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MONEY FOR GOOD II

DRIVING DOLLARS TO THE HIGHEST-
PERFORMING NONPROFITS

Fact Base and Research Report

Full Version

2011

About Hope Consulting

BOUTIQUE STRATEGY CONSULTING FIRM...

- Founded in 2009
- San Francisco, CA
- Hope Neighbor, Founder and CEO

We serve clients—foundations, nonprofits, & select mid-market companies—by offering:

- Program strategy and design
- Organizational development
- Mission aligned fundraising strategy
- Market analysis and customer research
- Growth strategy and strategic planning

Our areas of focus include philanthropic effectiveness, impact investing, financial services, and healthcare

...WITH A SOCIAL SECTOR FOCUS



Money for Good II: Driving Dollars to the Highest-Performing Nonprofits

For more information, please contact us:

info@hopeconsulting.us

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OUTLINE FOR CONTEXT:

- Motivation for the work
- Project overview
- Project methodology

The Motivation for the Money for Good Research

It is our nature to see the world based on our own context, experiences, and points of view. People in all walks of life struggle with this bias every day. How can a new product fail when you and your cohort believed that it was a great idea? The need to understand the world as it is – not as we wish it were – has caused primary market research to become a multi-billion dollar industry.

The motivation behind the original Money for Good project (MFG1) was to seek the ‘voice of the customer’ for charitable giving.¹ This perspective has been lacking in the sector to date. As the Hewlett Foundation and McKinsey & Co. noted in their report “The Nonprofit Marketplace,” there is a need to “invest in research that clarifies donors’ motivations, needs, and decision-making criteria.”²

Hope Consulting conducted the original MFG1 research in early 2010, which included a comprehensive study of donor behavior, motivations, and preferences for charitable giving. Money for Good II (MFG2) began in late 2010 in order to build on the initial fact-base, further our understanding of charitable giving, and look at ways in which we could influence giving behaviors.

1. Money for Good also looked at impact investing, though it is not relevant for this discussion.

2. “The Nonprofit Marketplace: Bridging the Information Gap in Philanthropy”, The Hewlett Foundation and McKinsey & Company, 2008

The Objectives of Money for Good II

- In MFG1 we found that donors **say** that how well a nonprofit performs is important, but **few actively try** to fund the highest performing nonprofits
 - 9 out of 10 donors say that nonprofit performance is important
 - But only 3 out of 100 research to find the “most effective” nonprofit
- Money for Good II (MFG2) came about to dive further into those findings, and to expand the scope to include those who advise donors (advisors) and foundation grant-makers (foundations).

The specific objectives for MFG2:

- Determine how Individuals, Foundations, Advisors research nonprofits
- Quantify the interest within each user group to fund HPNPs
- Determine what type of information, packaging, and channel are of greatest interest to each user group, and will drive giving to HPNPs
- Define how organizations throughout the sector can use this information

Project Structure

- MFG2 has been led by GuideStar and Hope Consulting, with generous support from The Bill and Melinda Gates Foundation, The William and Flora Hewlett Foundation, and Liquidnet

- The project has also benefited from the input and guidance of its advisory council, which included:
 - Katya Andresen, Network for Good
 - Laura McKnight, Greater Kansas City Community Foundation
 - Katherina Rosqueta, Center for High Impact Philanthropy, University of PA
 - Cynthia Strauss, Fidelity Charitable Gift Fund
 - Kim Wright-Violich, Schwab Charitable

How We Are Going About It

- We have finished the first 3 phases of the project and are currently engaged in market testing

1. Existing Research	Complete	- Over 25 studies
2. Qualitative Research	Complete	- 7 focus groups, n = 67
3. Quantitative Research	Complete	- 5,075 indiv. donors, HH inc >\$50k - 875 advisors to individual donors - 725 foundation grant-makers
4. Market Testing	In Process	- 6 tests with 4 partners

This document focuses on the completed elements of the work, and in particular on our qualitative and quantitative research

How We Are Going About It: Qualitative Research

We Conducted Focus Groups with 67 People in the Following Categories

1. **Individual Donors** (donated \$1k+ last year). Broke into four categories. n = 43
 - A. Non-researchers. Never/rarely research before donating
 - B. Validators. Research nonprofits simply to confirm legitimacy
 - C. Comparers. Research to compare organizations to each other
 - D. GuideStar users. People who use GuideStar for information
2. **Advisors.** Attorneys, financial advisors, and others who advise clients on *selection* of nonprofits. n = 8
3. **Foundation Officers.** Foundation employees who are involved in grant making decisions. n = 16

Priorities for Focus Group Research

1. **Information Needs and Priority:** What specific types of information are user groups looking for? What differences exist by group?
2. **Package and Presentation Preferences:** How do different segments want that information to be conveyed (detail vs. ratings)?
3. **Information Delivery Channels:** Who is considered a credible source for information on non-profits?
4. **Impact:** How likely are user groups to use the information? How willing are they to pay for it?

How We Are Going About It: Quantitative Research

Who We Surveyed¹

5,227 Individual donors

- 1,227 with incomes \$50-80k
- 3,000 with incomes \$80-300k
- 1,000 with incomes >300k

873 Advisors

- 202 Financial Planners
- 194 Accountants
- 174 Attorneys
- 303 Other

727 Foundation Grantmakers

- 298 Independent/Family
- 290 Public/Community
- 93 Corporate
- 46 Other

How We Did It

When drafting our survey, we:

- Leveraged existing research to minimize overlap with concepts already studied
- Conducted focus groups to ensure language resonated
- Talked to industry experts to obtain feedback /thoughts

Survey covered 3 elements:

- Current behavior on donations, research
- Preferences for information, format, channel (using forced trade-offs to mirror real life decisions)
- Impact (how much \$ could be influenced if preferences were met)

1. Net responses. Some respondents eliminated due to bad data

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OUTLINE FOR EXEC SUMMARY:

- Introduction
- Current behaviors
- Desire for research
- Opportunity to increase donations to HPNPs

Summary of Overall Findings

- Individual donors and advisors want to give to reputable organizations that won't 'waste' their \$; foundations want to maximize impact
- Individual donors rarely research, whereas advisors and foundations research almost every recommendation / grant
- Despite these different motivations and behaviors, there are consistent broad preferences for research packages across the groups...
 - Information: Financials, effectiveness, legitimacy, basic information
 - Format: Detailed 'Consumer Reports' style ratings, web portals
 - Channel/Source: 3rd party NP info/evaluation org (e.g., GuideStar)
- ...But also important nuances
 - Foundations want more information, and are focused on impact/effectiveness
 - Indiv. donors and advisors looking for assurance that organizations are acceptable
- Effectively meeting the users' preferences can motivate the user groups to move up to \$15B to HPNPs

Individual donors and advisors want to avoid bad donations; foundations want to maximize impact

Individual Donors	Advisors	Foundations
<ul style="list-style-type: none"> ▪ Give to a reputable nonprofit that will make good use of their \$ 	<ul style="list-style-type: none"> ▪ Find acceptable and appropriate charity that fit their clients' needs 	<ul style="list-style-type: none"> ▪ Maximize impact by funding most effective organizations
<ul style="list-style-type: none"> ▪ Care about legitimacy, respect, and where their money is going 	<ul style="list-style-type: none"> ▪ Care about legitimacy, respect, and how well the charity fits with their client's desires 	<ul style="list-style-type: none"> ▪ High premium on effectiveness and impact, much more so than the other groups
<ul style="list-style-type: none"> ▪ <5% said "Have more impact than others" most important 	<ul style="list-style-type: none"> ▪ <5% said "Have more impact than others" most important 	<ul style="list-style-type: none"> ▪ >25% said "Have more impact than others" most important

Individual donors rarely research, whereas advisors and foundations research almost every grant/donation

	ACTION <i>Went to any source of information before donating</i>	RESEARCH <i>Self described as doing 'research' before donating</i>	COMPARE <i>Researched to compare nonprofits</i>
Individual Donors	69%	33%	6%
Advisors	97%	80%	27%
Foundations	98%	89%	38%

Note: Individual donor behavior varies significantly based on their familiarity with the nonprofit, what sector the nonprofit is in, and the type of donor



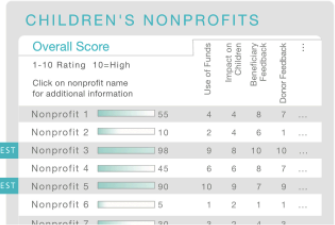

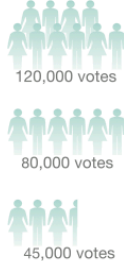

Note: Conducted at the donation, not respondent level

After establishing their current behavior, we tested which types of research each group desired most

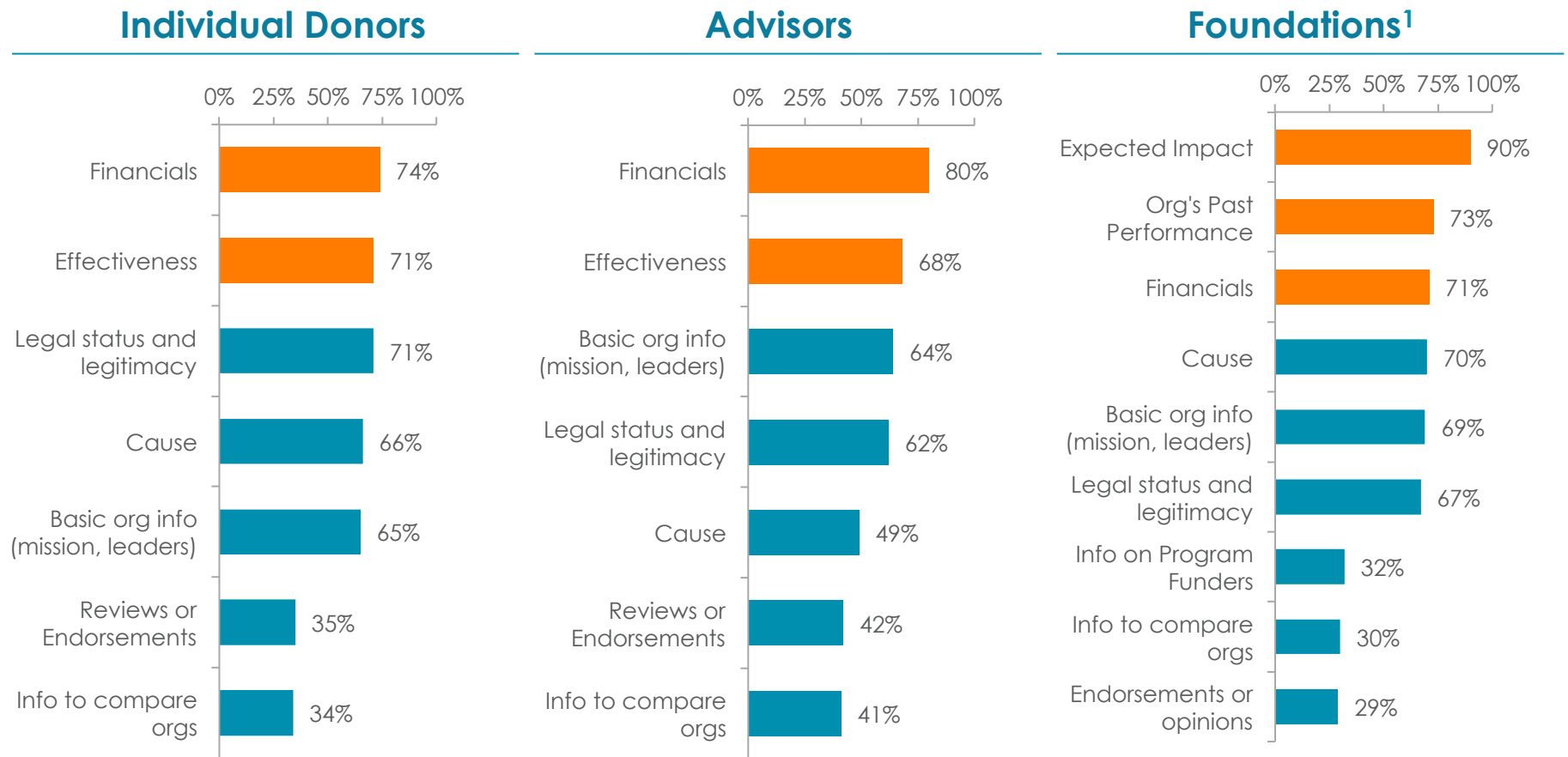
Tested Along Four Dimensions

- Information
 - 7 macro types (e.g., Financials)
 - Detail within each type (e.g., "Breakdown of nonprofit's expenses")
- Format
- Trusted source
- Channel in which they want to receive

Images Provided to Test Formats

<p>Seal of Approval</p>  <p>Acknowledgement that it is a recognized charity in good standing</p>	<p>Simple Grade</p>  <p>This organization gets 3 stars for its...</p> <p>A simple rating of the nonprofit that highlights top and bottom performers</p>	<p>Detailed Rating</p>  <p>A detailed rating of nonprofits in a field, with supporting information</p>
<p>Report on Nonprofit</p>  <p>A simple overview of the organization in its own words</p>	<p>Popularity</p>  <p>The popularity of the organization based on "votes" or "likes"</p>	<p>Website Information Portal</p>  <p>Website that provides information on the nonprofit, but does not "rate" it</p>

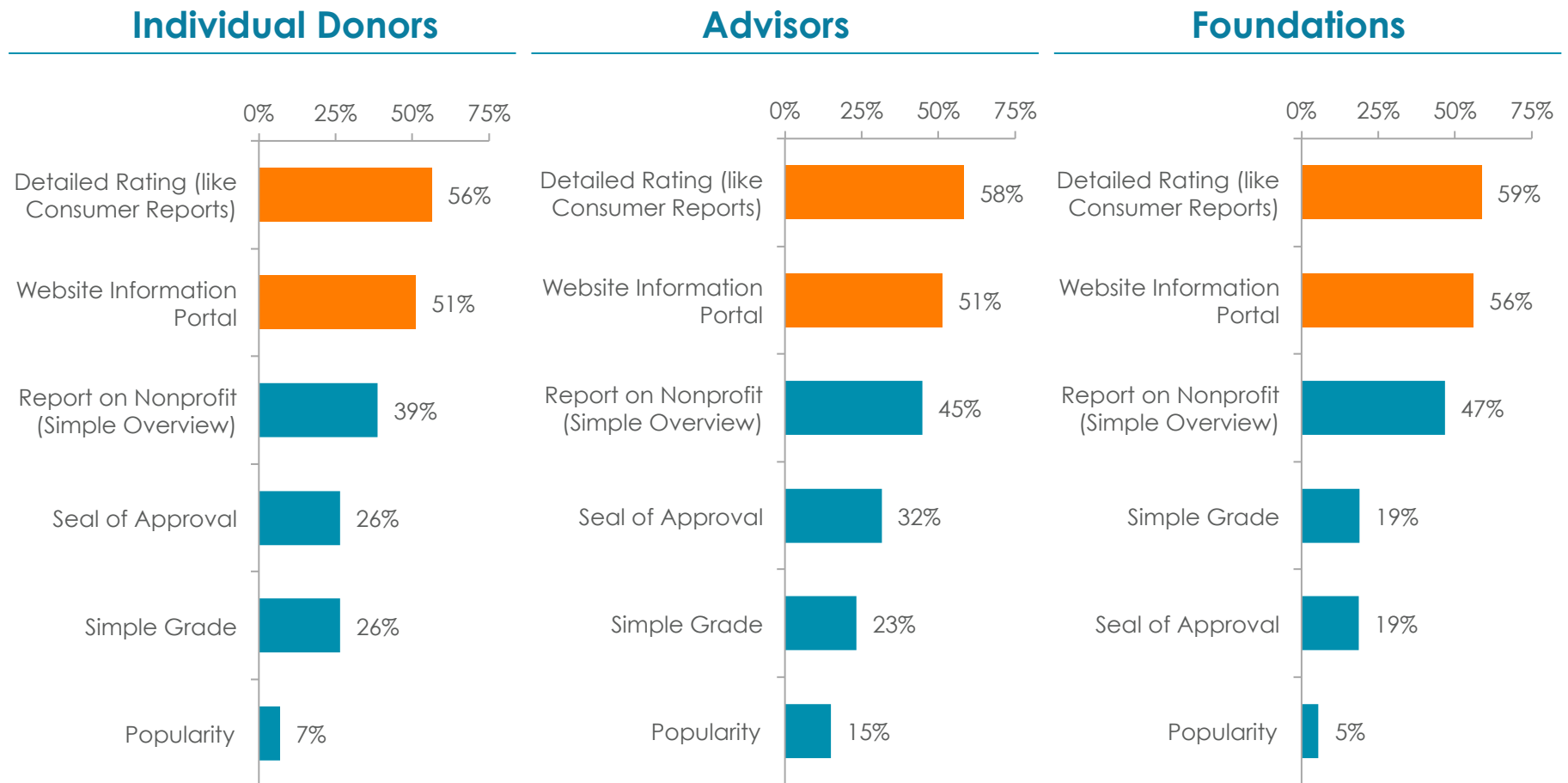
Despite different motivations and research behaviors, each group wants similar information on nonprofits...



Question: "What type of information is most important to you...". %'s reflect % of respondents rating information type as a 5 or 6 on 1-6 scale

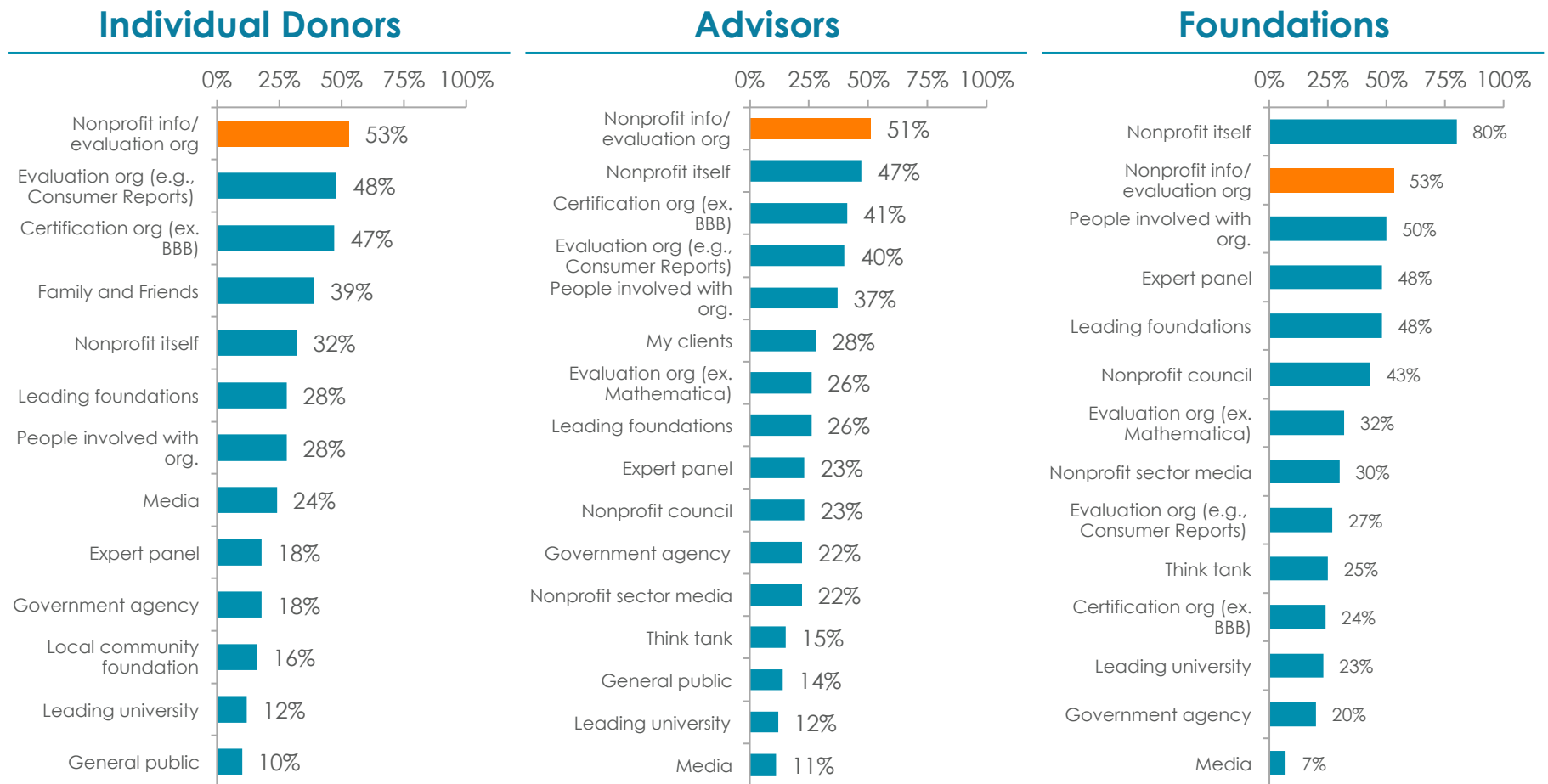
1. Foundations had different choices. "Program's Approach and Expected Impact" and "Organizations' Past Performance" are both type of effectiveness

... packaged in “Consumer Reports style” ratings, or available on information portals (like GuideStar)...



