

ENTERPRISE

# Small Companies Put Charity Into Their Business Plan

Doing Good Helps  
Engender Loyalty  
But Can be Costly

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Can you do well as a business while doing good?

Hook & Ladder Brewing Co., a Silver Spring, Md., craft-beer brewery, has a business model built on the concept of "A Penny in Every Pint," a program that donates a portion of all beer sales to local firefighting communities where the beer is sold. They also donate tens of thousands of dollars for burn treatment and awareness.

Brothers Matt and Rich Fleischer have donated more than \$20,000 over the past year, even with the rising costs of hops making a dent in their bottom line.

"We are a for-profit business," says Matt Fleischer, 32, "but that doesn't mean that we can't benefit our company as well as develop our community through cause branding and cause marketing."

## Giving From the Start

Large companies -- and entrepreneurs -- often make philanthropy part of the company once they have become successful. But it is rarer for owners of small businesses to build a company with a philanthropic bent right from the start -- when resources are scant and each move made is supposed to assure that the bottom line grows.

While such a mission adds to the financial burden many start-ups often face, in the long run it may help the company's bottom line more than it hurts.

Among other things, doing good can engender loyalty among consumers as well as employees who believe in a company's mission, creating higher morale and higher productivity. And it can set a business apart from rivals who offer similar products without the charitable twist.

"If you're selling a product and you're viewed as corporate socially responsible or green," says Dwight Burlingame, associate executive director at the Center on Philanthropy at Indiana University-Purdue University in Indianapolis, "you're more likely to retain your customer and your customer will provide a certain degree of elasticity in the price they're willing to pay."

## GOOD BUSINESS

- **The Situation:** Small companies are being built with a philanthropic bent -- from donating a portion of sales to giving away products.
- **The Potential:** Doing good can engender the loyalty of consumers and employees. And it can set a firm apart from rivals.
- **The Pitfalls:** The move adds to the financial burden of a start-up. Some owners even use personal funds to cover donations.

Hook & Ladder's Rich Fleischer, who has a bachelor's degree in biology and has worked in the biotech industry, was introduced to the burgeoning craft-beer industry in San Francisco in 1993 and began brewing his own. The biologist quickly discovered that brewing was largely organic chemistry and got hooked.

Mr. Fleischer, who also is a volunteer firefighter, says the "Penny in Every Pint" program is an extension of his community-service persona and integral to the firm's identity and mission, which is giving back to the local firefighter community.



Hook & Ladder Brewing Co.

To gain entry to a new market, Hook & Ladder first develops relationships with burn units and local firefighters. Then, it approaches distributors -- which will have to match the brewer's donation -- to sell them on the plan. Hook & Ladder currently has 43 distributors in 11 states and Washington, D.C. that are part of the program.

"No one has any problem because it's their local community, their local firefighters that are benefiting," says Matt Fleischer.

Matt and Rich Fleischer, the founders of Hook & Ladder Brewing Co.

full-time foundation manager, projects

For every barrel of beer it sells -- which runs about \$200 -- Hook & Ladder makes a \$2 donation and distributors match that for a total of \$4 per barrel. The brewer, which has 13 full-time employees and a revenue of more than \$1 million for 2007.

## Product Giveaways

A company doesn't have to donate money in order to make an impact on a community. Some provide in-kind donations, in which products are given instead of cash, or sponsor events.

Sweetriot Inc., an all-natural candy company based in New York, made in-kind donations and supporting the arts and other nonprofit groups part of its philosophy when it launched two years ago.

Among other things, Sweetriot has teamed up with the Reciprocity Foundation, a New York group that works with homeless youth in urban cities to start careers in creative industries such as fashion, design and marketing. For instance, the firm supplied products for gift baskets made by homeless youth, which the nonprofit then sold to corporations.

Founder Sarah Endline estimates that about 5% to 10% of her sales goes toward charitable efforts. She projects that sales this year will reach \$1 million.

"Rather than [thinking] about it as a cost," she says, a donation "is just a way to enhance your business." Eventually, Ms. Endline would like to donate cash, but only after she feels that her company has some solid footing.

## Coming Up Short

Honoring the commitment to donate isn't always easy. Some small-business owners have even dipped into personal funds to cover donations.

Take Paul Marciano, the owner of ColorMe Co., a Flemington, N.J., company that produces a line of arts and crafts for children. Dr. Marciano says he "wanted to create a for-profit organization based on a simple principle that giving is good."

His goal: 10% of each dollar the firm earns goes to children's charities -- including First Book, a nonprofit that gives new books to low-income children. He aims to raise a total of \$1 million through the business in the next five to seven years.

But things haven't exactly gone according to plan. Dr. Marciano, 41, needs to make about \$10 million in sales over that period to reach his goal. Yet sales are hovering at about \$40,000 so far this year. And contributions to the charities this year are \$4,000.

Instead of scaling back the 10%, he decided to cover the balance with his own money. He declines to say how much he has put in personally.

"That really tests the mission," says Dr. Marciano, who also works as a corporate consultant and is an adjunct professor at Princeton University's department of psychology.