**SMILE TRAIN DONORS *NOT* SMILING**

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**Overview**

“Big fat liars!” Sean thought angrily as he checked his mail. He was disgusted to find yet another solicitation from Smile Train. Ten months ago Sean had donated $50 to Smile Train, intrigued when the charity had promised that “Make one gift now and we’ll never ask for another donation again.” Sean, like most individuals, had limited funds available, so he tried to do the most good possible with the money he had for charity. Smile Train focused on treating children with cleft palates around the world. Sean realized that children with this disfiguring condition could had greatly improved lives by receiving corrective surgery and believed his donation would have value. Sean’s donation had been made almost a year ago and he had received over a dozen mailings since then. He felt that the charity had betrayed his trust and not kept their word. It also made Sean wonder whether his donation had actually benefitted the children. Where had his money gone? Were other donors having the same problems with Smile Train? Sean was no expert, but he believed that Smile Train needed to change their promotional appeal.

**Learning Objectives**

Students should be able to:

1. Identify reasons people and/or corporations become involved with charitable organizations.
2. Analyze whether the Smile Train promotional campaign was ethical.
3. Calculate the average cost per surgery based on the financials given in the critical incident. Compare this calculation with the quoted numbers in its promotional message.
4. Discuss whether Smile Train’s actions are conducive to developing relationships with its donors.
5. Determine what changes, if any, Smile Train should make in its appeal(s) to donors.

**Questions**

1. (LO #1) Why do people and/or corporations donate to charitable organizations?
2. (LO #2) Analyze whether the Smile Train promotional campaign was ethical.
3. (LO #3) What is the cost per surgery based on the financials given in the critical incident? Does the calculated cost match up with the numbers quoted in its promotional message?
4. (LO #4) Discuss whether Smile Train’s actions are conducive to developing relationships with its donors.
5. (LO #5) What changes, if any, should Smile Train make to its promotional campaign to protect its brand and, hopefully, minimize donor discontent?

**Application**

Marketing, Ethics, Promotion, Non-Profit, Social Responsibility, Sustainability

**Research Methods**

This was a decision-based critical incident based on the secondary sources cited. Only the name of the donor was disguised.

**Questions and Answers**

1. **(LO #1) Why do people and/or corporations donate to charitable organizations?**

An estimated 70 to 80 percent of American households made monetary donations averaging more than $1000 per year per household (Brooks, 2008). In 2011, Americans gave more than $298 billion to their favorite charities (“Giving Statistics,” 2013). The vast majority of this giving (73%) came from individuals like Sean. Surprisingly, corporate giving accounted for only 5 percent of all charitable giving. The remaining charitable donations came from charitable bequests (8%) and foundations (14%). Thus, while individuals are the most challenging to reach and solicit with philanthropic appeals, they are also by far the largest source of charitable dollars. Sean, like many other Americans, had to select which charitable organizations to support with his donation(s).

So, why do people give? People give to support what they value and believe in (“Giving Statistics,” 2013). Almost one-third of all donations in 2011 went to religious organizations (“Giving Report,” 2012). Other major contributions went to education (13%), human services (12%), foundations (9%), and health (8%). Smaller amounts went to the environment (3%), arts & humanities (4%), and international affairs (8%) (“Giving Report,” 2012). Smile Train would be considered a health-related organization according to the Giving USA study because the organization focused on research, treatment, and public awareness to benefit cleft palate sufferers around the world.

Research showed that individuals may be motivated by a number of different factors in their giving. Tithing was encouraged in Christian denominations and many faith-based institutions taught that supporting good causes was a virtue. Giving to charities makes people feel good and may enhance their public image. Harbaugh, Mayr, and Burghart (2007) found that giving actually elicited a cognitive reaction in some individuals providing a “warm glow” feeling. Ariely, Anat and Meier (2009) found that people gave more money if the amount of the donation was publicized, resulting in a positive public image for the individual. Charities that had a personal connection to the individual, such as a family member with a specific medical or health problem, are more likely to be supported. Finally, people may be more inclined to donate or to do so more generously if they know that the donation was allowed as a tax deduction(Kooser, 2012).

In addition to individual donations, Smile Train had relationships with a number of corporate partners. Corporations today are frequently involved in cause marketing, whereby their motivations include such factors as building employee morale, improving community involvement, and promoting their business. Corporations may have competitions or contests designed to encourage employees to make donations or to become actively involved in corporate fundraising. Local community involvement may help to build goodwill for the organization, while benefiting the area in which they operate and their employees live. Engaging in community events and charitable giving provides promotional benefits as well, such as placing the corporate name or logo on t-shirts, banners, etc. Events are also often announced through the media with the names of corporate sponsors included. Further, there is some research to suggest that when individuals perceive corporations as being charitable, corporate revenues may actually increase through increased sales (Baruch, Petrovits, & Radhakrishman, 2010).