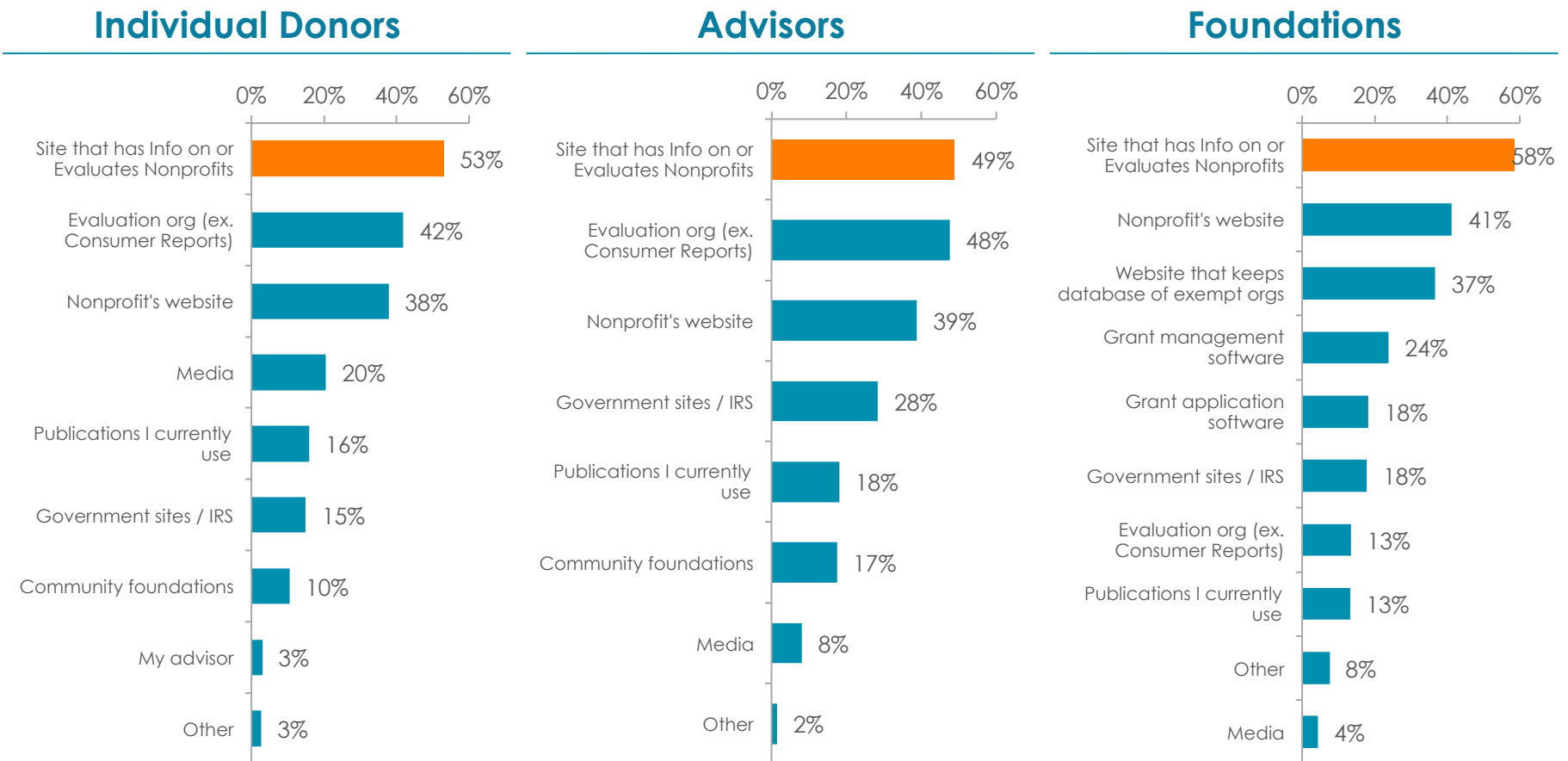
Question: “Information could be provided in different ways. Which of the following are most appealing?” %’s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale. Note: Images were provided for each of these categories

... sourced from organizations that specialize in providing information on, or evaluating, nonprofits...



Question: "Who would you trust to provide the information that you are looking for?" %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale

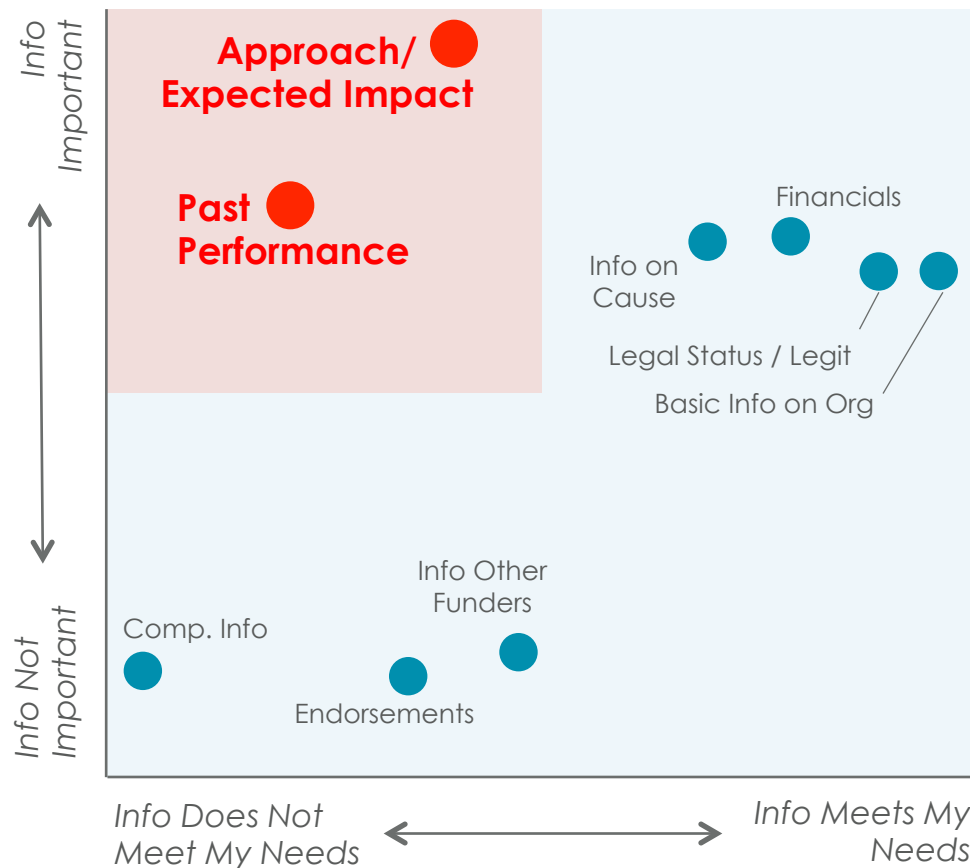
... and located on those websites



Question: "Where would you most like to find the information package in which you are most interested?" %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale

Diving Deeper: Of information available today, effectiveness/impact data is the key unmet need

Met and Unmet Information Needs (data for Foundations)



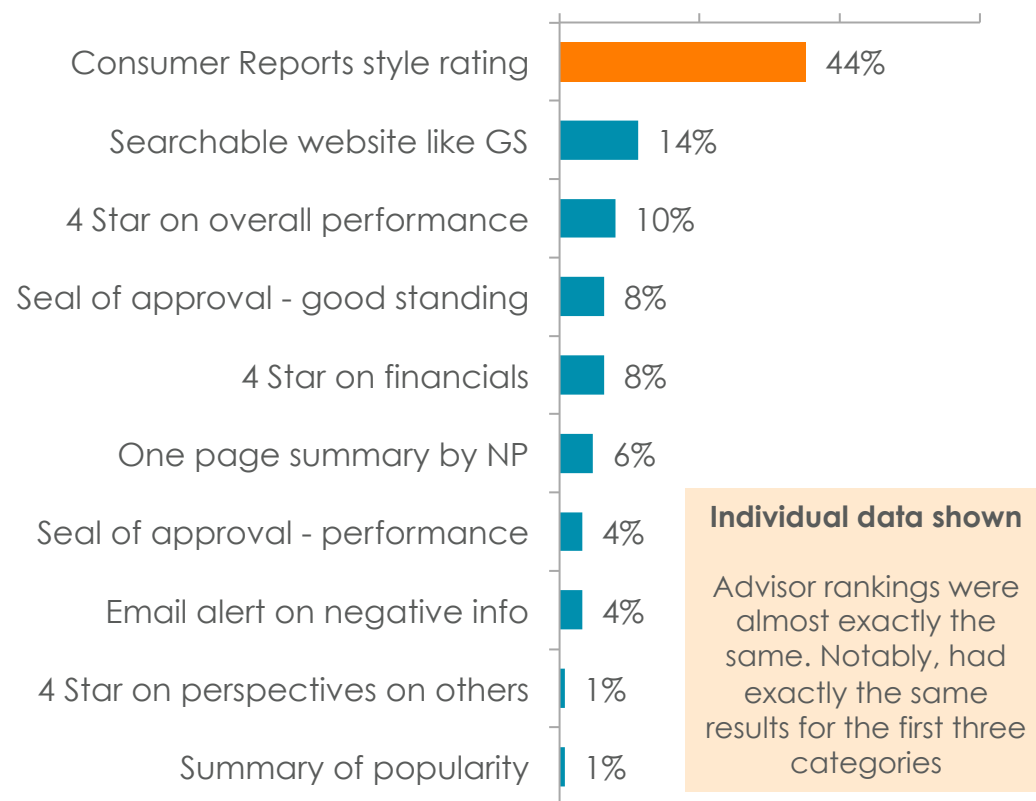
- Relative to other areas, effectiveness and impact data are the areas where users say the information is important AND is not meeting their needs today
 - 25% said expected impact info did not meet their needs; 33% for past performance

Diving Deeper: Detailed ratings #1 in every test, because they provide a trusted perspective

Notes

- ‘Consumer Reports type’ ratings #1 in every test
 - Focus groups
 - Stated preferences in survey
 - Forced ranking in survey (at right)
- Reasons for this include:
 - **Personal.** User determines which is the best option: *“Give me info, but don’t tell me what to do”*
 - **Transparent.** Provides insight into the process of the ratings
 - **Trust.** Donors don’t always trust simple ratings: *“What is the vested interest of the evaluator?”*

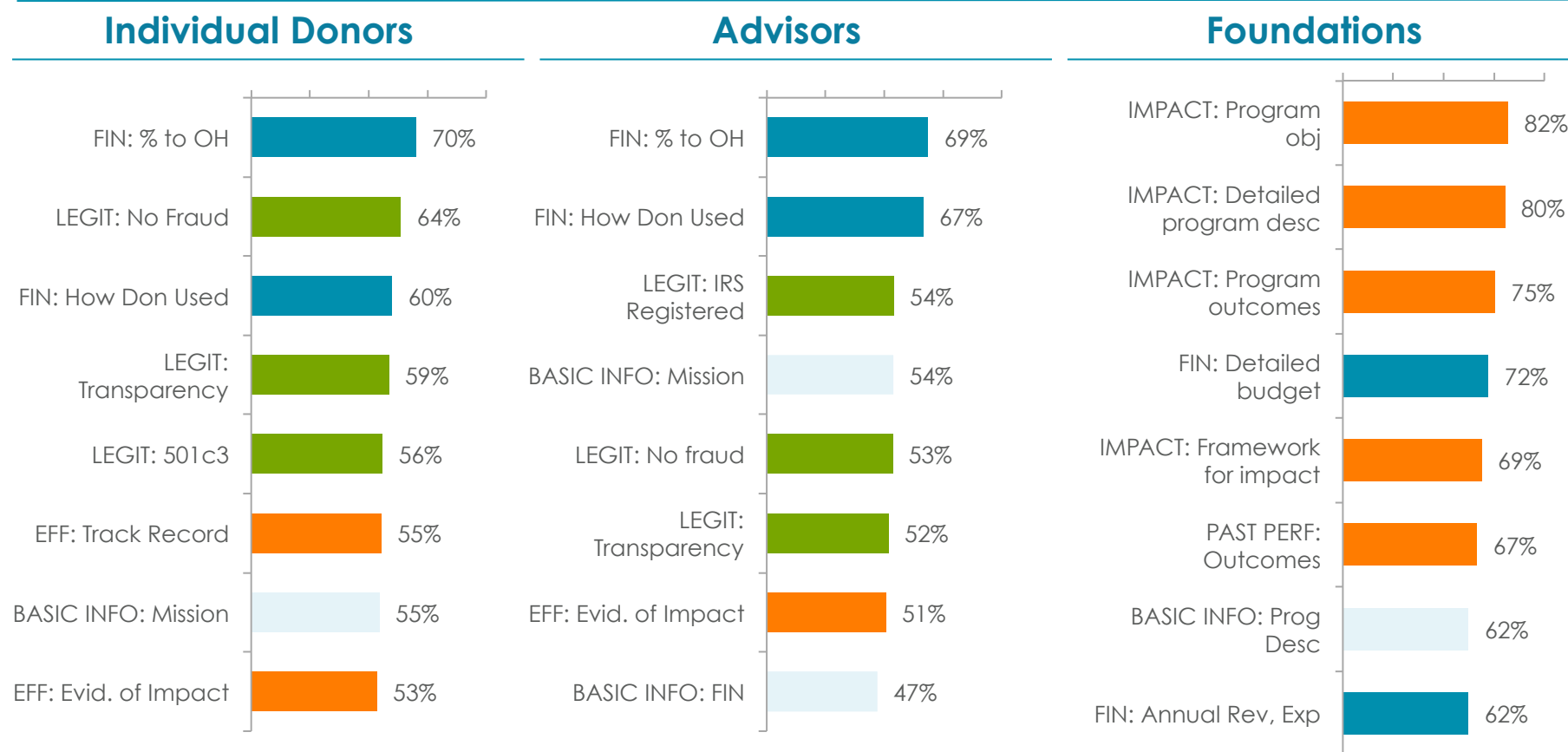
“Forced Ranking” Format and Information Preferences for Indiv. Donors and Advisors¹



1. Tests designed to show users 8 screens, each with 4 options. User choose most and least desired of the four. Did not conduct with Foundations.

Diving Deeper: Specific preferences on information differ: foundations want impact, donors and advisors want assurance that they aren't wasting \$

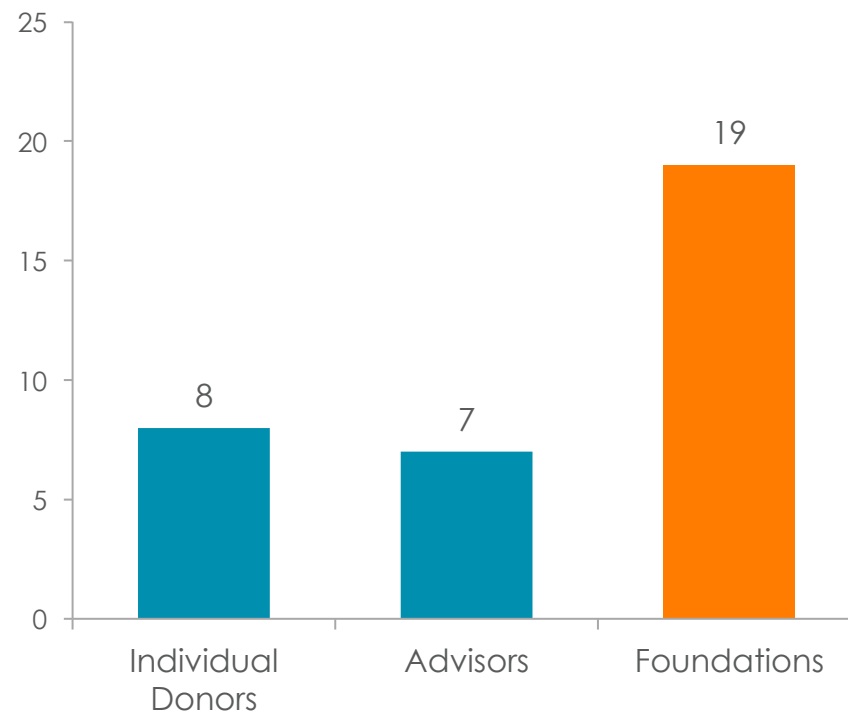
Most Preferred Specific Pieces of Information (top 8 of ~50 options)



1. After asking respondents about their interest in general types of information, as seen on page 8, we asked about specific preferences within those categories. The analysis above shows the % that rated both the macro category and the sub-category as a 5 or 6 on a 1-6 scale

Diving Deeper: Foundations desire more than twice as much information as do individual donors or advisors

of Pieces of Information That Were Rated “Very Important”¹



1. Refers to the total # of specific pieces of information that were desired by >50% of the respondents in a user group

By better meeting the groups' desires for nonprofit research, ~\$15B can be moved to HPNPs each year

	Indiv. Donors	Advisors	Foundations
Total Donations, 2010 ¹	\$212B	\$11B	\$46B
% Possible to Move to HPNPs	~5%	17-22%	~7-10%
Total Potential \$\$ to HPNPs	~\$10B	~\$2.4B	\$3.7B
Size of Population	85M ²	2.6M	120K
Potential Impact / "User"	\$125	\$925	\$31,000
	Most Total \$\$ Potential	Highest % Interested	Highest \$\$ Potential/User

See appendix for methodology

1. Source for Indiv. Donors, Foundations was *Giving USA, 2011*. Foundation total includes Corporate Foundations. Advisors estimated based on data in "2010 Study of High Net Worth Philanthropy", by The Center on Philanthropy at Indiana University (see appendix). 2. Approximate # US Household that give

Of course, changing behaviors to get individual donors, advisors, or foundations to give more to HPNPs is difficult

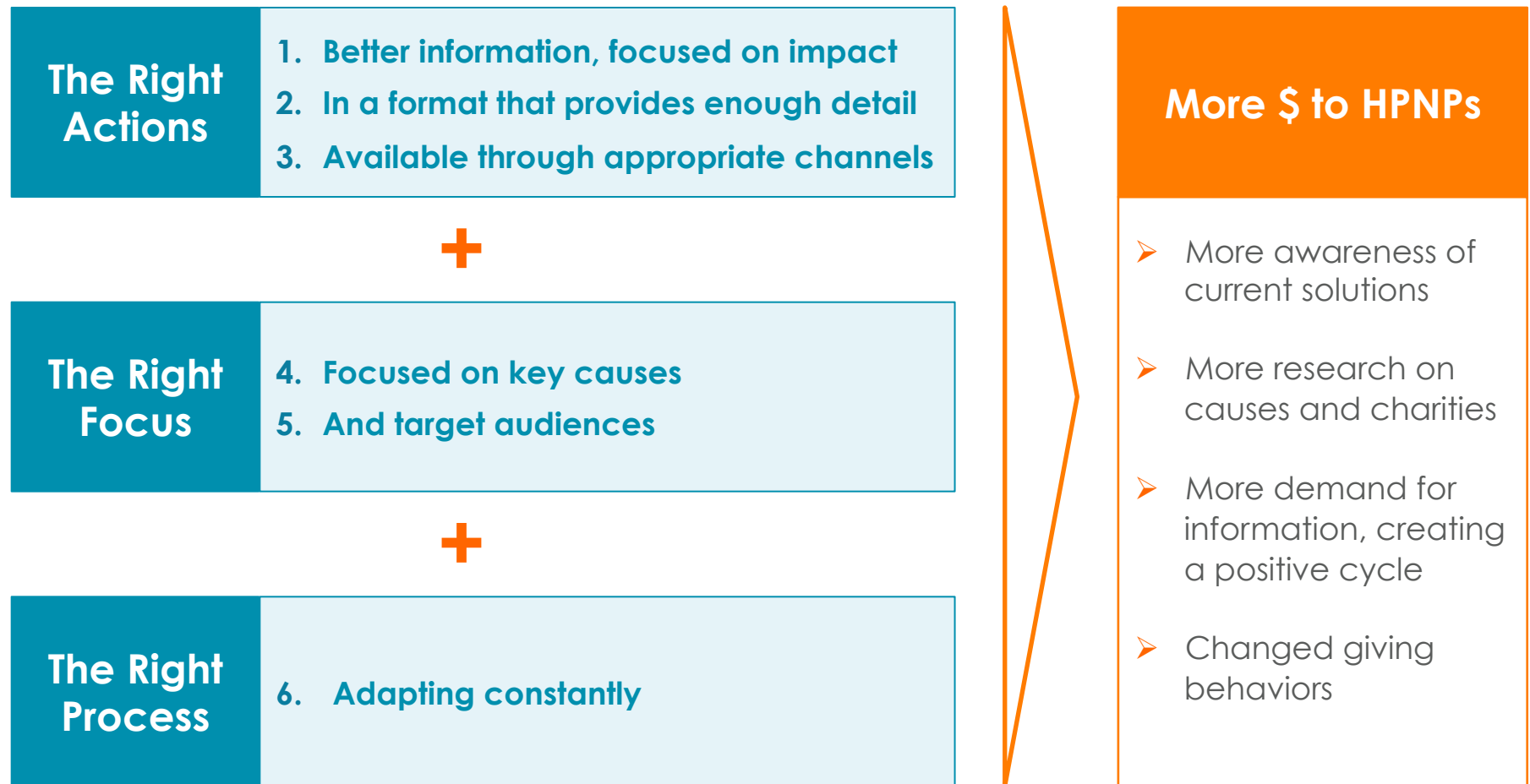
- Each group is very loyal with their giving
 - 75-85% of the total money in each of these groups is 'loyal' to particular nonprofits
 - Drops the potential opportunity from the \$260B these groups influence today to <\$70B
- The groups do not display significant pain points with researching today
 - <5% of respondents in each group did not research because of issues with the availability of information, the quality of information, or the time it took them to research
- Individual donors and advisors in particular are difficult to address (and reach!)
 - Different motivations. For most, finding HPNPs neither the goal nor highly desired outcome
 - No downside. Giving to a "low" performing nonprofit has no real impact to them, and there is no feedback loop to inform them of this ex-post or ex-ante
 - Fragmented. There are over 110M households – most of which have no interest finding HPNPs, and over 2.5M advisors – many of whom don't advise clients on where to donate

