the economic environment