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ADVERTISING

Novel Program Blends Charity And Marketing

By EMILY STEEL December 20, 2006; Page B1

Last spring, Chicago resident Julie Paradise used a gift certificate from Crate & Barrel to help furnish a fifth-grade classroom in South Chicago. But students didn't get a Calypso Arm Chair or any of the other upscale furniture items sold by the retailer. Instead, the kids got headphones and CD players -- bought at other stores -- aimed at boosting their reading abilities.

Ms. Paradise was one of 18,000 Crate & Barrel customers to receive gift certificates, which essentially ask customers to decide how the company should allocate charitable contributions. The program is part of a nonprofit charity called DonorsChoose. Recipients log onto DonorsChoose's Web site to pick from a list of requests submitted by teachers. Among the items requested: art supplies, microscopes and books.

Founded in 2000 by a Bronx teacher, DonorsChoose has received widespread attention for its charity efforts. Operating in 17,000 public schools in 10 states, the venture plans to extend its reach to all the nation's public schools next fall. Until recently, however, DonorsChoose focused on soliciting donations from individuals. Now the charity has persuaded some companies to use the program for their own marketing efforts.

DonorsChoose paid for the certificates sent in Crate & Barrel's spring mailing, for example, but the retailer was so pleased it plans to spend its own ad dollars on a bigger mailing in the coming months. Other companies that have sent out DonorsChoose gift certificates to customers in recent months include eBay Inc., Bank of America Corp. and Yahoo Inc.

From green-energy campaigns to the so-called (RED) brand -- backed by companies such as Gap Inc. to raise money for fighting AIDS in Africa -- corporate social responsibility is becoming a core marketing philosophy. Companies see such marketing as a way to deepen customer loyalty. In most cases, however, companies find it difficult to measure the business impact of such marketing. Using the DonorsChoose program's gift certificates makes such measurement easier.

In Crate & Barrel's case, 11% of the certificates it sent were redeemed -- a high percentage compared with the typical direct-mail redemption rate for coupons, which averages about 2%, according to NCH Marketing Services, a coupon agent based in Deerfield, Ill. And consumer research found that the program strengthened customers' ties to the retail chain.

Eighty-two percent of customers who redeemed the certificates were "very likely to consider Crate & Barrel for next home furnishings or accessories purchase" compared to 76% of a control group of customers that didn't get certificates, according to a survey conducted for Crate & Barrel afterwards. While just 21% of the control group

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perceived Crate & Barrel as community-minded, 75% of gift-certificate redeemers had that perception. More than half of the redeemers said they told someone else about Crate & Barrel giving them a gift certificate.

"Normally retailers try to engender loyalty by giving you a discount at the cash register. It is all about you buying something for yourself or your friends or family...the Crate & Barrel angle is, 'We are doing something for somebody else; how do you feel about that?'" says Ms. Paradise, who says she got thank-you letters from students who benefited from her donation. She says she'll remain a loyal Crate & Barrel customer for life.

Crate & Barrel Director of Marketing Kathy Paddor says the response to the DonorsChoose gift certificates far surpassed that of any other marketing endeavor she has worked on. Instead of hearing customers' comments about a TV spot or magazine ad, she received emotional letters from several customers.

The retailer sees the program as more than just making its customers feel good. It also sees an opportunity to distinguish itself from its rivals. In exchange for expanding its involvement in the program -- 100,000 customers will get certificates in six markets next year, paid for by Crate & Barrel -- the retailer negotiated exclusive rights to distribute the program's gift certificates in the home-furnishings industry. Crate & Barrel won't say how much it is spending on the coming mailing, but says it will account for about 3.5% of next year's advertising and marketing budget.

Other corporate participants use the program in different ways. EBay, for instance, last April sent 19,900 DonorsChoose gift certificates with an average value of \$65 to users of its Giving Works program, where users can buy items to support nonprofit organizations. The redemption rate was 20% among that group. Bank of America's Family Wealth Advisors unit is giving DonorsChoose gift certificates with an average value of \$500 to about 1,000 clients. Funds for both of those programs are coming from DonorsChoose. Yahoo, which is paying for its program, is giving \$70,000 worth of DonorsChoose gift certificates to 1,500 of its advertising clients. As their holiday gift from the company this year, 12,000 Yahoo employees could redeem \$100 DonorsChoose gift certificates.

Choosing Charities

Among the projects funded via Crate & Barrel's mailing of DonorsChoose certificates:

- "Hands-on Life Cycle," to buy a butterfly nursery and life-cycle learning center for third graders from Chicago.
- "Listen Up!" to buy portable CD players and personal stereos so students in Chicago can listen to books on CDs.



Some DonorsChoose projects seeking sponsors:

- "Kindergarten students are AUTHORS and ILLUSTRATORS!" blank hardcover books for students in Hillsborough, N.C., to write "mini-books."
- "Where Are The Squirrels?" to buy fourth-graders in Albany, N.Y., a camcorder to collect data about squirrel populations in their city.
- "Enhancing Geometry Learning with an Overhead Projector" to buy an overhead projector for a Chicago high school.
- "English Class Needs Copier" to buy a laser copier for students in Starkville, Miss.
- **A postcard that Crate & Barrel sent to recipients of DonorsChoose gift certificates.**

Getting companies involved helps DonorsChoose's own marketing efforts. Several gift-certificate recipients are spreading the word about the program to their book clubs or giving away DonorsChoose gift certificates of their own. "It is like companies are doing the work of recruiting donors for us," says DonorsChoose founder Charles Best.

Some certificate recipients have supplemented the cost of the projects with their own funding. One such donor was Kim Morton, a Crate & Barrel customer who added her own money to the value of a DonorsChoose gift certificate to fund a life-cycle science project

in a Chicago school.

"They made a very loyal customer out of me," she says. "The other companies have some really lovely things, but what have they done for Chicago public schools lately?"

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