Further, the items required to move the needle do not exist today

- The two elements most sought out don't exist today, and are difficult to develop
 - **Detailed Ratings:** Each group is most interested in "Consumer Reports Type" ratings
 - **Effectiveness Information:** Exists sporadically, and required to identify the HPNPs
- For the sector to provide these would require several key changes
 - **Heightened focus and funding for impact and effectiveness.** This is an ongoing need, and needs to be furthered. Significant funds required to move a \$300B annual market
 - **Comfort with less accuracy.** Effectiveness ratings will be subjective, and it will be difficult to be objectively 'correct' in evaluations
 - **Comfort with disagreement.** Given the subjective nature, many people in the sector will always fault with any evaluation (especially if their organization is rated low!)
 - **Comfort with ruffling feathers.** A Consumer Report like rating will naturally rate certain nonprofits as low performers. This could lead to tension and backlash

Sector is moving in this direction. Question is, how fast and aggressively it will move to provide A) more effectiveness information, and B) more evaluation

Emerging implications – How we can move \$ to HPNPs



Emerging implications: The Right Actions

1. Better information, focused on impact

- Need to provide users with a complete picture of nonprofit organizations – they desire for info on financials, impact, legitimacy, and more, not just one data point
- Most critical need is for effectiveness / impact information – desired by each group, is highest unmet need, and critical to identifying which organizations are “high performing”
- Better information must be done in a way that is efficient for nonprofits, and leads to cost-efficient, quality, standardized information for the sector

2. In a format that provides enough detail

- Experiment with more detailed “Consumer Reports”-style formats – they are the most desired format by each group, and by researchers and non-researchers alike
 - Partnerships with brand like Consumer Reports could drive impact with donors, advisors
- Portals like GuideStar, and self-reported summaries like Charting Impact, also very valuable

3. Available through appropriate channels

- People rarely “shop” for charities, so need to push information to where people look for it today – in particular to nonprofit’s websites and solicitations
 - Will reach more people, and utilize the natural incentives that HPNPs have to publish
- Build awareness of portals/evaluators that are desired but suffer from lack of awareness
- DAFs and community foundations can help reach donors efficiently

Emerging implications: The Right Focus and Process

4. Focused on key causes

- Easier to make progress by focusing on where there is natural drive for research
 - Majority of research (on a \$\$ basis) occurs in children/youth, poverty, education, health
 - Research most common (on a % basis) in international causes and int'l disaster relief

5. And on target audiences

- While many current efforts are focused on individual donors, there is less friction and a higher potential ROI with advisors and foundations – more apt to move \$ to HPNPs
- Advisors, in particular, are interested in research offerings that exist today but are underpenetrated as a community, and unaware of solutions
- Among donors, target first-time donors (prospects)

6. Adapting constantly

- Given the difficulty in predicting and changing behaviors, especially for “less rational” items like charitable giving, it is necessary to constantly try new things and adjust

See Section 7 for specific recommendations for different actors in the philanthropic universe (e.g., nonprofit evaluators, infrastructure supporters, nonprofits themselves)

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OUTLINE FOR INDIV. DONORS:

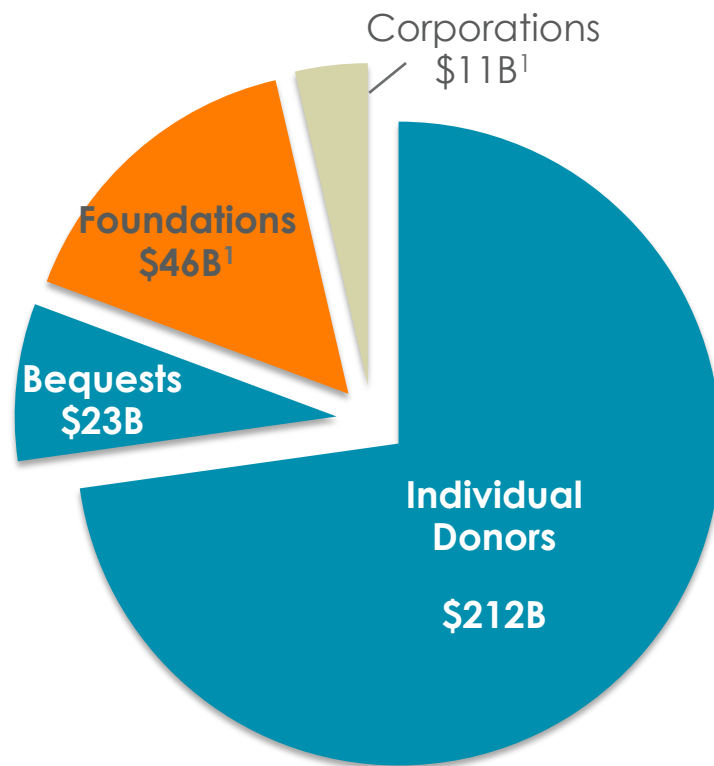
- Their motivations and mindset for giving
- Their research behaviors
- Their desire for information
- Opportunity to increase donations to HPNPs

Summary

- Individual donors donate ~\$212B annually from a diverse base of 80M+ households
- Most individual donors want to give to legitimate organizations in causes of interest, but very few try to actively seek out the ‘highest performing’ organizations
 - Charitable giving is more emotional than “rational” for many donors
- Consequently, few research, and when they do it is to validate, not find the best
- While few research, there are pockets where research does occur with donors
 - Certain donors do much more research; certain donation types much more researched
- Individual donors show clear preferences for “Consumer Reports type” ratings, with information on effectiveness, financials, and legitimacy, sourced from nonprofit information/evaluation organizations and trusted consumer brands
- Changing individual behaviors will be exceedingly difficult...
- ...But we do see an opportunity to influence~5% of individual donations (\$10B)

Individual Donors contribute over 80% of all donations to nonprofits, but over a very broad, distributed, base

Total Donations to Nonprofits, 2010

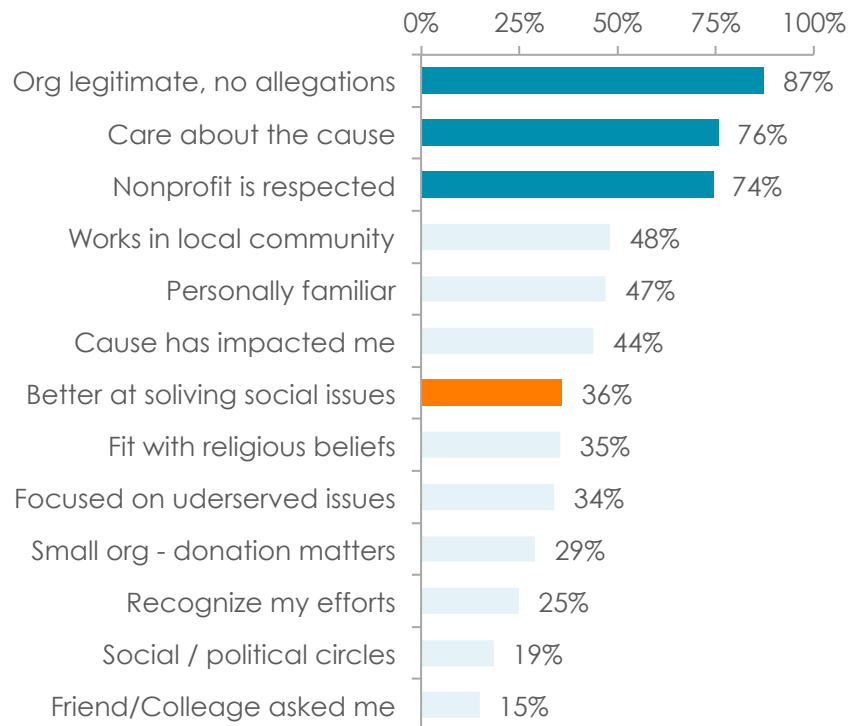


- Individual donors contributed \$212B to nonprofits in 2009, plus another \$23B in bequests, or 80% of the total
- These contributions are spread over 80-85 million households that donate to charity
 - Wealthiest 4% of individual donors give ~2/3 of total donations
- Large number of donors, each giving on average a small amount of money, makes it very difficult to market to individual donors

1. Source, Giving USA 2011. Corporate Foundations gave \$4.7B in 2010. This is included in the Foundations, not Corporations figure

Individual Donors are looking for legitimate organizations in areas they care about – not for the ‘best’ nonprofit

What Is Important to Donors¹



- Giving to organizations that are better at solving social issues is not important to many donors
- *"I think all nonprofits do a good job; I just don't want my money wasted"*
- Individual Donor, Focus Group
- *"I compare [other products]... But with charities, unless they're a scam, your money is going to some good"*
- Individual Donor, Focus Group
- In fact, only one donor segment cares about supporting the best organizations (rel. to other drivers)
 - "High Impact", 12% of total donations²

1. Question: "How important were each of these in your decision to make a donation..." %'s reflect % of respondents rating this as a 5 or 6 on 1-6 scale.

2. See appendix for details

Charitable giving is emotional – and not an exercise in ‘maximizing efficiency’ – for the vast majority of donors

Donors Don't Feel Need to Research Charities like Other Products/Services

In our focus groups we saw that while almost all participants researched products and services, they did not feel a need to do comparison research for nonprofits. Here are some representative comments

Moderator: Earlier you said you research and compare products and services...why not non-profits?

Mike K: the difference is that with charities, you don't get anything specific in return. I compare microwaves and CD players and cars because I don't want my item to suck. But with charities, unless they are a scam, your money is going to some good.

Terri B: When I am motivated to help, I don't feel a need to comparison shop. Either an individual or a situation has moved me to act and I do.

Susan K: I just want to know that my \$ are going to help the horses, not make an affluent lifestyle for the folks handling the money

Individual Donors Bring Many Heuristics to the Giving Process¹

- We use easy-to-evaluate measures even if not the “best” information
- We diversify our contributions even though it is not efficient in this context
- We give more when there are identifiable victims
- We are very sensitive to social norms and information, including anchoring
- **Overall, the majority of giving is emotional, irrational, and personal... and is not driven by “how much good [nonprofits] could actually do”¹**

1. From “The Science of Giving”. Editors Daniel Oppenheimer and Christopher Olivola. Also based on notes on the book, and an interview with the editors, by Katya Andresen, which can be found on her blog, <http://www.nonprofitmarketingblog.com/>

INDIVIDUAL DONORS: MOTIVATIONS AND MINDSET

As a result, few research, and when they do it is a quick search to validate a specific organization

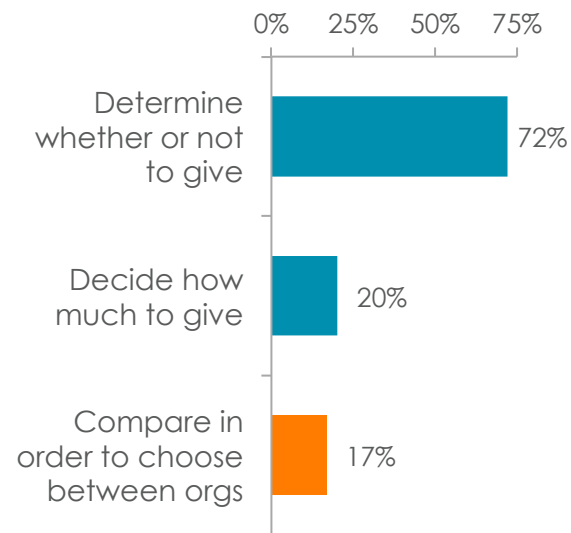
How Often They Research

Only 1/3 of all donations are researched



What They Want

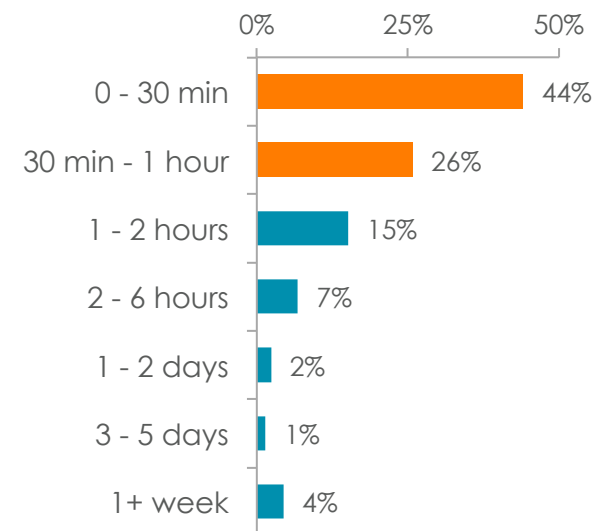
When they do research, it is to find an acceptable nonprofit, not compare to find the best



"I just want verification to insure my money is being used wisely."
– Member, Indiv Focus Group

How Much Time is Spent

70% spend less than 1 hour researching (vs. ~15-20% for advisors and foundations)



Of course, while only 1/3 of donations are researched, there are areas where research is more prevalent

We see clear areas where research is more prevalent:

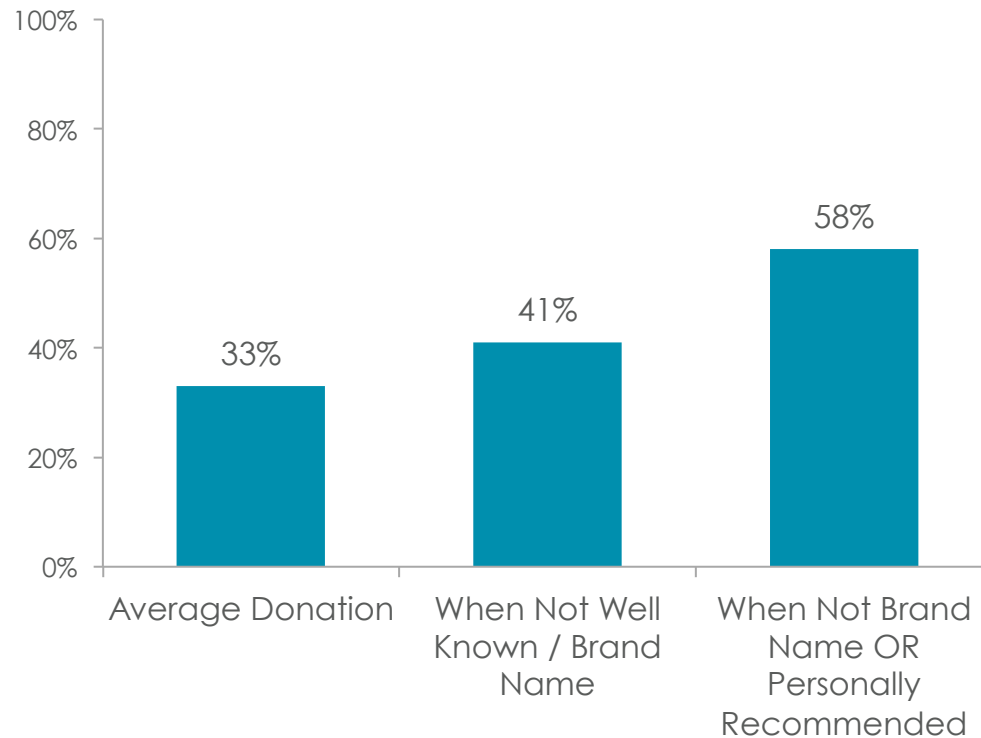
- Donations to organizations that are not well known / “brand names”
- Solicitations that don’t carry a personal connection to the donor
- Donations to organizations working in certain sectors
 - International organizations most researched on a % basis
 - ~75% of research happens in education, poverty, children, health
- Certain donors that are more prone and interested in research
 - We do see correlation between past and future research behaviors

And we see opportunities beyond where people just state research intentions:

- While 1/3 donate, another 1/3 take some action
- Individual donors can be pushed to research when they otherwise would not
- Messaging can help create the ‘need’ for research in some instances

Unfamiliar donations are researched more often

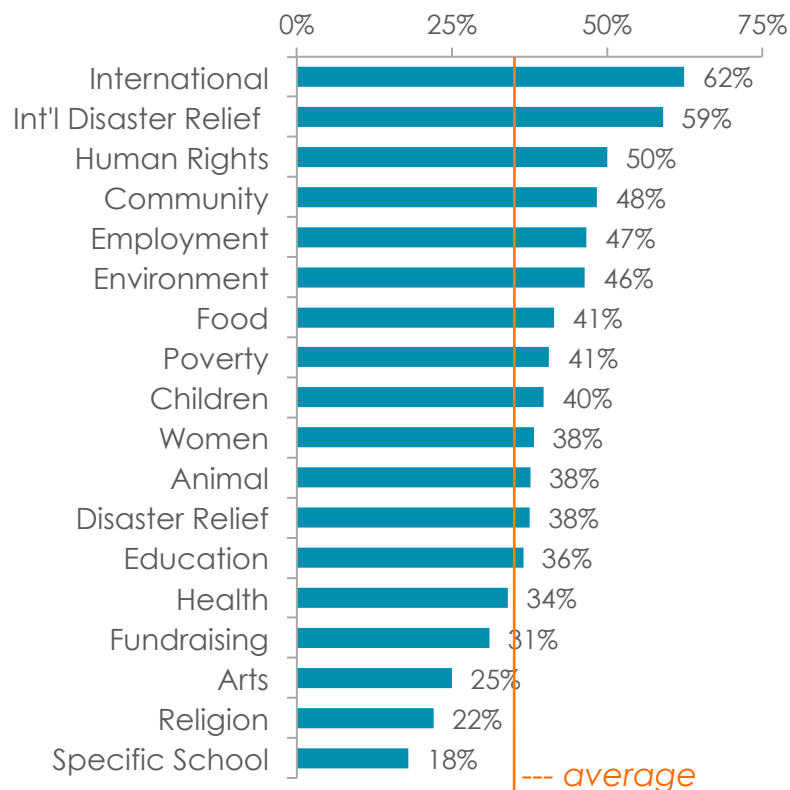
% of Donations Researched



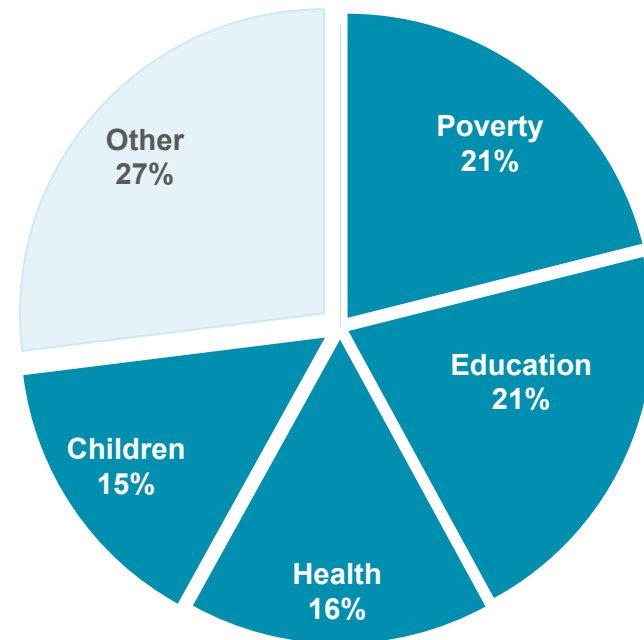
- *“New requests or organizations we may have not previously heard of gives us cause for research”*
- Individual Donor, Focus Group
- *“It [Research] is only important if it is for a new nonprofit”*
- Individual Donor, Focus Group