Note to Professor: Students may debate which of these reasons motivated Smile Train’s donors and corporate partners. Students are likely to have personal charities that they support and an interesting in-class discussion might be generated by asking students which charities they individually support and why. Ask them to identify the personal motivations behind their choice of charities. From that, the discussion could be led into corporate involvement with charities (specifically relevant to cause marketing content).

1. **(LO #2) Analyze whether the Smile Train promotional campaign was ethical.**

Since donors have a limited amount of money to donate to charitable causes, it is important that charitable organizations be ethical. Donors want to give to organizations that they trust will use their donation wisely. In addition, volunteers want to contribute their time to nonprofit organizations they perceive as acting ethically. The National Council of Nonprofits stated that the two aspects of ethical practice that had drastically shaped nonprofit organizations include accountability and transparency. Some of the ways that a nonprofit can show accountability and transparency in their promotional campaigns and financials was by being honest in their solicitation materials, being truthful and clear in donor communications regarding how their gifts will be used, and publishing financial information on the nonprofit’s website (“Ethics and Accountability,” 2013).

Joel Fleishman, a Professor of Law and Public Policy and Director of the Heyman Center on Ethics, Public Policy and the Professions at Duke University, stated “the greatest threat to the not-for-profit sector was the betrayal of public trust, the disappointment of public confidence” (“Ethics and Accountability,” 2013). In this case, it was apparent that Sean’s trust in Smile Train was betrayed when Smile Train failed to be honest in their solicitation materials.

A Panel on the Nonprofit Sector created 33 “Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations” (2007). The final principle in this guide discusses that in all solicitation and other promotional materials, organizations should provide an “opt-out” procedure and that the organization should immediately remove a donor’s name from any list upon request. In this instance, Sean’s name was not immediately removed from Smile Train mailings, even though it was that promise that inspired him to make his initial donation. Based upon the BBB complaints and the consumer reviews, it was also evident that this was a problem not just with Sean but with many other donors as well.

1. **(LO #3) What is the cost per surgery based on the financials given in the critical incident? Does the calculated cost match up with the numbers quoted in its promotional message?**

When examining the 2012 financials for Smile Train (See Table TN-1 below), it was clear that the nonprofit may not be “one of the most productive charities, dollar for deed, in the world” as stated in the *New York Times Magazine* (Dubner & Levitt, 2008). One of the promotional appeals used by Smile Train was “How Often Do You Get The Chance To Save A Child’s Life for $250?” (SmileTrain.org, 2013). However, if one does the math, the estimated cost per surgery was approximately $820, assuming only the treatment/training expenses are included ($100,483,656/122,500). The 122,500 surgeries was an estimate since the exact number of surgeries performed each year was never provided in Smile Train’s financial information. If one considers the total cost, including the money spent on public education, salaries, and fundraising, the cost per surgery was approximately $1,323 ($162,124,306/122,500). These figures are substantially higher than the $250 listed in the promotional materials. Since the financials are available on the Smile Train’s website (“SmileTrain.org,” 2013), it was easy for donors, potential donors, and volunteers to examine these numbers and determine that the promotional appeal given does not stand up to scrutiny. In addition, considering almost $28 million was spent in 2012 for fundraising, a donor might question the value of his or her donation to this organization.

Table TN-1: 2012 Financials from Smile Train’s Annual Report

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue** | | **Expenses** | |
| Contributions | $113,825,537 | Treatment/Training | $100,483,656 |
| Contributions In-Kind | $49,272,637 | Public Education | $32,091,773 |
| Investment Income | $9,229,573 | Administration and Overhead | $1,911,078 |
| Other Income | $2,657,468 | Fundraising | $27,637,799 |
| **Total Revenue** | **$174,985,215** | **Total Expenses** | **$162,124,306** |

1. **(LO #4) Discuss whether Smile Train’s actions are conducive to developing relationships with its donors.**

The goal of relationship marketing deals with how organizations, both profit and nonprofit, build relationships between the organization and the customer. One of the effective marketing strategies nonprofits use in donor retention is maintaining a good relationship with repeat donors, realizing that maintaining an existing donor was much more cost effective than marketing to potential new donors (Moronta, 2012). However, the current promotion by Smile Train violates this relationship marketing philosophy.

