

# Why Nonprofits Should Invest More in Advertising

by Dan Pallotta

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This weekend the main sections of the *New York Times* and the *Daily News* contained big ads for Hummer, T-Mobile, AT&T, Macy's, Bloomingdales, and a host of electronics and furniture retailers. The home page of the Huffington Post right now is running an ad for Delta Airlines. On CNN.com it's Netflix. ABCNews.com – Choice Hotels. Oprah.com – Crystal Light beverages. No ads on any of these pages for Darfur, ending AIDS, or curing breast cancer – indeed no ads for any 501 (c) 3. This is not an anomalous day. Gigantic consumer brands advertise. Gigantic causes don't.

Total annual U.S. marketing expenditures for all purposes are estimated to be about \$730 billion. A rough estimate of annual nonprofit sector marketing spending puts it at \$7.6 billion. Take away nonprofit universities, museums, and other quasi-businesses, and a liberal estimate of annual health and human service nonprofit marketing spending is \$1.9 billion – one dollar for charity, \$384 for something else. In 2005 Save the Children (one of the larger charity advertisers) spent about \$6.4 million on advertising. The Walt Disney Company – or Entertain the Children – spent about \$2.4 billion – 359 times more – about the equivalent of the difference in height between the Sears Tower and a 4 year-old child. It's a testament to the dearth of advertising in the sector that the I.R.S. Form 990 doesn't even have a specific line item for reporting it.

John Kenneth Galbraith wrote about the tragic difference in the value society gives to private goods over public goods, i.e. we value a new car for ourselves much more than we do a new park for the community. He placed much of the blame on the gigantic engines of marketing. He wrote of the “institutions of modern advertising and salesmanship,” that, “their central function is to

create desires – to bring into being wants that previously did not exist,” and that, “a broad empirical relationship exists between what is spent on production and what is spent synthesizing the desires for that production.”

Sadly, charity goes without this function with respect to the mass market; in part because of a reactionary disdain for anything that smacks of commercialism, but mostly because of public pressure to maximize short-term program spending without regard for building scale or long-term problem-solving. Donors consider paid advertising wasteful. “It’s OK if you can get advertising donated, but I don’t want my donations spent to buy advertising.” (Imagine if we told Coca-Cola it could advertise, but only if it could get the ads donated – ads that would run at 2 in the morning.) The donor prejudice is that advertising spending steals from “the cause,” so charities are loathe to do it, for fear of donor reprisal. Meanwhile, Coca-Cola, which understands the power of advertising, is spending to indoctrinate us for life.

As a result, charitable giving in the U.S. has remained constant at about 2% of GDP since we’ve been measuring it. Charity is not taking market share from the for profit sector. How can it if it is never allowed to market?

People have a natural desire to be altruistic. When that desire is stimulated, we will give more money to urgent causes – possibly much more. When it is not, we will give more money to the consumer brands that do stimulate and create desires for private goods. A disaster like Katrina received tens of millions of dollars of media equivalents in the form of 24/7 news coverage for weeks on end. Billions in donations poured in. How much would have come in if the story were never reported? Spending money to build demand for the great causes of our time is as central to those causes as direct service – maybe more central, as it is the only way nonprofits have any hope of reaching the scale of the problems they confront.

The best way to create a world that works for everyone is to start doing the same thing Apple did to create a world in which everyone wants an iPod: start building demand for the idea on a massive scale. If the *New York Times* every morning were full of ads for ending AIDS, eradicating poverty, and curing cancer, those causes might just stand a chance against Bloomingdale’s and Netflix. And make no mistake about it – that’s who the competition is.

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Dan Pallotta is an expert in nonprofit sector innovation and a pioneering social entrepreneur. He is the founder of Pallotta TeamWorks, which invented the multiday AIDSrides and Breast Cancer 3-Days. He is the president of Advertising for Humanity and the author of *Charity Case: How The Nonprofit Community Can Stand Up For Itself and Really Change the World*.

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