Certain segments of nonprofits are researched more often

Likelihood of Researching Varies Based on the Type of Organization



4 Sectors Comprise 73% of All Research by Indiv. Donors (\$\$ basis)



Combination of total \$\$ donated within these sectors, and the likelihood of research

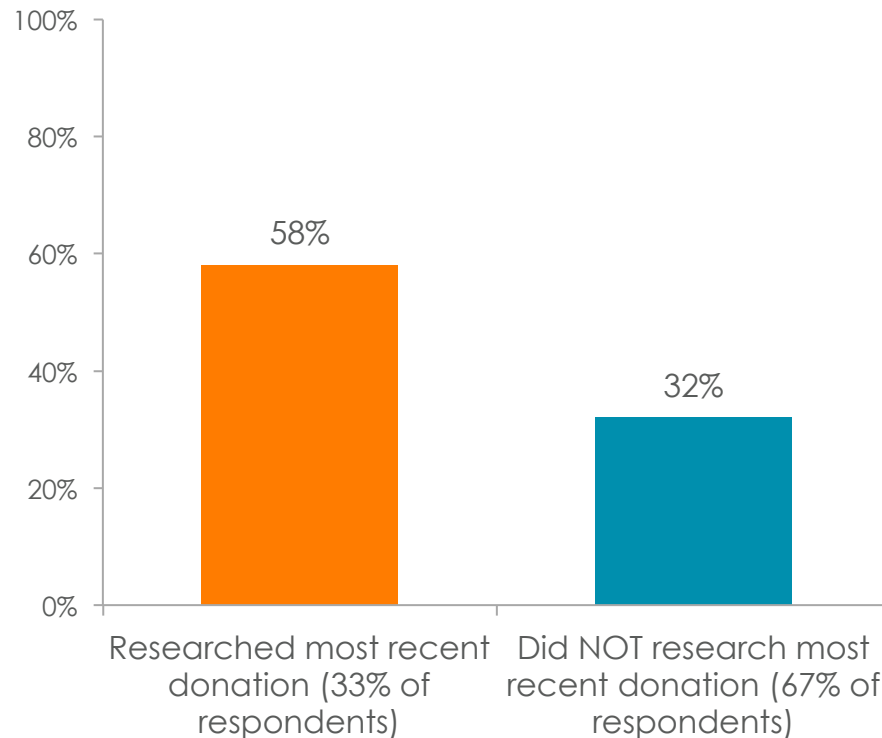
INDIVIDUAL DONORS: RESEARCH BEHAVIORS

Some donors are more prone to research than others

	Lost Cause <ul style="list-style-type: none"> No research in past No research future Will never research 	Long Shots <ul style="list-style-type: none"> No research in past Possible to convince to research in future 	Occasional <ul style="list-style-type: none"> Show signs of researching, but not consistently 	Core <ul style="list-style-type: none"> Researched in past Will research in future
% Individual Donors	14%	39%	29%	19%
% research past	0%	0%	32%	100%
% “action” past	38%	49%	83%	100%
% Research > 1HR	6%	7%	24%	44%
% Δ Behavior due to Research in past	38%	51%	70%	73%
% Interest in HPNP	0%	37%	45%	51%
% looked for “Effectiveness” info	7%	14%	40%	62%

And we do see a correlation between past and future research behaviors

Likelihood of Researching in the Future

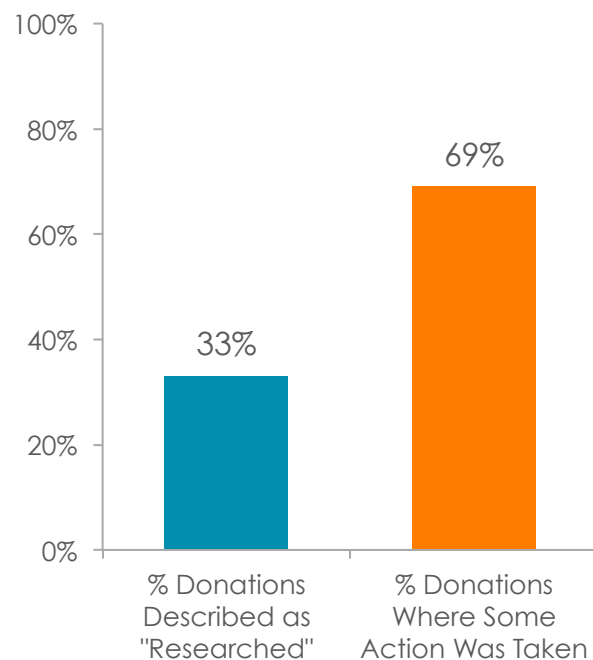


- If people researched their most recent donation, we find that they are almost twice as likely to plan to research in the future
- This is even more true when looking only at repeat donations only
 - If researched in past, 52% would research repeat donation
 - If didn't research last gift, 22% would research repeat donation
- Shows there are certain donors that do research more than others

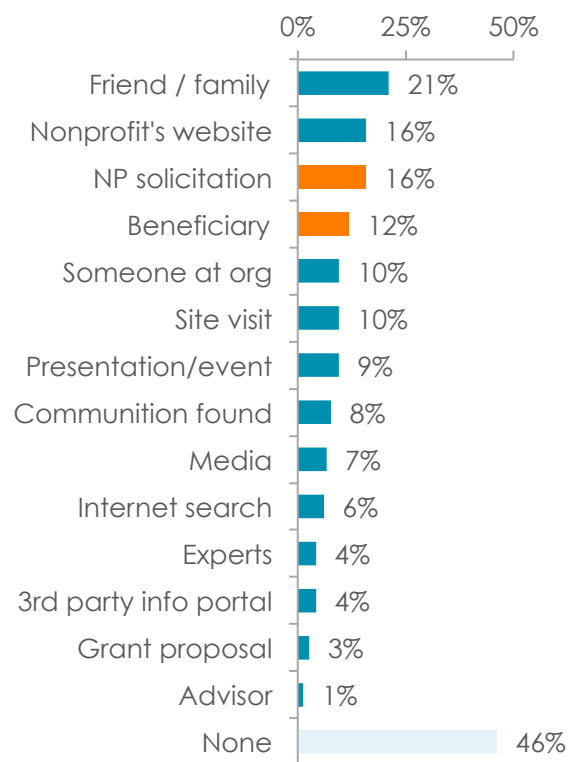
While only 1/3 say they 'research', another 1/3 takes some action

How Many "Research"

While 1/3 of donations are described as 'researched', something is done for >2/3



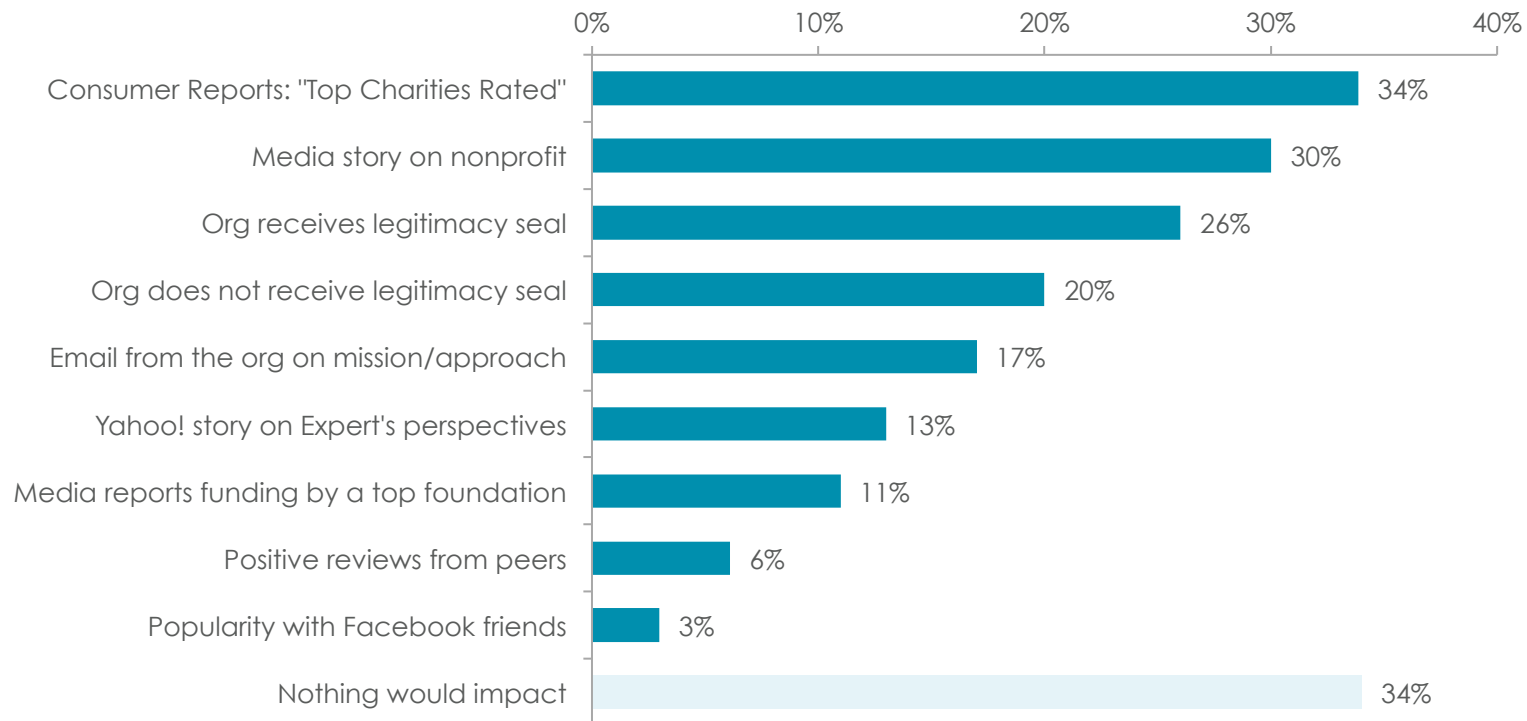
Action Taken by Those Who Say They do NOT Research



- Even when people don't think of themselves as researching, they do "something" ~1/2 the time
- Often times, that action is looking at NP materials. Creates opportunity to push info to users
- Unfortunately, those that take "action" spend even less time than those that "research"
 - 18% spend more than an hour, versus 45% for those that "research"

And we found that there are ways to motivate donors to research when they otherwise wouldn't

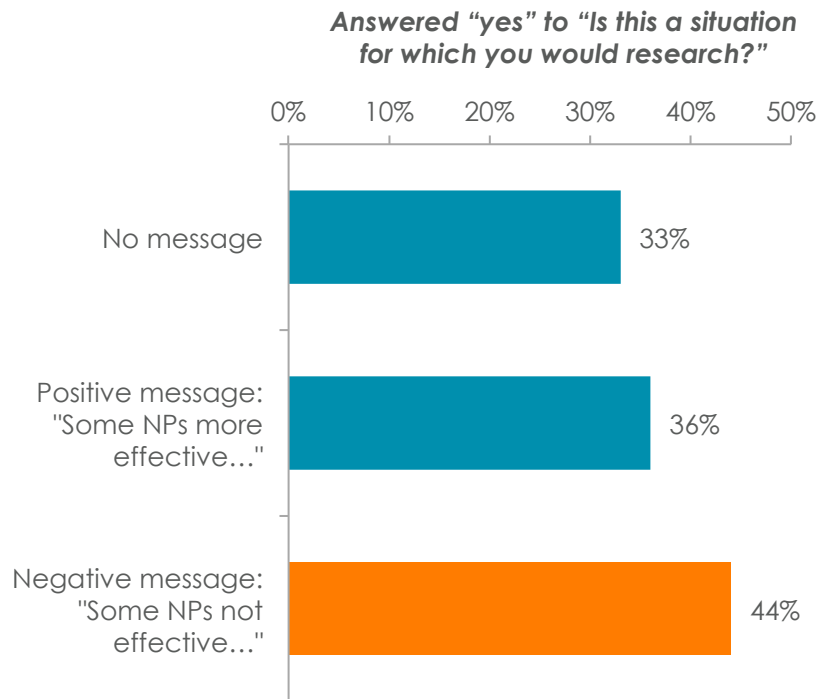
Pushing info can get 66% to research when they otherwise would not¹



1. People who said they would not research a particular scenario in the future were given the following question: "Below are various scenarios which may or may not impact your donation decision... From the list below, please select only the scenarios which would be extremely likely to impact whether or not you would donate to this organization."

Negative messaging could have an impact on research behavior as well

Negative messages can also encourage research behavior



- More people researched when first given a negative message than a positive one
 - *Positive:* Were you aware of the following? Some nonprofits are far more effective than others. For example, analysis of over 10,000 education nonprofits found that the highest performing nonprofits are five times more effective at improving student outcomes
 - *Negative:* Were you aware of the following? Giving to a poor performing nonprofit can be a waste of money, or worse, can inadvertently do harm. For example, analysis of over 10,000 education nonprofits found that the lowest performing nonprofits are five times less...
- Further, any information that shows that nonprofit perform differently increased donation likelihood vs. "no message"
- This held for repeat donations but not for new / "first time" donations

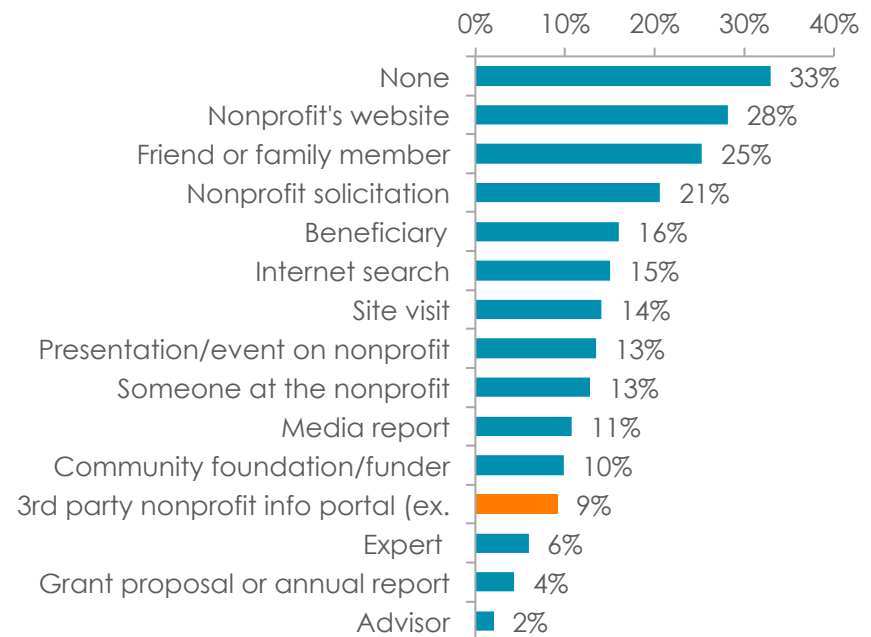
INDIVIDUAL DONORS: RESEARCH BEHAVIORS

When donors research, they seek a broad set of information – often from the nonprofits themselves

Information Used in Last Donation



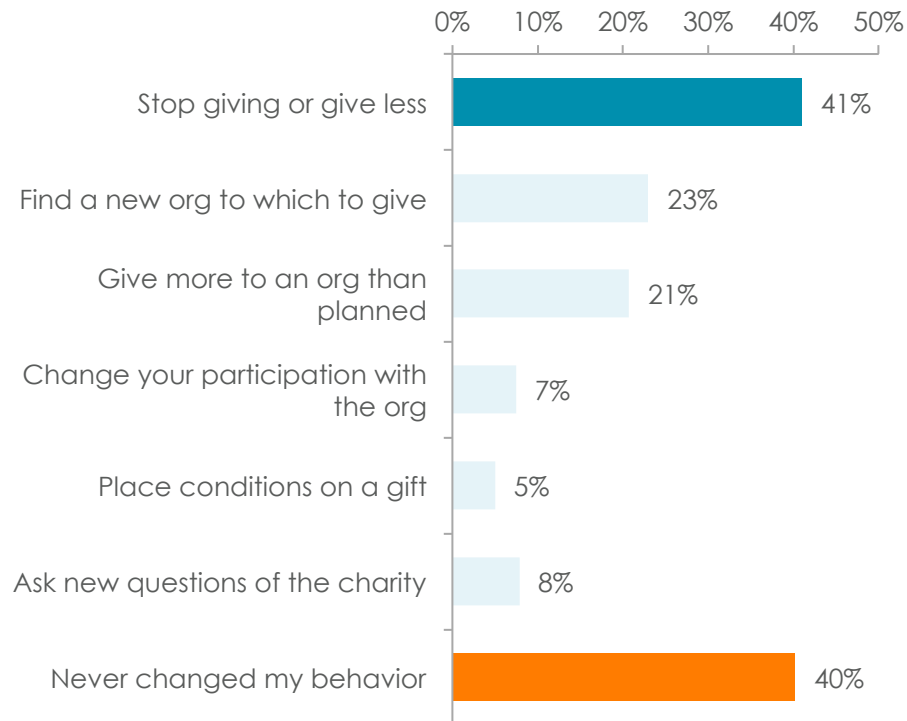
Sources Used



Individual donors get effectiveness and other “data” from the nonprofits and friends/family. Research providers aren’t reaching most donors

If donors use information, it is typically to stop giving to a particular nonprofit (vs. finding a new 'best' one)

Impact of Research on Past Giving Decisions

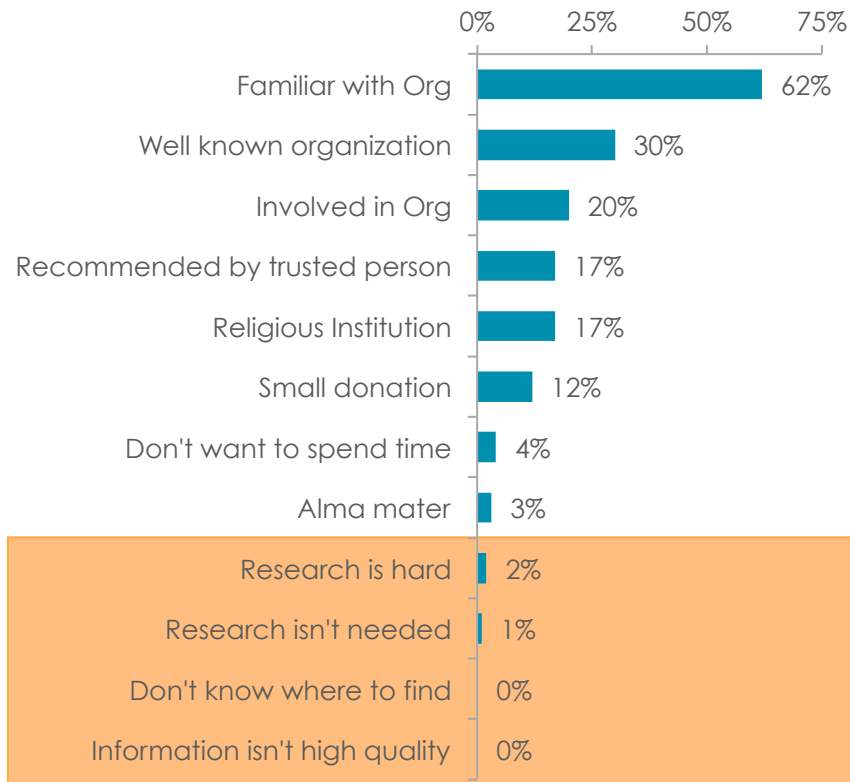


- Information has helped people **stop giving** to organizations...
- ...twice as often as it has caused people to find **new** organizations
- This is consistent with individual donors' motivation of finding "good" organizations that are reputable and meet their interests
- "To me it involves learning about the nonprofit and determining if it's worthwhile. I think people do it for peace of mind and accountability."*