In addition, when donors who receive this promotion contribute money on the assumption that this one-time gift will result in no future communication from Smile Train—then continue to receive additional communications, not only has Smile Train not engaged in relationship marketing, but instead may be harming its brand. Examples of this negative perception by former donors are shown in the consumer reviews given in the critical incident.

1. **(LO #5) What changes, if any, should Smile Train make to their promotional campaign to protect their brand and, hopefully, minimize donor discontent?**

Sean’s frustration with Smile Train arose primarily from what he believed was a false promotional appeal by the organization (Note to Professor: Pictures of this appeal can be found by doing a google search. One example of this appeal can be found at <http://www.meredithgreen.com/?p=6273> (Green, 2010). Although he believed that Smile Train provided a worthy service, his donation was made in part because the promotional piece stated that if he donated once, he would not be asked to donate again. Having received more than a dozen additional solicitations, Sean believed that Smile Train had lied to him and violated his trust.

Giving USA (2012) suggested several strategies that charitable organizations might find effective in helping to solicit donations.

* Identify negative consequences that might result from not supporting their cause (ie, how a child’s life might be negatively affected without repairing a cleft palate). Smile Train promotions almost always include before and after photographs of children whose appearance had been drastically improved as a result of the surgery.
* Improve communications with donors (newsletters, emails, etc). This was an area where Smile Train could adjust its current campaign strategy. Instead of following up donations with unwanted (and even irritating) future solicitations, Smile Train could instead send informative emails or newsletters to donors. These communications could focus on individual children and their progress (similar to the ‘Save a Child’ charities), new medical treatments, new locations being serviced, etc. Content which could help donors feel a sense of connection to the benefits provided by the Smile Train organization could be featured in these communications.
* Partnering with other organizations to raise visibility. Smile Train had a number of established corporate partnerships in place as well celebrity endorsers who assist with visibility for the organization.
* Improve efforts in getting and acknowledging donor gifts (remember, most donations are relatively small gifts given by individuals). When Sean made his donation, he did not receive a ‘thank you’ from Smile Train. Instead, the charity responded with numerous solicitations for additional donations.
* Increase advocacy work to draw attention to a need. Again, numerous celebrities had helped to promote Smile Train’s cause. In addition, the *Smile Pinki* documentary short film had been widely applauded (even winning a 2008 Oscar award) for telling the story of a young girl and how the repair of her cleft palate made major changes in her life.
* Shift priorities from fundraising for groups to fundraising for specific needs (Giving USA, 2012). Compared to a broad-based charity such as United Way, Smile Train already focused on a specific need for fundraising, so this was not an area where Smile Train should adjust their current strategy.

**Epilogue**

Smile Train mailed the “Make one gift now and we’ll never ask for another donation again” campaign letters to over 800,000 households in the United States (Corrado, 2013). *Donations for the ‘once-and-done’ letter recipients were 46% higher than donations for the standard solicitation letter.*  However, after experiencing dozens of complaints from donors on the ‘once-and-done’ donor list who continued to be contacted after attempting to opt out of future solicitations from the charity, Smile Train discontinued use of that promotional appeal.

Subsequent campaigns adopted strategies more similar to those of other charitable organizations.

Recent samples of Smile Train promotional campaign appeals include:

* “…One of the Most Productive Charities—Dollar for Deed—in the World.”
* Triple the impact of your generous support!
* All charities had a heart. Smile Train also had a brain.
* It’s time for back to school…but *not* for children with clefts. (Interior appeal: They can’t go to school until we do our homework.)
* Presenting your 2013 Smile Train Partnership Card
* In just a few minutes, a child’s life can be changed *forever*.
* Here are the pictures we promised to send you!
* Annual Fund
* Will you be a lifesaving angel to a child?
* Can you put your arm through this hole? (Approx. 1 1/2” wide). Children malnourished because of their clefts can.

In April 2014, Smile Train announced a new charity advertising campaign and logo to help celebrate their 15-year anniversary and the one million smile (cleft-repair surgery) milestone. The new campaign theme “The Power of a Smile” will focus on telling the stories of real individuals who have received cleft surgery and how it has impacted their lives (Rooney, 2014).

Note to Professor: Encourage students to suggest ways that the Smile Train campaign could be improved. There is not a right or wrong answer to this question. The intent is to generate students’ analysis of the existing Smile Train campaign and, from that, to elicit either individual written recommendations on changing the Smile Train campaign or to use this as a small group exercise for class discussion. Students will be familiar with a variety of different charities and the varied appeals they use, so they could be encouraged to apply these concepts to designing a new appeal for Smile Train. The different student groups could compare final ideas to see what outcomes result. A nice professor could give the ‘best’ new appeal a few bonus points!

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