

# **Growing a Cannabis Business through Implementing Community Engagement and Corporate Social Responsibility Practices**

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## Can your cannabis company make a difference and increase the bottom line too?

Cannabis companies already do a lot for their communities. Real estate development, employee payroll, services, and even retail traffic (for dispensaries), and all of this is on top of the state taxes generating hundreds of millions in revenue. To say there is a lot of positive economic growth being added to any neighborhood a cannabis company is located is an understatement. And yet, everyone in the industry knows there is still an uphill battle when it comes to public perception and acceptance for any business associated with the production and distribution of marijuana. **One of the most effective means for addressing public perception is through the support of a local non-profit doing good in the community.**

Surprisingly, giving money and engaging with a non-profit organization isn't as easy as one might think. Yes, this does mean you can leave a large bag of cash anonymously on the steps of the local shelter or food bank, and it very much will do good for that organization and those that they serve. But it would also be a terrible disservice to the cannabis community to let these deeds go unknown. As the donor, you deserve the recognition within the community as much as any other supporting business. Plus, **finding an organization whose efforts align with your values, will accept cannabis funds, and will publicly acknowledge the support from the cannabis company adds extra challenges.**

The cannabis community has always been ingrained with a natural belief in the good of sharing and giving back. It's part of the culture. As the industry grows, and both brands and service providers compete for market share, many are incorporating various strategies of Corporate Social Responsibility (CSR) to appeal to both consumers and law makers alike.

Today, Corporate Social Responsibility is a global buzzword covering everything from donations to nonprofits to socially responsible supply chains, environmental impact assessments, or even carbon offsets of a company.

Originally, Corporate Social Responsibility began simply with companies "giving back" to the communities in which they did business. Giving locally, supporting employees in the work they do in their communities, and providing other financial or logistical support for local nonprofits and projects simply made good business sense. It still does.

## Benefits of Engagement

By partnering and generating donations to a local non-profit, a cannabis company can benefit by:

**Improving Public Perception** and gaining **Local Support**. Even non-customers will be pleased to learn of how a local organization doing good is a receiving beneficiary.

**Social Acceptance** – by association and endorsement from another brand persons already know and respect.

**Media Coverage** – everyone is watching to see if legalization is going to corrupt and ruin our states. Positive stories of cannabis funds helping a community get well covered.

**Employee Satisfaction and Retention** – finding qualified and productive employees is a continual task for any company. It takes time and costs a lot of money, so keeping that collective wealth of skills and expertise is always a priority. Reducing employee turnover is fundamental to the bottomline. Numerous studies have shown that when an employee knows that their company supports a good cause, job satisfaction and employment retention increase.

**Customers** – Corporations large and small are learning the benefits of cause-related marketing. Subaru regularly runs promotions highlighting how every time a car is purchased the buyer can choose a charity of their choice to receive a donation. TOMS shoes and BOMBAS socks promote a buy-one, give-one model where a pair of shoes or socks are donated to persons in need for every pair purchased. Patagonia, REI, and even Wells Fargo all have programs for giving back because not only is it a good thing to do, but they have proven a strong return on investment and are appreciated by their customers. Cannabis customers are no different. Supporting good causes and giving back to their community are an important part of any purchasing decision. Knowing their purchases of cannabis products does the same thing is a powerful means for winning brand loyalty with a customer.

**Co-Branding Opportunities** - Aligning your brand with a brand which does good in your community, regionally or even nationally has obvious benefits. co-branding gets you perception and awareness by association with the other brand, of course, but for cannabis companies it also opens up a world of advertising access otherwise restricted. Co-branding opportunities can include highlighting a charity on your website or packaging, sponsoring a charity event or creating an event specific to a campaign which is a joint project, etc. You see a lot of this with traditional companies and nonprofits be it a United Way and the NFL or Science Diet and animal shelters, co-branding products and/or services or even advertising campaigns can increase public perception and awareness of your brand.