- Individual Donor

And individual donors have few problems with the research experience

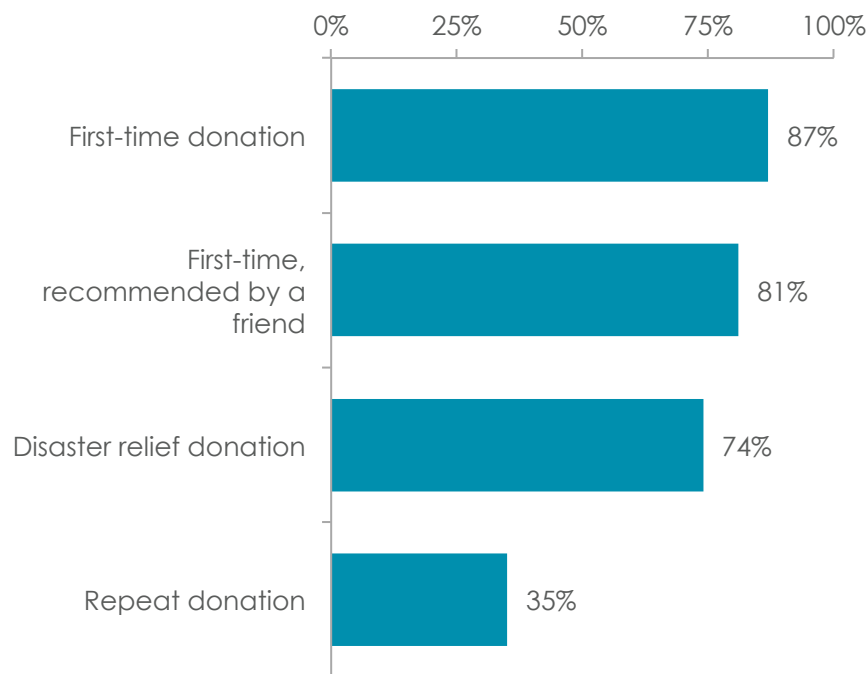
Why people don't research a donation



- When people don't research, it is often because they are familiar with the organization
- Individual donors do not state any problems with research or information
- In fact, in focus groups, individual donors said that the research process and finding information was "Easy" ...
 - Average score of 8 on 1-10 scale, where 10 = extremely easy (n=43)
- ... And did not cite any core unmet needs

People state an intent to research in predictable ways
– lack of familiarity drives research

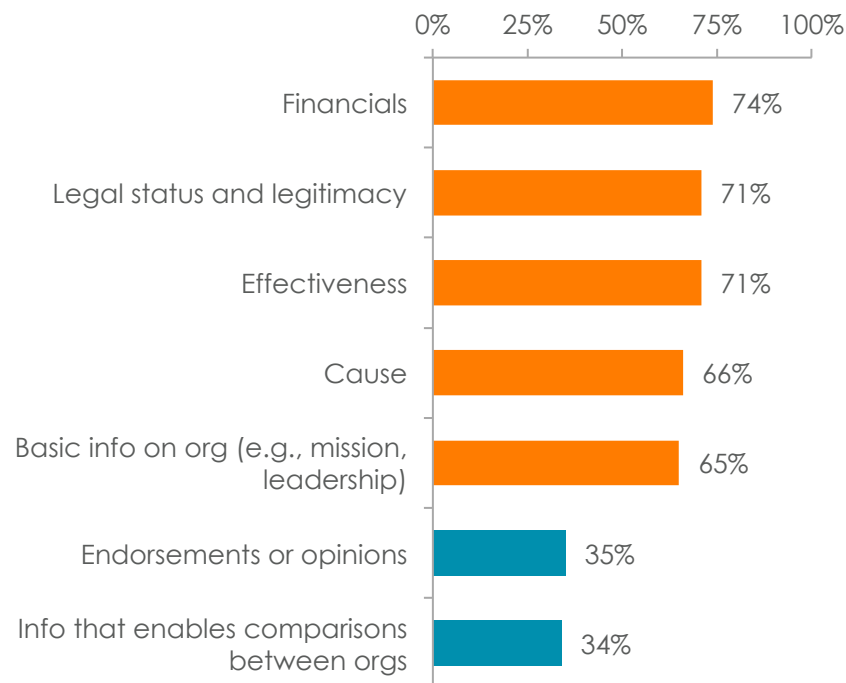
When Individual Donors Say They Would Research



- To test individual donors' interest in research, we broke the sample into four groups and asked each how likely they would be to research a particular scenario
- Unsurprisingly, donors were more likely to research donations to 'new' nonprofits, and within those, more likely to research when the nonprofit was not personally recommended
- ~1/3 of donors said they would research when looking at nonprofits to which they have given previously, consistent with historical behaviors

Individual donors are most interested in information on financials, legitimacy, effectiveness

Information Individual Donors Want



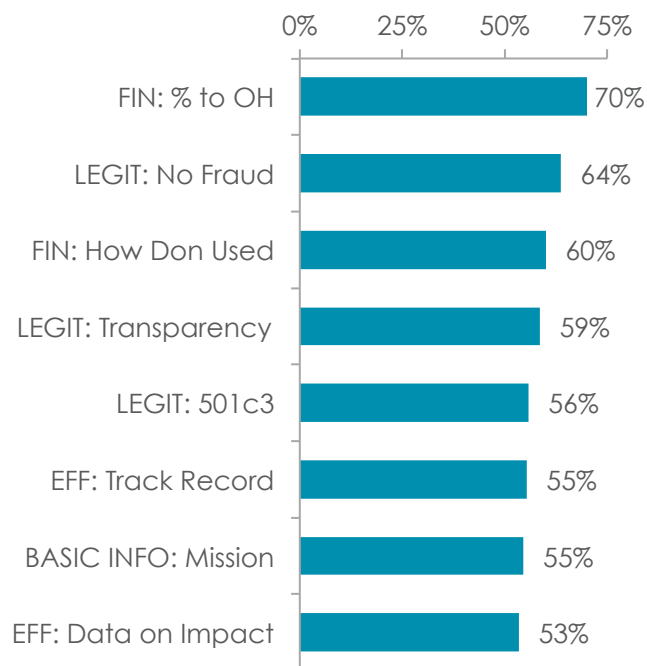
- Clear water between the top five items – financials, legitimacy, effectiveness, cause, and basic info...
- And the bottom two - endorsements/ opinions of others, and comparison
 - Giving is personal, making endorsements less persuasive (especially from general public)
 - Comparing not seen as needed: *“When I am motivated to help, I don't feel a need to comparison shop”* – Focus Group member

Question: “What type of information is most important to you...”. %'s reflect % of respondents rating information type as a 5 or 6 on 1-6 scale

INDIVIDUAL DONORS: DESIRE FOR INFORMATION

Seen at more granular level, factors to ensure donors are not wasting money or giving to scam rank highest

Most Sought After Information: Granular Level¹



Interest in Specific Pieces of Information Within Highest Rated Categories²

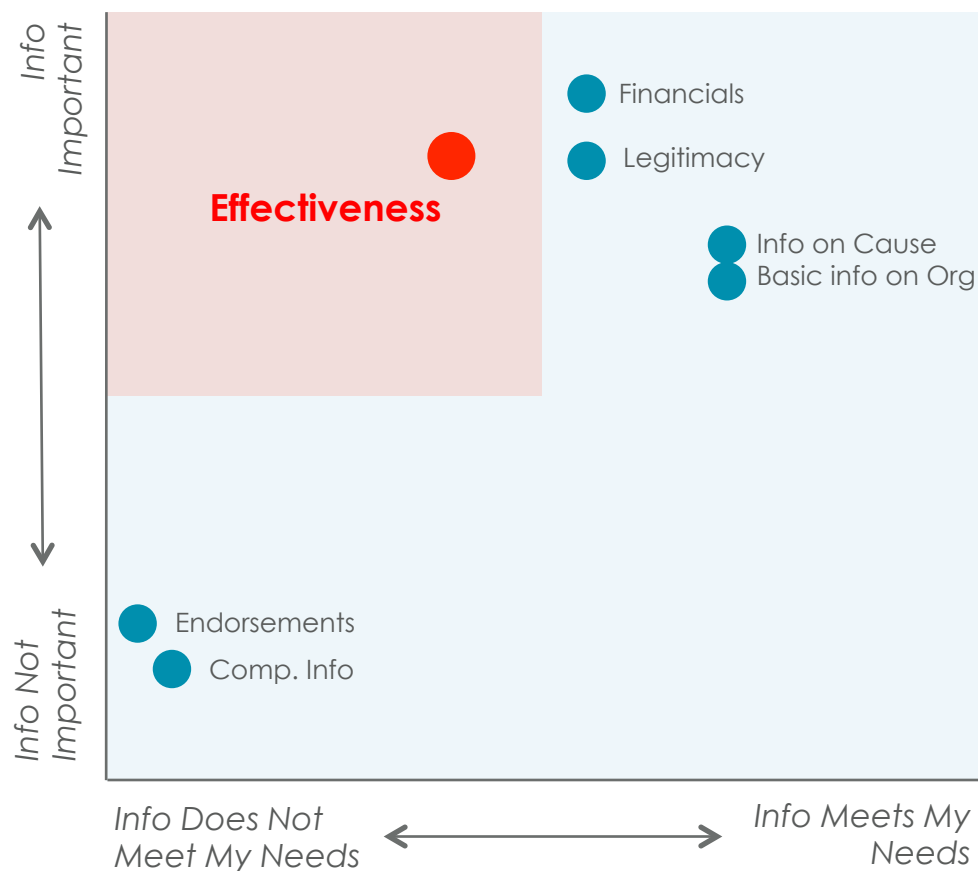
Financials - 74%		Effectiveness - 71%		Basic Info on Org - 65%	
% to Overhead	71%	Data / evidence of org's impact	35%	Org's mission	33%
How Donation Used	18%	Track record/ past performance	31%	Program description	28%
Expense Breakdown	5%	Reviews - beneficiaries	13%	Org's history	14%
Compensation	3%	Reviews - experts	6%	Org's financials	16%
Comparison to Other Orgs	1%	Stories/testimonials	6%	Org's leadership	3%
I/S and B/S	2%	Comparisons to others	5%	Org's governance	2%
Historical Financial Trends	0%	Review - people close to org	2%	Annual reports	3%
		Reviews - other donors	1%	Org's Board	0%
Legal Status and Legitimacy - 71%		Info on the Cause - 66%			
Not been accused of fraud	34%	Extent / scale of problem	33%		
Transparency	28%	How orgs addressing issue	26%		
IRS-Registered Nonprofit	23%	Best practices	22%		
Not on Terrorist Watch List	13%	Who is working on issue	14%		
Copies of 990	2%	Tips for effective giving	5%		

1. Within each category we asked about specific types of information. These figures show highest COMBINED ratings, calculated by multiplying the % of individual donors that rated each macro category a 5 or 6 on 1-6 scale * % of donors that donors rated each sub-category a 5 or 6 on 1-6 scale

2. %'s reflect "most sought after piece of information" within each category (sum to 100% within each category)

Of the information available today, we see that it is effectiveness/impact data that is the key unmet need

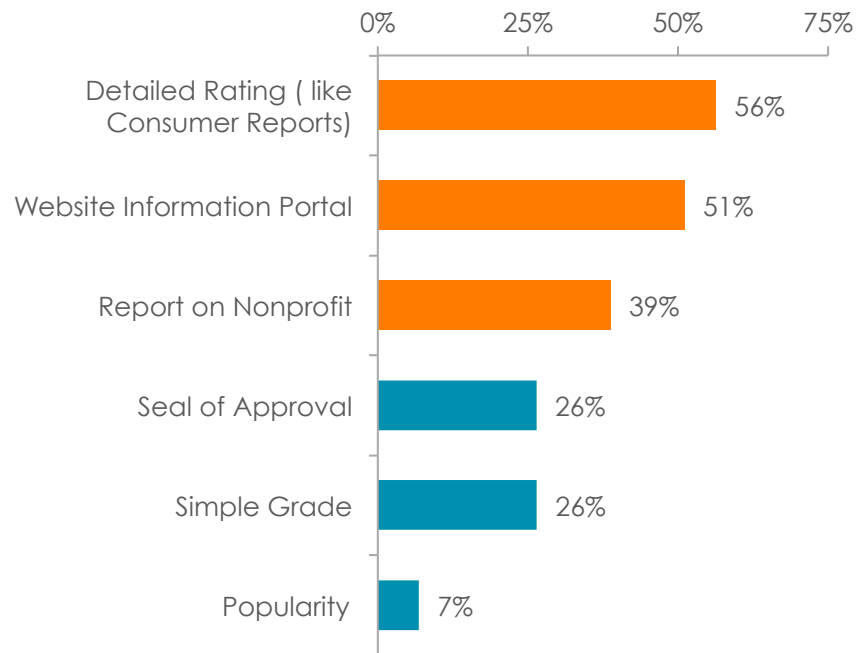
Met and Unmet Information Needs



- Relative to other areas, effectiveness and impact data are the areas where donors say the information is important AND is not meeting their needs today

Individual Donors prefer that information come via detailed ratings, information portals, or simple reports

Preferred Packages



Question: "Information about a nonprofit could be provided in different ways. We'd like to know which way of providing information would be most appealing to you. Please rate each of the six formats below on a 6 point scale, where 1 means 'not at all appealing', and 6 means 'extremely appealing'. %'s reflect % of respondents rating information type as a 5 or 6 on 1-6 scale

- Overall, the more detailed, "Do It Yourself" formats are more popular than the simple, "Do it For Me" options
- Giving is a personal and subjective process; in focus groups donors stated that these formats allowed them to keep giving personal and not feel they need to follow others
- As such, we believe the benefit of the detailed ratings for donors isn't the comparable nature; its the centralized provision of information that lets them feel that 'they're making the decision'
 - Level of detail also helps build trust

And they trust known consumer brands and sites that specialize in nonprofit information to provide it

Preferred Sources

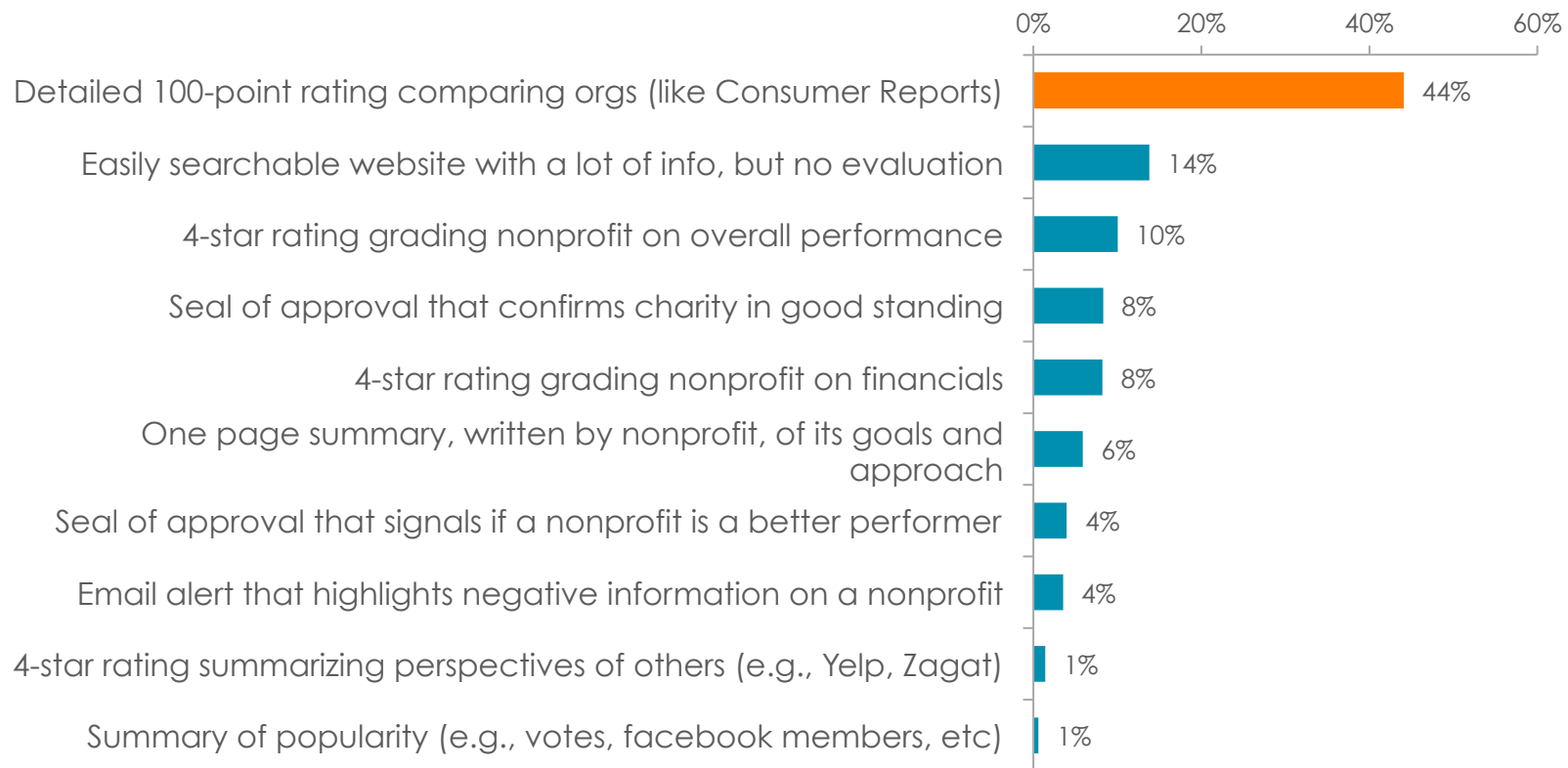


- Nonprofit evaluation sites #1, but individual donors need to be comfortable with them / trust them
- Donors very trusting in consumer brands, especially Consumer Reports
- “Experts” like expert panels, universities, and foundations rated very low; individual donors might see bias with these (hot button for them)
- We see here and elsewhere general public / popularity not a driver

Question: “Who would you trust to provide the information that you are looking for?”. %'s reflect % of respondents rating source as a 5 or 6 on 1-6 scale

INDIVIDUAL DONORS: DESIRE FOR INFORMATION

In an analysis that brought several of these elements together, we see that “Consumer Reports” ratings are clearly the most preferred



1. Tests designed to show users 8 screens, each with 4 options. User choose most and least desired of the four. Did not conduct with Foundations given timing limits within the survey, thus have not shown these as the default across all three groups

INDIVIDUAL DONORS: DESIRE FOR INFORMATION

And when we tested specific brands, we found that Consumer Reports was the top choice

FROM FOCUS GROUPS

What organizations or entities would you trust to provide this service?

(Individual Donors, n=43)
Word size indicates relative frequency.



Diving Deeper: Why detailed ratings?

- Individual donors can be skeptical of how simple ratings are conducted, and without more information, were **disinclined to blindly trust simple evaluations**
 - “What is the vested interest of the evaluator? Why should I trust them?” – Focus Group
- Further, ratings that have more information help **keep the process personal**
 - 60% said they want detailed ratings because “It allows me to make my own decisions”
- Detailed ratings also provide **transparency** into the process of the ratings, and a visual that lets them quickly validate that an organization is better than others
 - “Lets say I want to buy a vacuum. A report says a particular model gets 4-stars but leaves it at that. I may not believe it. But if I see a list of 40 vacuums rated, and see that this one comes in at the top, I’ll trust it. The list gives me confidence they did their research”

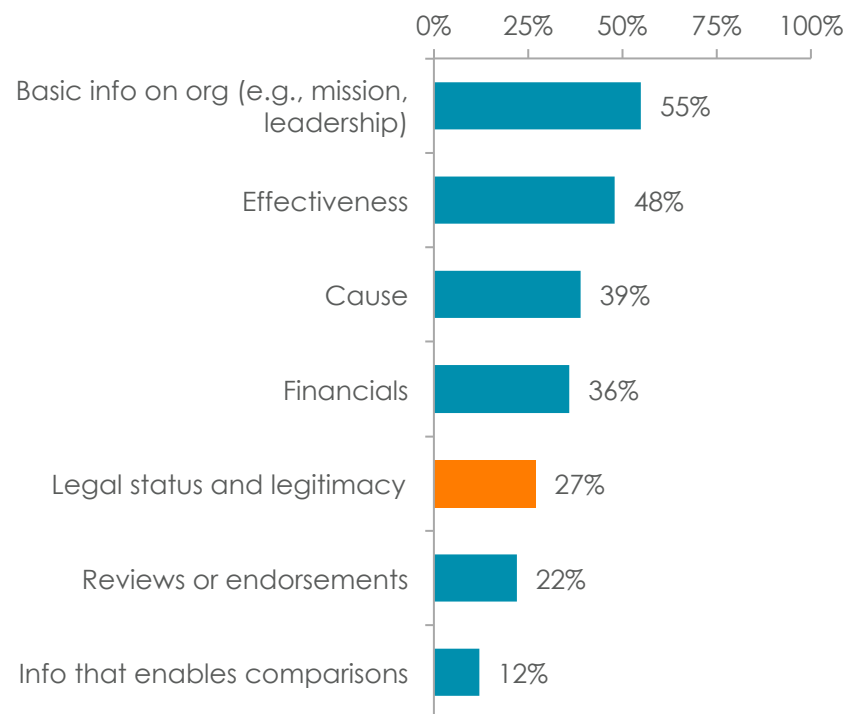
As ratings and evaluations become more common, and familiarity with processes and organizations increases, simpler ratings may become more attractive

Diving Deeper: Individual Donors say that legitimacy is critical, but they don't seek to verify it today

Donors say Legitimacy is Critical

- 87% say that the organization's legitimacy is important...
- ...And 71% say that legitimacy information is important to them when making a donation...
- ... But for recent donations, it was only sought 27% of the time
- Possible reasons include:
 - They already know – or assume – that nonprofits on their radar are legitimate
 - They infer legitimacy as a matter of course in seeking other info
 - It is actually an unmet need – they want it but don't know where to find it

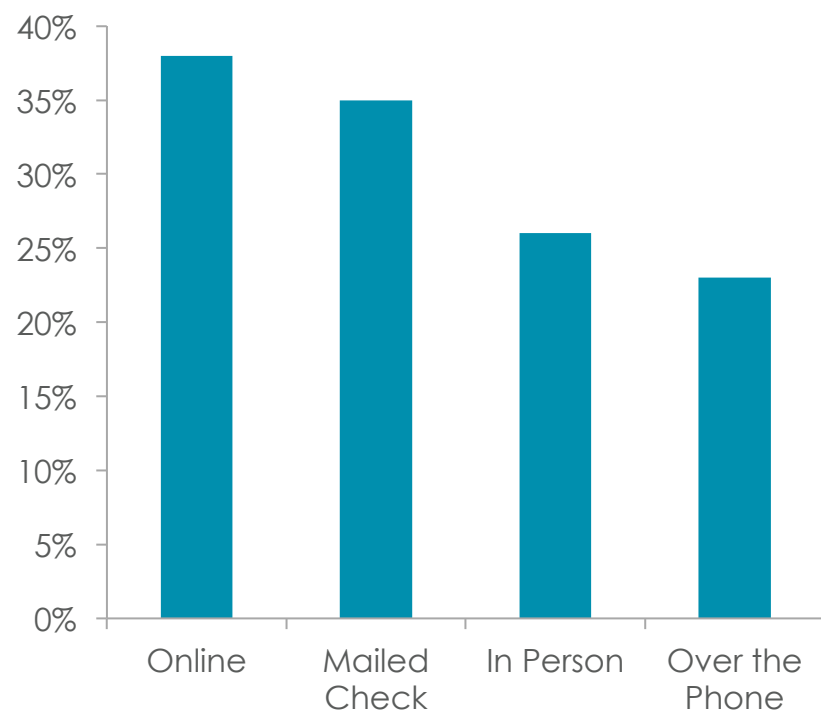
But isn't Sought Out Today



Question: "Please select all the types of information you looked for when researching your recent donation". %'s reflect % of respondents selecting

Diving Deeper: Preferences and behaviors are not greatly influenced by the channel for donation

% Researched Based on Channel by Which They Donated



Differences By Channel

- General preference for information, format, source of research don't vary greatly (same rank order of choices in each channel group)
- Online donors more interested than others in:
 - Website information portals (57% vs. 51% across all donors)
 - Finding information on nonprofit information and evaluation sites (60% vs. 53%)

While there are opportunities, it will be very difficult to get individual donors to research more, or give more to HPNPs

1. Only a fraction of individual donors are primarily motivated by giving to the HPNPs (unlike Foundations). This **isn't why they give**, and isn't their primary care
2. Individual donors believe most **nonprofits are doing a good job**... especially so for the organizations to which they donate. 44% of those who don't look for effectiveness information say that it is because "all nonprofits do good"
3. Individual donors are often **personally familiar** with their chosen charities, and these ties are stronger than what a third party evaluator could tell them
4. Majority of donations are to **organizations that are well known**, and implicitly trusted
5. Individual donors are very **loyal** to their chosen charities. As such, the amount of money they are willing to reallocate is limited
6. Individual donors **don't show dissatisfaction with the giving process** – so why change?
7. Individual donors **don't show dissatisfaction with the research process**. They are not troubled by information quality, ease of finding that info, or challenge of research
8. Individual donors are a **large and fragmented group**, and thus expensive to market to

See appendix for elaboration of these points

The opportunity for change will differ based on the type of donor

Lost Cause	Long Shots	Occasional	Core
<ul style="list-style-type: none">• Will never research	<ul style="list-style-type: none">• Didn't research in past, but may in future	<ul style="list-style-type: none">• Research, but not consistently	<ul style="list-style-type: none">• Plan on researching
14%	39%	29%	19%
<ul style="list-style-type: none">• Are not going to research• Recommendations will have no impact on them	<ul style="list-style-type: none">• Can be convinced to research, but need to be pushed• Greater interest in using negative information to stop giving to an organization (vs. finding new organizations)	<ul style="list-style-type: none">• Will research, but also need to be 'pushed'• Much more likely to look at impact• Will use info both to stop giving and give more to strong organizations	<ul style="list-style-type: none">• Will research• Will look at impact• Will seek out HPNPs• Highest chance to move money to good orgs (vs. just stopping giving to underperformers)
No Impact	May Drop LPNPs	Drop LPNPs May Fund HPNPs	Drop LPNPs Fund HPNPs

INDIVIDUAL DONORS: THE OPPORTUNITY

In total, we believe that better research could impact ~\$10B of annual donations from individual donors

Given the difficulty of this estimation, we used 2 approaches; they gave similar results

Looking at available donations (based on MfG1 research), and then what % of those could be influenced through better research	
Total Individual Donations '10	\$212B
% "Switchable" – from MFG1	14%
% "Possibly Add" – from MFG1	12%
Total Amount Indiv willing to donate differently than today	\$54B
% to HPNP – Core	36%
% to HPNP – Occasional	24%
% to HPNP – Long Shot	13%
% to HPNP – No Hope	0%
Weighted Avg % to HPNP	19%
Total Opportunity	\$10.3B

Looking at how much individual donors said they would give above what they give today, and how much they would reallocate	
Total Individual Donations '10	\$212B
% Interested in Research Offer	66%
Donations by Those Interested	\$149B
<u>New Additional \$ to HPNP</u>	<u>\$3.9B</u>
% would increase donation	47%
How much would inc. donations	13%
Certainty of inc. donations	46%
<u>Reallocation of \$ to HPNP</u>	<u>\$6.6B</u>
% "Switchable" – from MFG1	14%
% would reallocate to HPNP	34%
Total Opportunity	\$10.5B

See appendix for detail on methodology

Contents

1. Context
2. Executive Summary
3. Findings on Individual Donors
- 4. Findings on Foundations**
5. Findings on Advisors
6. Detail on Specific Issues
7. Recommendations
8. Appendix

OUTLINE FOR FOUNDATIONS:

- Their motivations and mindset for giving
- Their research behaviors
- Their desire for information
- Opportunity to increase donations to HPNPs

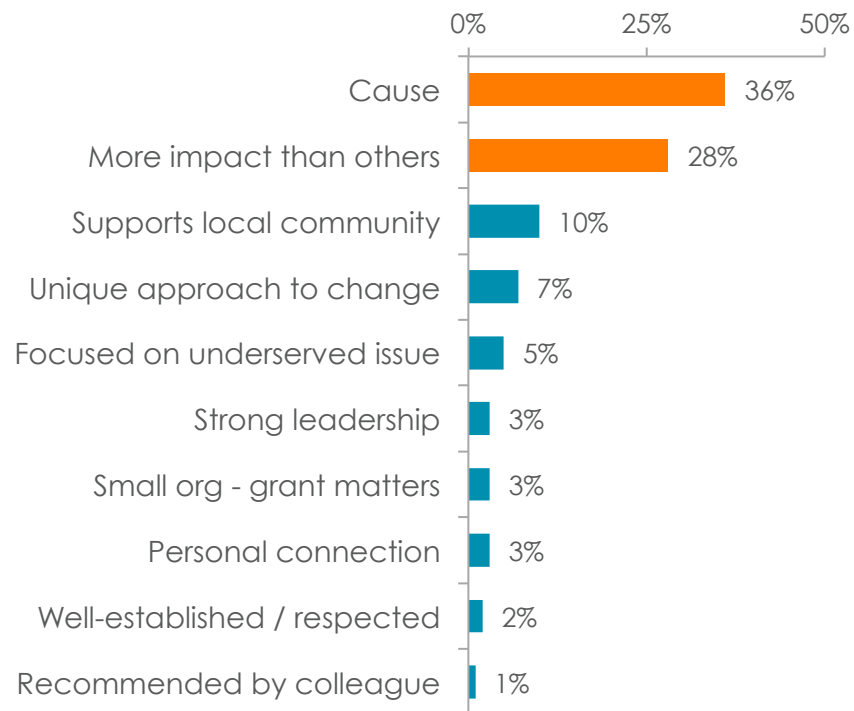
Summary

- Foundations contributed ~\$46B to nonprofits in '10 from a very concentrated base¹
- Many foundations – including small foundations with <\$1M in assets – want to make grants to high impact nonprofits and care deeply about social impact
- Foundations research 9 out of 10 grants, and on average spend 4 hours doing so
- Their desire for information is intensive
 - Much higher appetite for information than individual donors and advisors
 - In particular, focused on effectiveness and social impact
 - Primary source today is the nonprofit, but interested in using third parties going forward
- Foundations want format that allow them to see a significant amount of information, either through detailed reports or information portals
- Overall, foundations are a highly motivated and targetable market, and represent an opportunity to move ~\$3-4B to HPNPs (~8% of annual grants)²

1. Giving USA. Includes donations from Corporate Foundations. 2. See appendix for methodology

Foundations are very motivated to give to high performing organizations, and to maximize impact

What Is Important to Foundations¹



- Foundations care about cause and impact
- Impact preference much different than for indiv. donors and advisors
 - In similar analysis for indiv. donors, “Organization more effective than others” scored 4% (vs. 28% for Found)
 - Only 13 of 873 advisors felt “org is more effective than others” most important when advising clients
- Smaller foundations’ interests generally parallel those of larger interests, with marginally less emphasis on effectiveness (21%)

1. Question: “For the next exercise, think about a typical grant you made in 2010. You’re going to see eight screens of five statements each. On each screen, please select the most important and least important reasons why you decided to make a grant to that particular organization”

Of course, not all foundations are alike.
We found four key segments

Maximize Impact

"Thought the organization would have more impact than others like it"

"Org has proved itself to be more effective"

"Org has a unique approach"

39% of foundations

Cause First

"Organization is focused on a cause that is important to our foundation"

36% of foundations

Make a Difference

"Works locally"

"Focused on underserved cause"

"Small enough that our grant matters"

18% of foundations

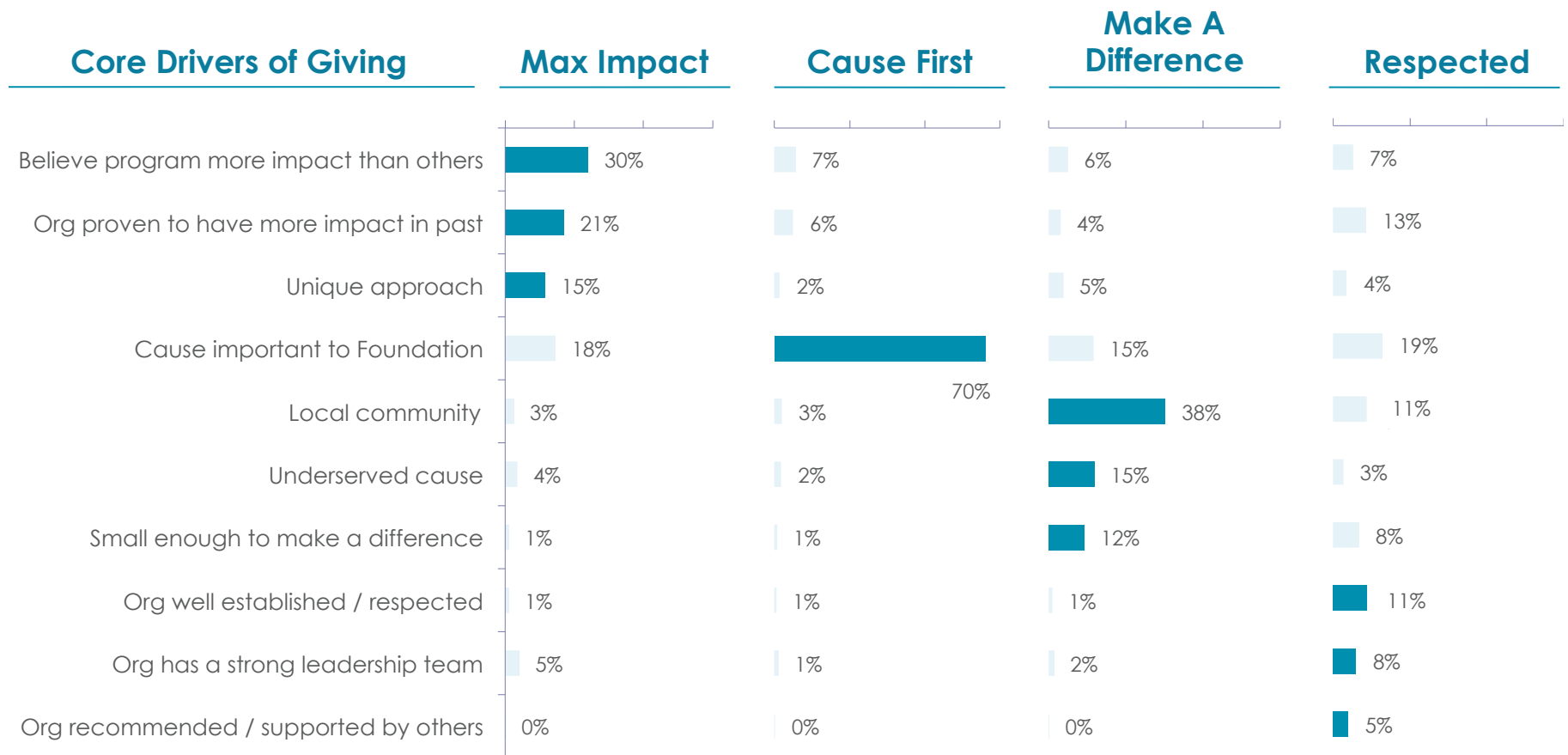
Respected

"Organization is well-established and respected"

"Organization comes recommended"

7% of foundations

These four segments vary in meaningful ways

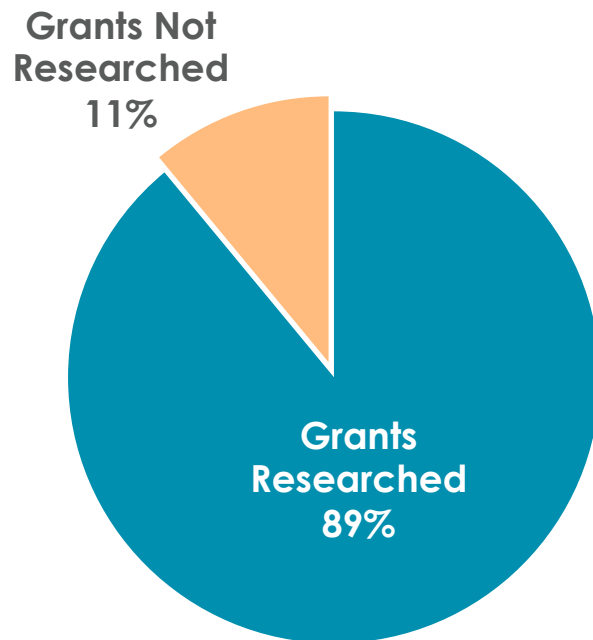


This is a statistical grouping of the analysis on page 65

Foundations take research very seriously, and often compare to find the best organizations

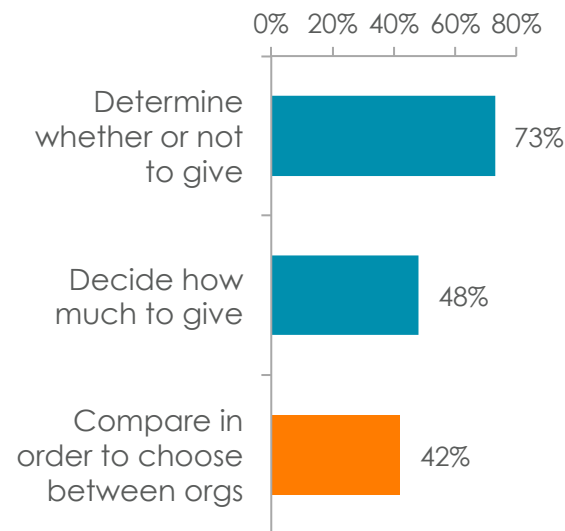
How Often They Research

Almost all grants are researched



What They Want

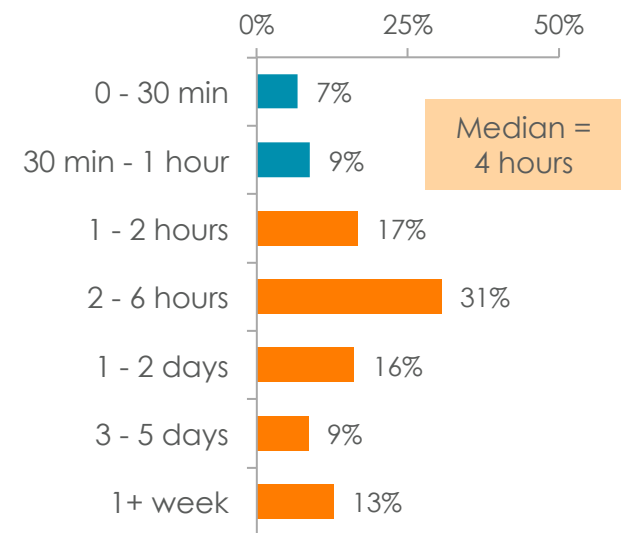
When they do research, it is often to compare nonprofits



*"We're trying [for] investment caliber due diligence."
– Andy, Found Focus Group*

How Much Time is Spent

84% spend more than 1 hour researching (vs. 30% for individual donors)

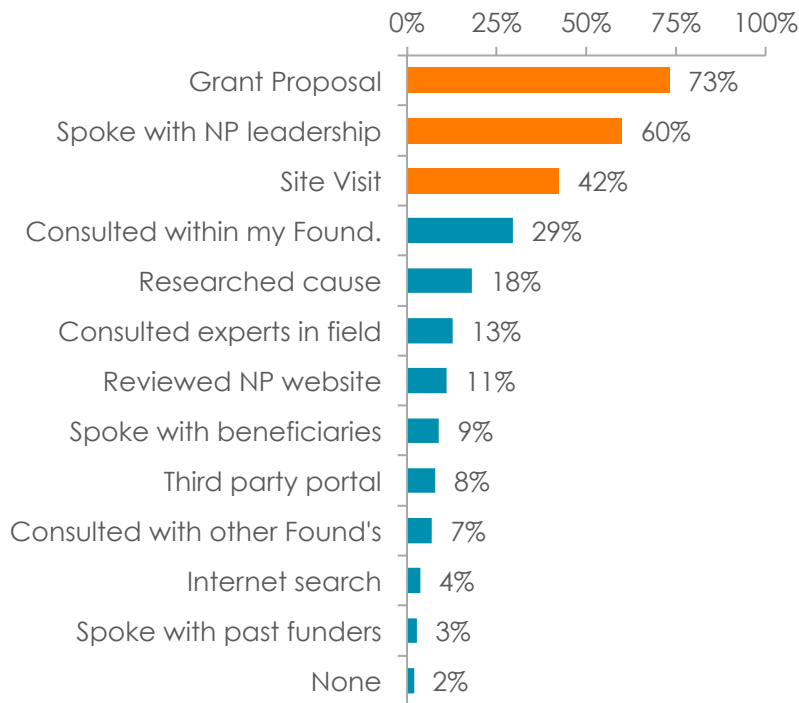


Small foundations behave much more like other foundations than they behave like individual donors

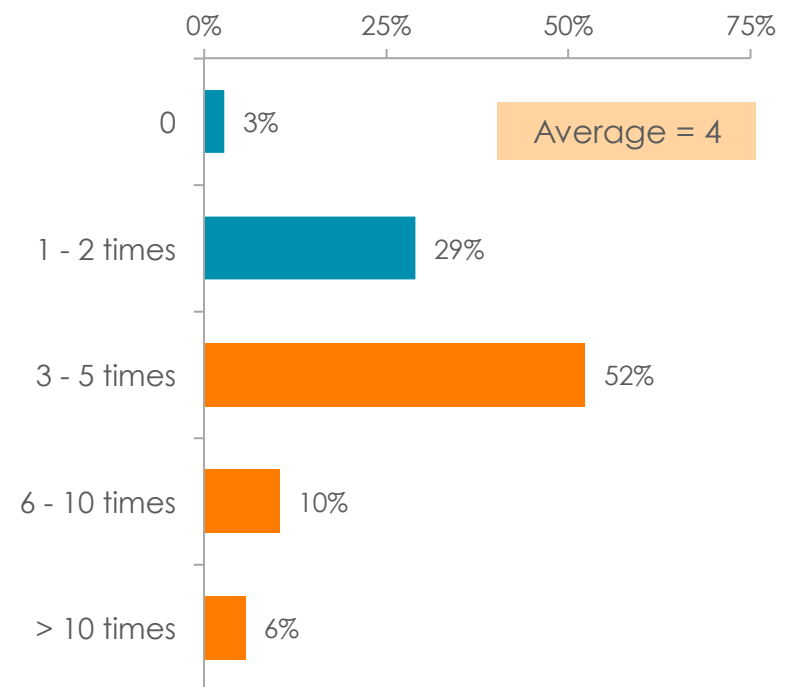
	<div> <div>ACTION</div> <div>RESEARCH</div> <div>COMPARE</div> </div>		
	<div> <div>Went to any source of information before donating</div> <div>Self described as doing 'research' before donating</div> <div>Researched to compare nonprofits</div> </div>		
Individual Donors	69%	33%	6%
Small Foundations (<\$1M assets)	94%	81%	27%
Foundations	98%	89%	38%