## Best Practices when Engaging with a Nonprofit

Choosing a non-profit as part of any company's CSR is always challenging. We aren't talking just selecting an amount of money and donating it to a charity. Does their cause align with your company branding, culture, beliefs, etc? Do they do what they say they do, and most importantly are they effective at it? And on top of it all, understanding that the challenges of legalization don't just impact

patients, consumers and companies, they also impact nonprofits and their ability or willingness to accept support from cannabis companies.

The murky status of how the federal government intends to deal with cannabis companies creates a lot of hesitation and concern among nonprofits, including:

- Jeopardizing their 501c3 status. A non-profit organizations status as a tax-exempt 501c3 is a Federal designation and since marijuana is still considered an illegal Schedule I drug by the Federal Government, they do risk the loss of their federal status by taking any donations which are seen as illegal
- Personal Board concerns. A 501c3 requires a Board of Directors. Members of the Board assume financial responsibility for the activities of the organization. Should the Federal Government decide to prosecute all those who have received income from the production or sale of marijuana, this could include the individual members of the Board.
- Public perception of their nonprofit organization. Accepting money from a cannabis company may potentially harm sources of other donations or opportunities for advancement.
- Many just dont know what to do or how to make sure they are compliant since technically cannabis companies can not write off their donations

## **Partnering with a Nonprofit**

There are many things to consider when looking at partnering with a nonprofit. By doing a little vetting, your company can negate many of the pitfalls other companies have run into when attempting to partner with a nonprofit.

- Is the organization a 501c3 nonprofit? Engaging with a 501c3 nonprofit organization allows you, if you are able to access any tax benefits is applicable. There are other “nonprofits” to which you can engage, but if you are looking for what most people consider a “charity” or “nonprofit”, the most common have a federal designation from the IRS as a 501c3.
- Is the 501c3 FEIN their own or an umbrella, fiscal sponsor’s FEIN? If a nonprofit has a financial sponsor (an umbrella 501c3 for which the nonprofit is a project of that 501c3 and using that umbrella 501c3’s FEIN number) they have to verify with the umbrella 501c3 that they are ok with accepting funding from the cannabis industry as any issues will be put to them, not the subsidiary project of the umbrella 501c3
- Is the board of the nonprofit ok with accepting funding from the cannabis industry?
- Are they willing to publicly accept and openly promote and acknowledge that they are accepting funding from the cannabis industry?
- Are they willing to provide the cannabis company with all the same rights, privileges and benefits they would any other company supporting them in the same manner (donation, sponsorship, supporter, etc.)?
  - What are the rights, privileges and benefits of the provided form and amount of support?
  - Are the rights, privileges and benefits negotiable?
- There are other things you can look at such as mission, vision, donor demographics, etc.

## Marketing and Promotions with a NonProfit

As stated in the beginning, any and all donations from a cannabis company to a local non-profit should not be done in the dark. It is a wonderful opportunity to both support a good cause as well as elevate the overall perception of cannabis community by the public as a whole.

Integrating giving into your marketing and promotions efforts as a form of strategic giving is the most recommended and effective form of giving. There is a definitive return on investment for those willing to integrate giving into their marketing and communications plans, projects, and efforts.

Things nonprofits can do that can help your company

- ✓ Access to their loyal supporters
- ✓ Co-brand events
- ✓ Access mass media outlets and local media contacts more effectively and efficiently
- ✓ Increase Brand awareness
- ✓ Drive store traffic
- ✓ Drive down costs of traditional media assets (Advertising, print, TV, radio, etc.)
- ✓ Drive down costs of marketing collateral
- ✓ Drive down costs of customer acquisition

If your cannabis company has a specific giving campaign (holiday, 4/20 events, etc.), program (percentage of sales, volunteer days, etc), employee or consumer matching program (matching funds your employees or customers donate to a cause), or something else, make sure that the nonprofit is willing, able AND responsible for executing their part of the program.

This white paper was prepared based on the experience and expertise of it's authors, KND Associates LLC/CannaMakeADifference.org. For more information please visit [CannaMakeADifference.org](http://CannaMakeADifference.org), contact via email [info@CannaMakeADifference.org](mailto:info@CannaMakeADifference.org) or call 303.218.7899.