Foundations historically obtain their information from interactions with the nonprofit over several meetings

Steps Taken Before Making a Grant



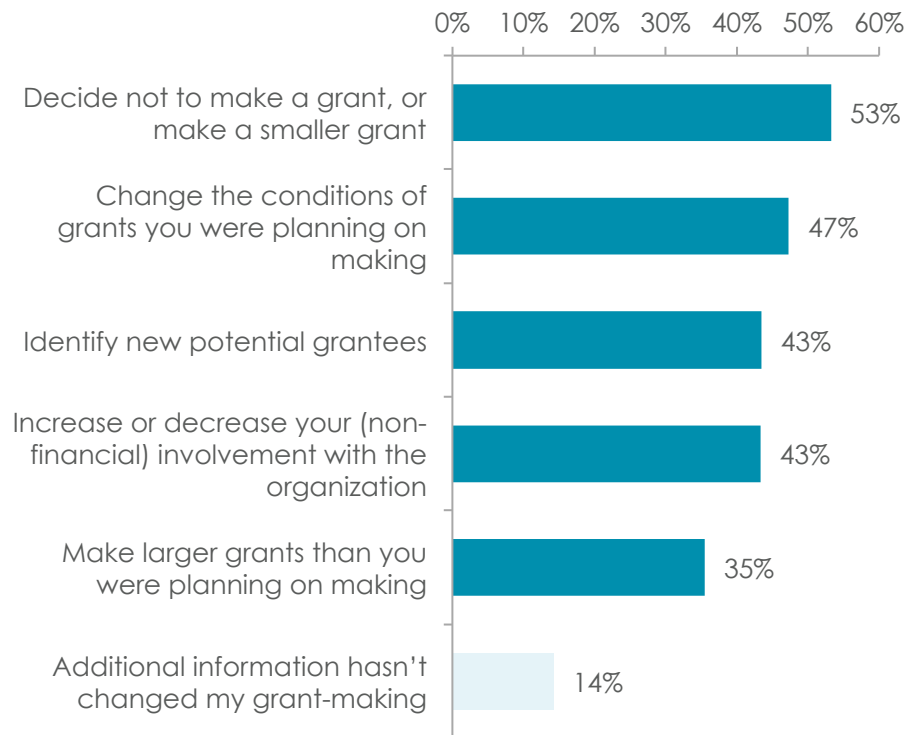
Number of communications with the NP



Foundations show low dissatisfaction with this research process: Only 2% stated that “quality of information” or “availability of information” was a barrier to research

And this information certainly impacts their decision making

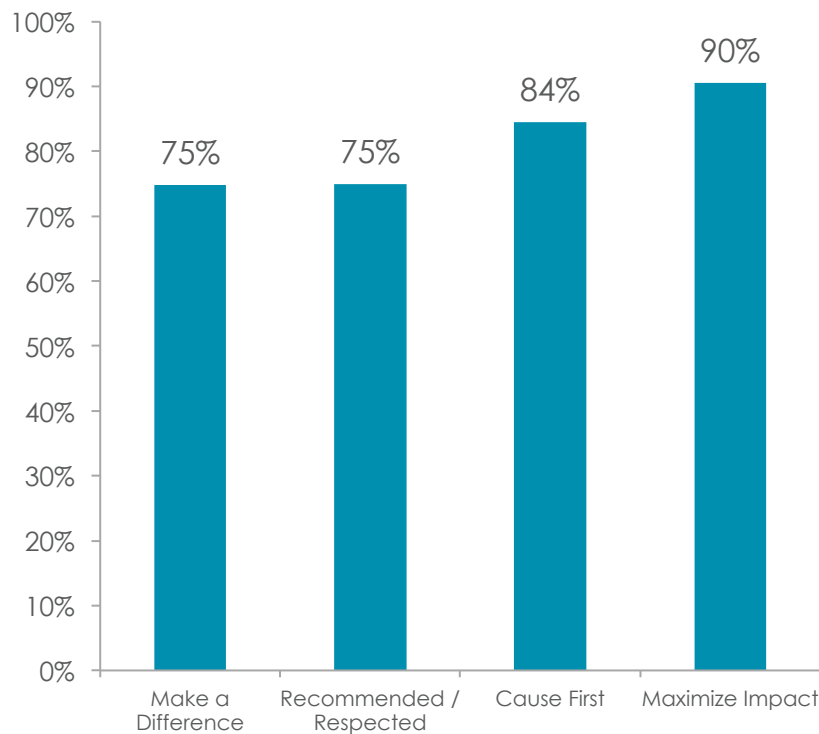
Impact of Information on Past Giving Decisions



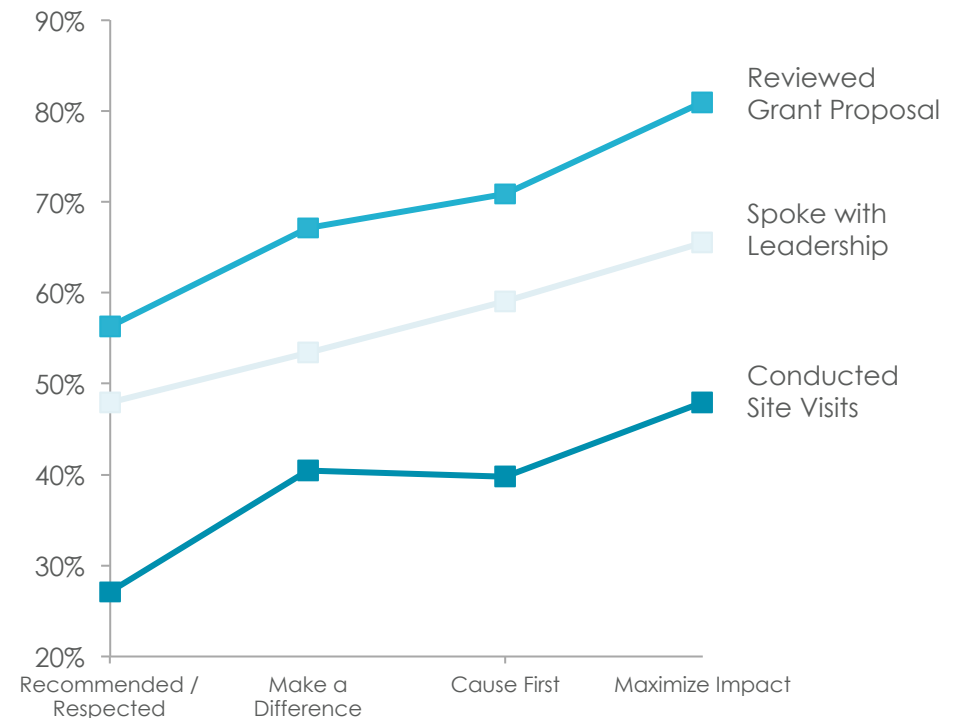
- Half of foundations have reduced or stopped funding altogether based on additional information
- Many foundations use information to identify or change involvement with organizations consistent with the motivation to find the most effective organization

“Cause First” and “Maximize Impact” segments invest more time and effort in the research process

Time Spent Researching >1 hours

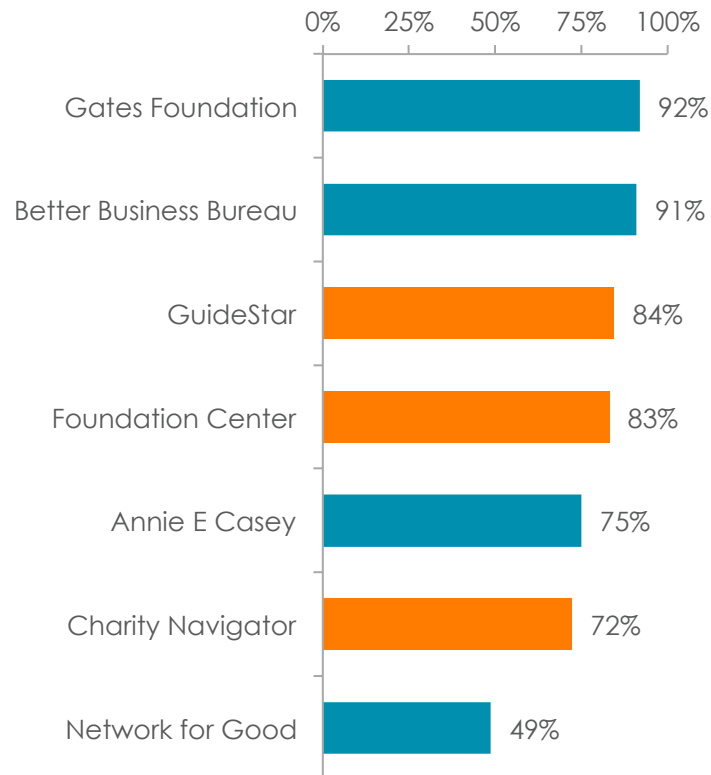


Actions Taken during Review Process

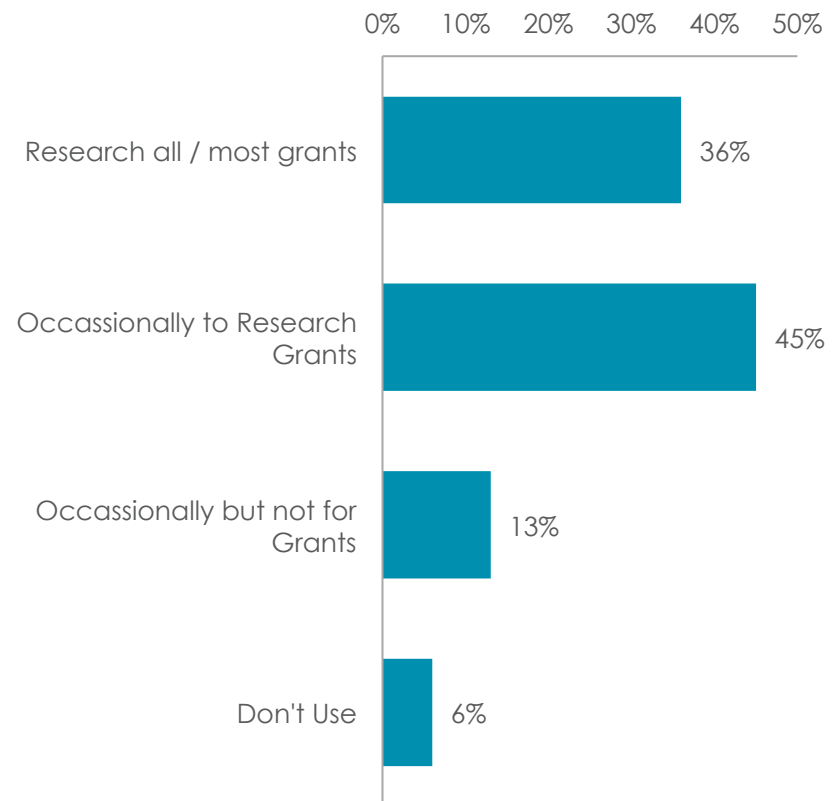


Foundations are aware of 3rd party information providers, and use them to inform grant-making

Awareness of 3rd party information providers is very high....



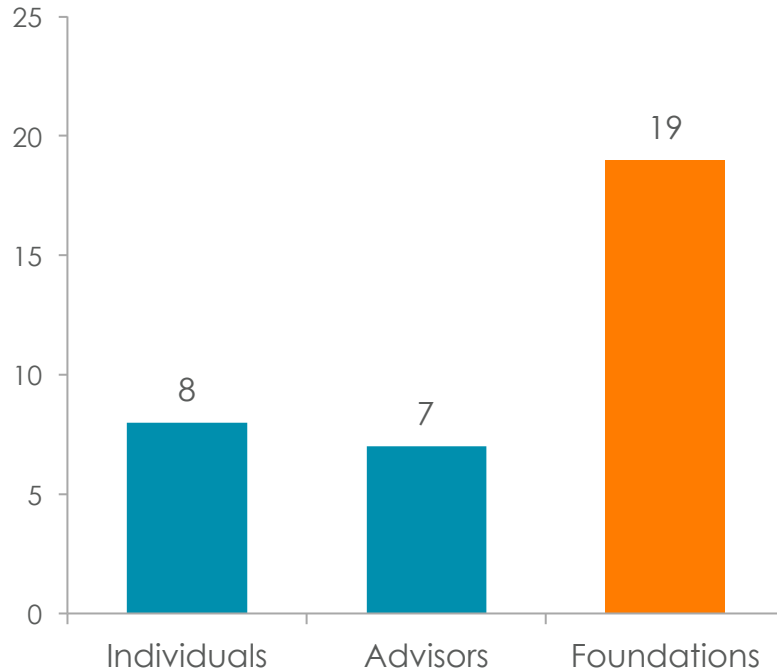
... And most use them for many of their grant decisions (ex: GuideStar)



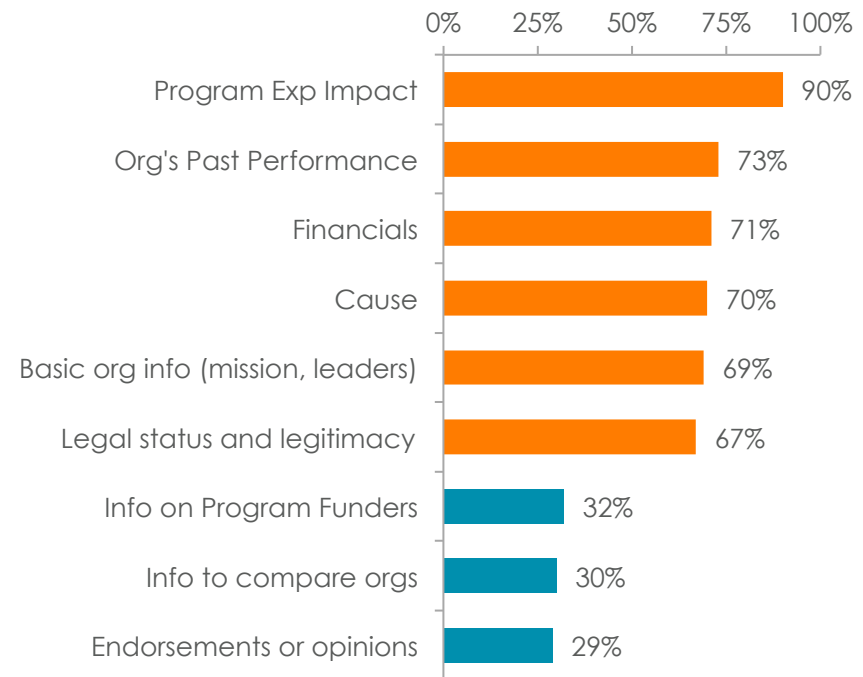
FOUNDATIONS: DESIRE FOR INFORMATION

Foundations seek far more information than advisors or donors, and have a strong interest in effectiveness

of Pieces of Information That Were Rated “Very Important”¹



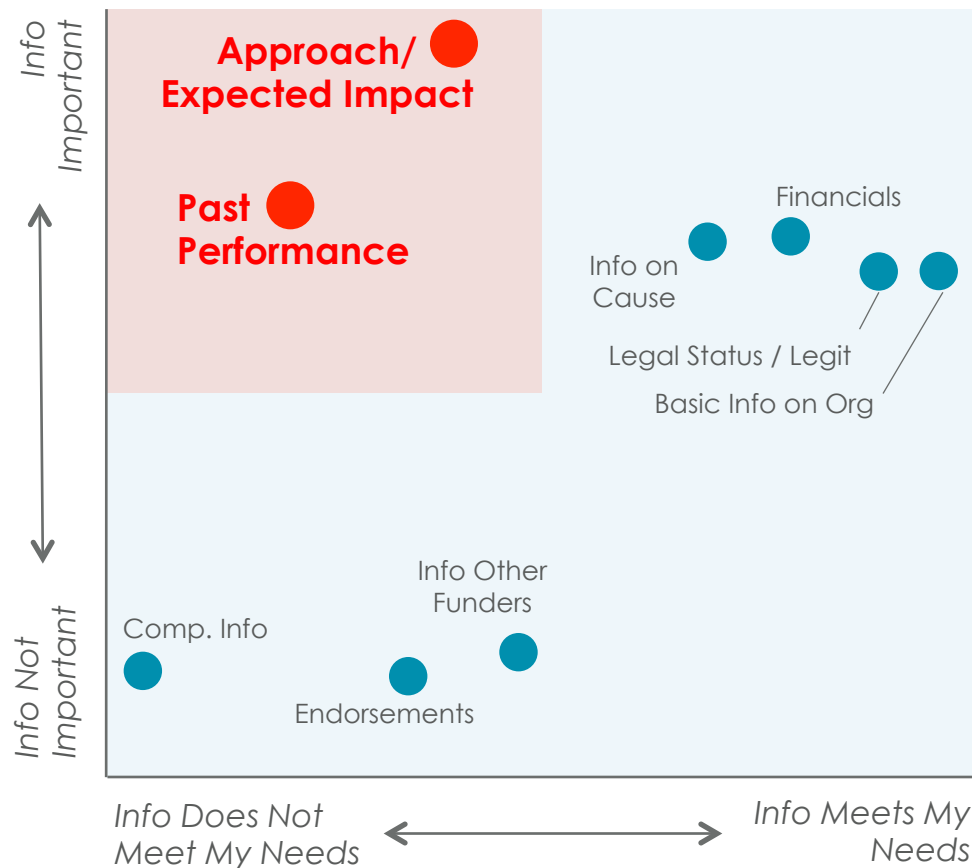
Information Foundations Want



1. After each respondent rated the macro categories of information types, they were then asked to rate the specific pieces of information they most desired within each category. The numbers here represent the number of items for which the >50% of a user group prioritized a specific piece of information. (% of Respondents rating macro category 5 or 6 out of 6 * % Respondents rating specific info as a 5 or 6 out of 6) > 50%

Effectiveness information represents a (relatively) unmet need for foundation grantmakers

Met and Unmet Information Needs



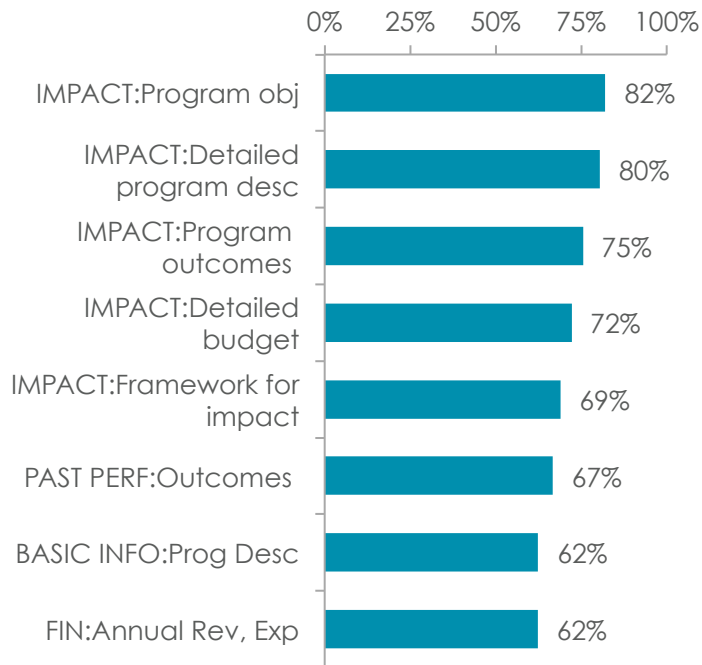
- Recognized by foundations as a difficult problem
- Relative to other areas, effectiveness is an unmet need (note: 75% said expected impact info met their needs; 67% for past performance). So, only unmet need when compared to items like Legal Status (93% meets needs)
- “We are still working on how to evaluate grant effectiveness, which currently is only captured through final reports. These, at best, provide only very limited information about whether there was actual impact on the ground, let alone the organization's effectiveness since it's self-reported.”

- Foundation Focus Group

FOUNDATIONS: DESIRE FOR INFORMATION

Seen at more granular level, factors to ensure effectiveness rank highest with foundations

Most Sought After Information: Granular Level¹



Interest in Specific Pieces of Information Within Highest Rated Categories²

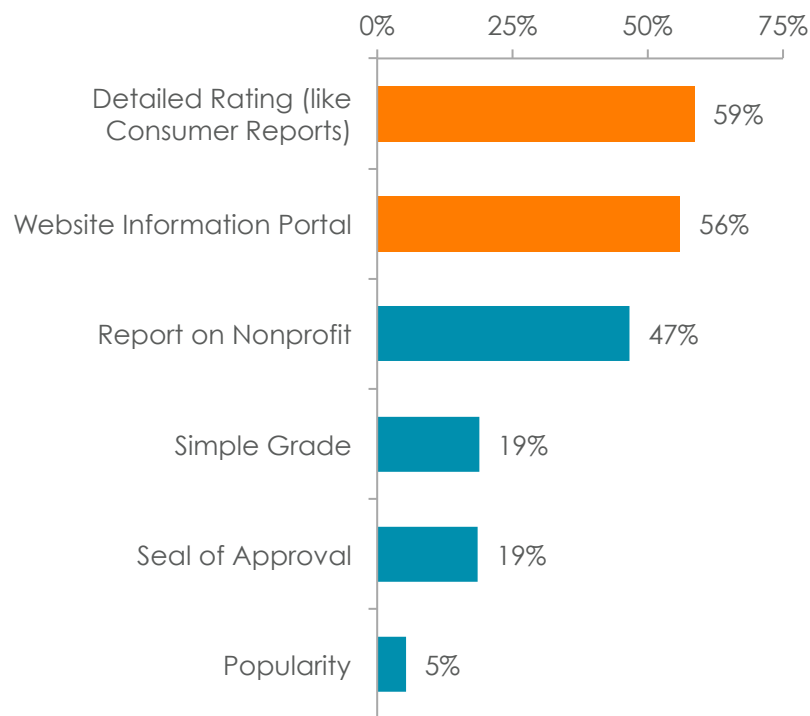
Approach and Impact - 90%		Past Performance - 73%		Financials - 71%	
Detailed program description	23%	Outcomes achieved in past projects	60%	Annual revenue & expense	37%
Program outcomes	23%	Outputs achieved in past projects	17%	Expense Breakdown	18%
Program goals and objectives	21%	Historical performance trends	11%	I/S and B/S	18%
Framework for impact/change	18%	Endorsement by those you respect	4%	% to Overhead	12%
Exp impact vs. other grantees	4%	Perf relative to your other grantees	3%	Other funding received	8%
Exp impact vs. other programs	4%	Perf relative to the org's peers	2%	Historical Financial Trends	4%
Program outputs	3%	Endorsements by key stakeholders	1%	Compensation	1%
Detailed budget	2%			Comparison to Other Orgs	1%
Exp impact vs. org's past programs	2%				
Info on the Cause - 70%		Basic Info on Org - 69%		Legitimacy - 67%	
Best practices	36%	Programs or approach	48%	IRS-Registered Nonprofit	50%
Extent / Scale of issue	19%	Org's mission	17%	Transparency	23%
Outstanding gaps in coverage	18%	Org's leadership	12%	Not been accused of fraud	14%
Reason why issue exists	14%	Org's financials	11%	Not on Terrorist Watch List	8%
How orgs are addressing this issue	10%	Org's history	4%	Copies of 990	5%
Tips for effective giving	4%	Org's governance	4%		
		Annual reports	3%		
		Org's Board	1%		

1. Within each category we asked about specific types of information. These figures show highest COMBINED ratings, calculated by multiplying the % of individual donors that rated each macro category a 5 or 6 on 1-6 scale * % of donors that individuals rated each sub-category a 5 or 6 on 1-6 scale

2. %'s reflect "most sought after piece of information" within each category

Foundations want detailed / comprehensive sites that contain information (not simple ratings)

Preference for Format¹



- Large gap in preference between detailed ratings / information portals and simple evaluations
- The more information the better, but worry about ability to do evaluation well
 - *"The one-stop shop model is appealing in theory, but I think the execution of it would be difficult"*
- Foundation Focus Group
- Also very interested in more traditional one page briefs on the nonprofit (58% expressed interest in format)

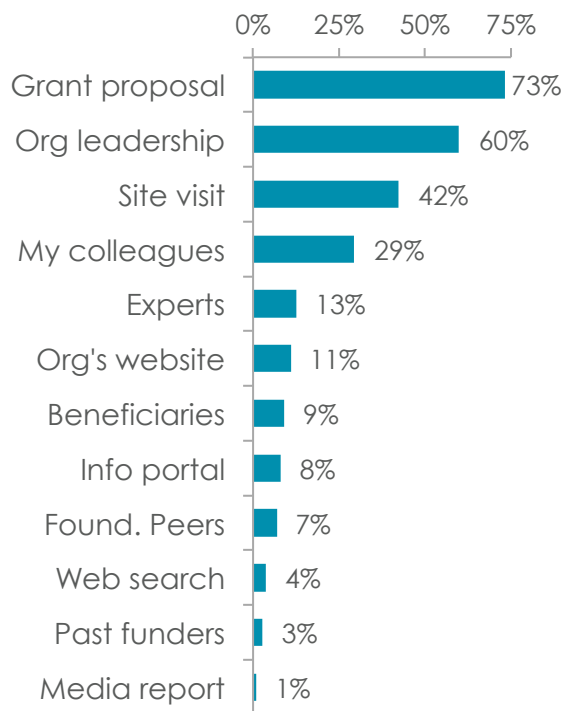
Question: "Information could be provided in different ways. Which of the following are most appealing?" %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale. Note: Images were provided for each of these categories

FOUNDATIONS: DESIRE FOR INFORMATION

While foundations get their information from nonprofits today, they are interested in using sites like GuideStar...

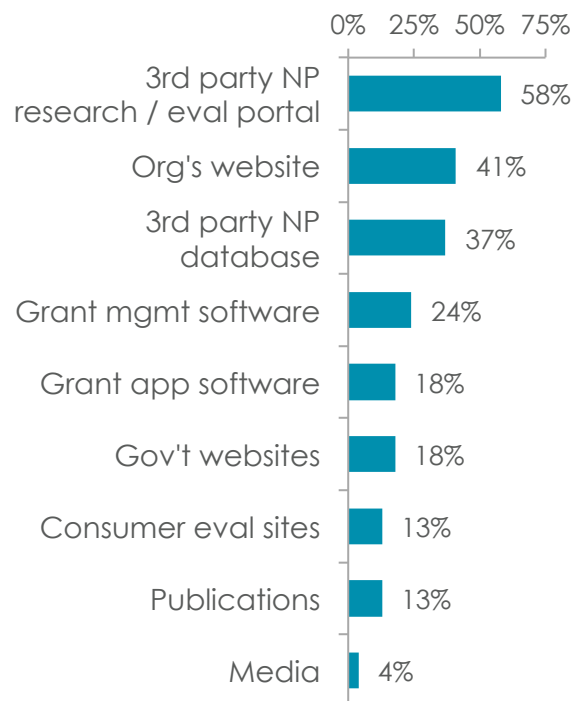
Where They Get Info Today

By far the most often used source is the nonprofit itself



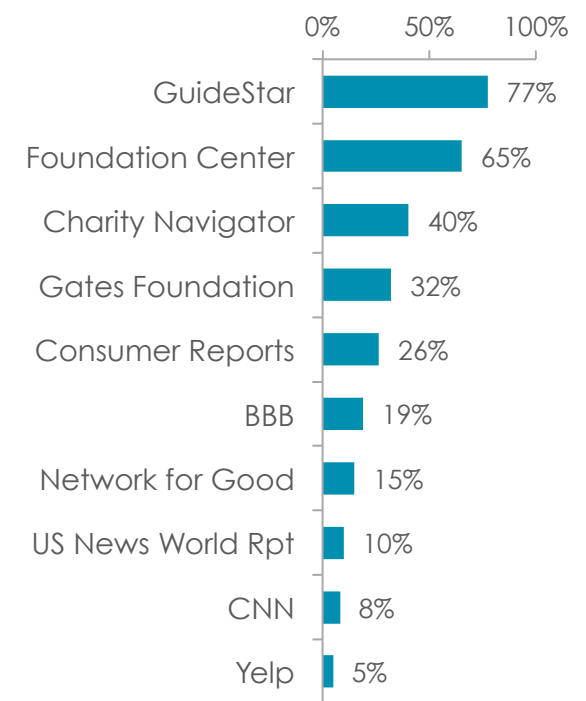
Preferred Channels

But they are very interested in third party evaluation portals



Trusted Brands

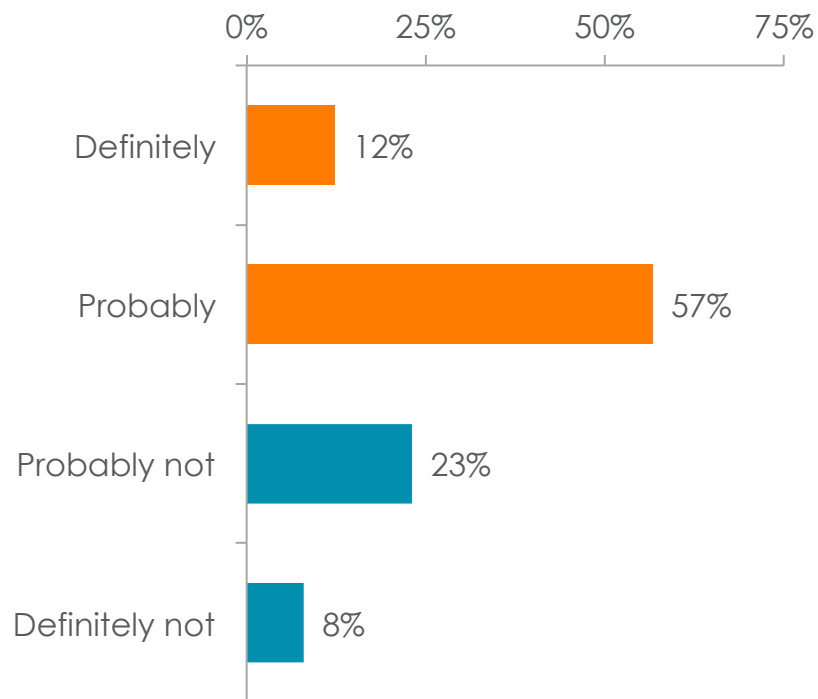
And they trust these brands¹



1. % of respondents that have heard of the organization that say they trust it

...And 70% of foundations would consider a third party to collect and deliver info needed for grant proposal

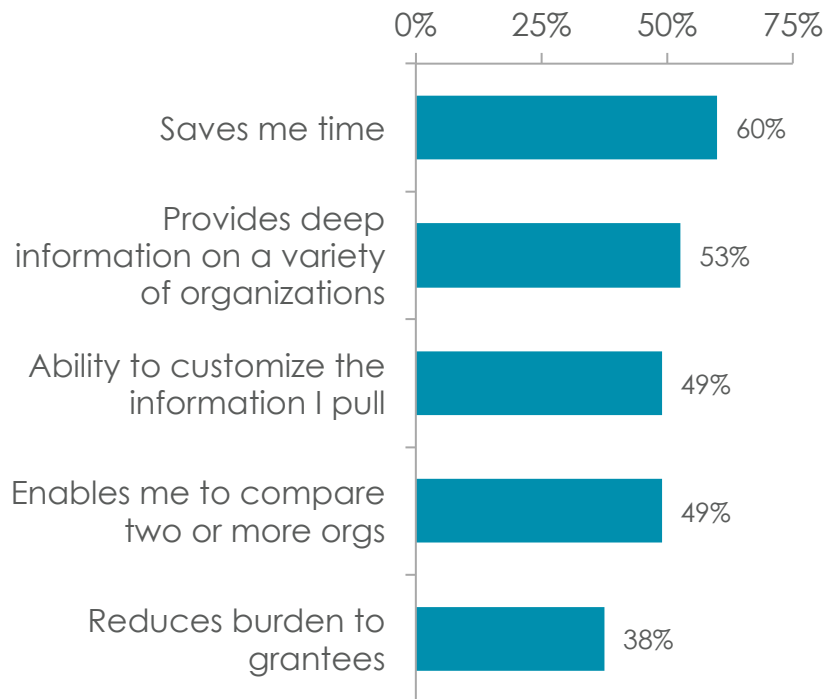
If 3rd party collected info to help support grant making, would you use it?



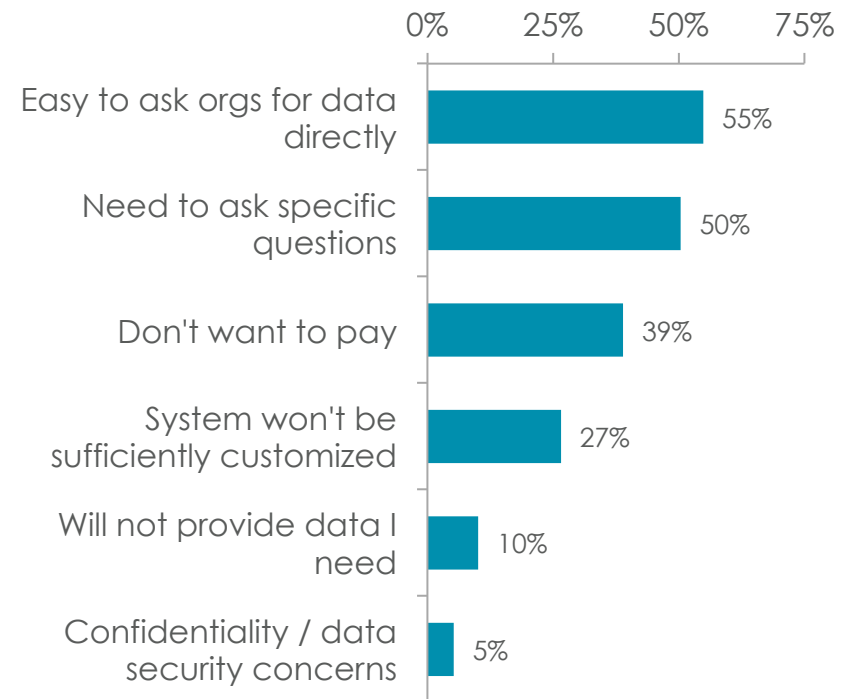
- Most said they would use such a system to save time and obtain richer information
- *"I would use it because it gives me info that I never would have had access to before, and perhaps never thought about"*
- Foundations Focus Group
- *"It has to be carefully thought out and approached. It is a human process we are working in"*
- Foundations Focus Group

While foundations cite many benefits, many feel they can get info direct from nonprofit

What do you see as the benefits of such a system?¹



Why wouldn't you use this system?²



1. Respondents include only those that said they would "Definitely" or "Probably" use a common grant application.

2. Respondents include only those that said they would "Definitely Not" or "Probably Not" use a common grant application. Select up to three.

Foundations provide a bit of a mixed road when it comes to changing their behavior...

The positive side...

- Research regularly
- Desire to fund HPNPs
- Explicitly seek information on impact and effectiveness
- Control over \$45B in contributions to nonprofits / year
- They are concentrated / few in #
- They are interested in using third party sites for information

...and the challenges

- They have an established process already
- They seem rather content with how things are happening, with the exception of an unmet need for effectiveness information
- Some changes that would increase efficiency would benefit nonprofits more than foundations
- They are loyal to their organizations; only about 25% of funds are available to be changed any year

The opportunity with foundations could be \$3-4B

Opportunity of Foundations To Increase \$ to HPNPs	
Total donations from Foundations	\$46B ¹
% Interested in using research to identify HPNPs	77%
% of their portfolios willing to reallocate to HPNPs	27%
Level of certainty of making those reallocations	39%
Total Opportunity	\$3.7B
<i>As % of total</i>	8%

- Implies foundations willing to reallocate ~8% of current grants IF research packages and information they desired were available
 - Higher than individual donors (5%)
 - Lower than advisors (20%)
- Foundations are 70-75% loyal in their grants (meaning 25-30% are open to be “switched” in a given year)
- Having 7-10% of total donations available to be reallocated due to better information and research seems reasonable compared to this level of “switchable dollars”

1. Includes \$4.7B in grants from corporate foundations. Giving USA 2010. See appendix for more detail on methodology

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OUTLINE FOR ADVISORS:

- Their motivations and mindset for giving
- Their research behaviors
- Their desire for information
- Opportunity to increase donations to HPNPs

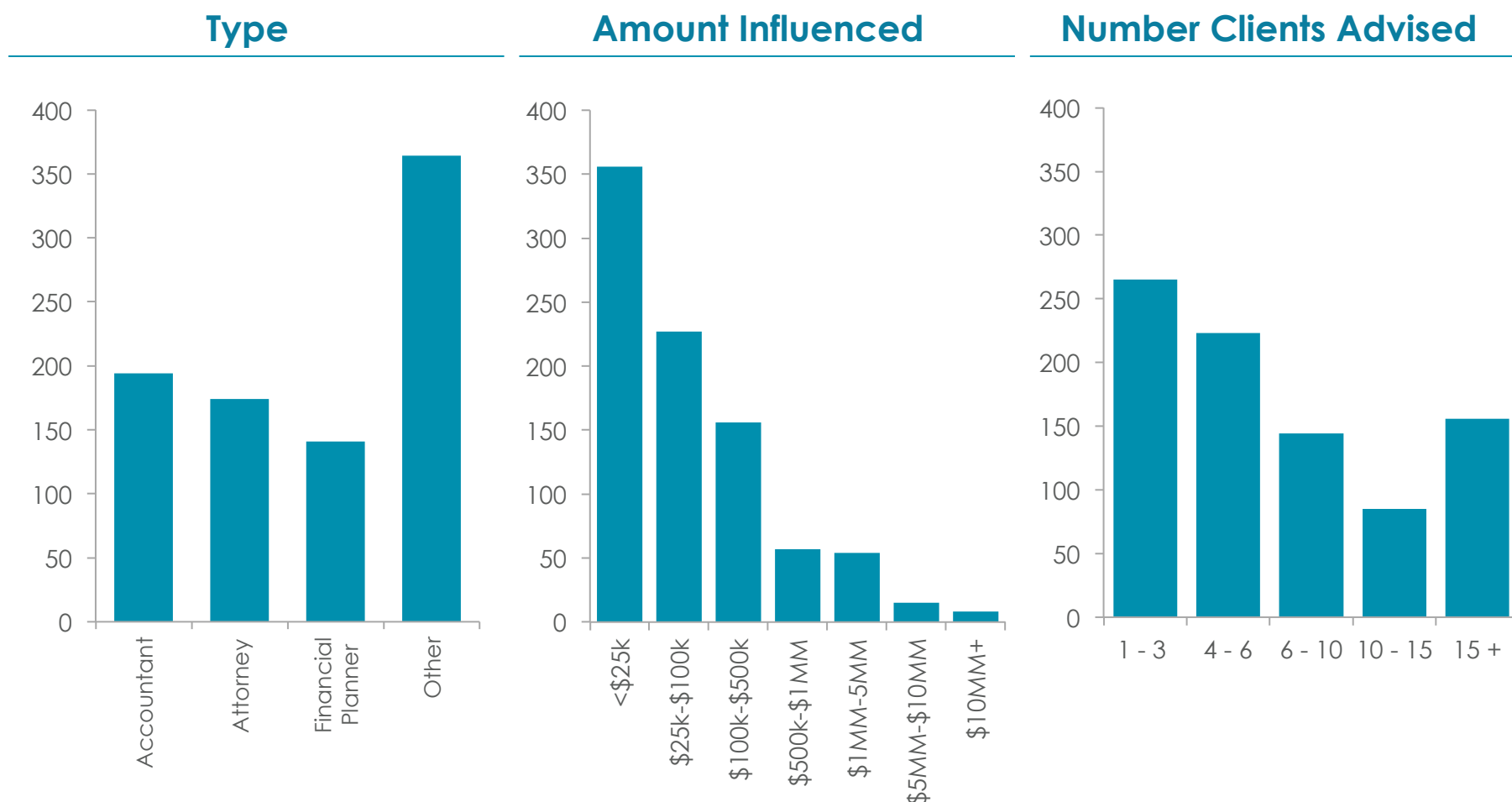
Summary

- Advisors help to direct ~\$11B to nonprofits¹
- Advisors want to recommend legitimate organizations that are a good fit for their clients, and won't waste their clients' donation
 - Similar to individual donors, but very different from foundations
- However, unlike individual donors, advisors almost always research (80% of donations), and are 50% more likely to compare nonprofits when researching
- Their interest in research is broadly consistent with donors and foundations (detailed ratings, sourced from nonprofit information/evaluation organizations), but advisors put a higher premium on financial information than do other users
- Advisors are an under-penetrated market, and offer an opportunity to influence more donations to high performing nonprofits
 - Only a fraction advise their philanthropic clients on *where* to make donations, of few advisors are aware of third party portals that can provide information/evaluation of NPs
 - Advisors are more open than foundations or individual donors to fund HPNPs

1. \$11B is estimate for the amount of individual donations that advisors influence in terms of where it is going (does not include tax / legal structure advice, etc). See appendix for methodology.

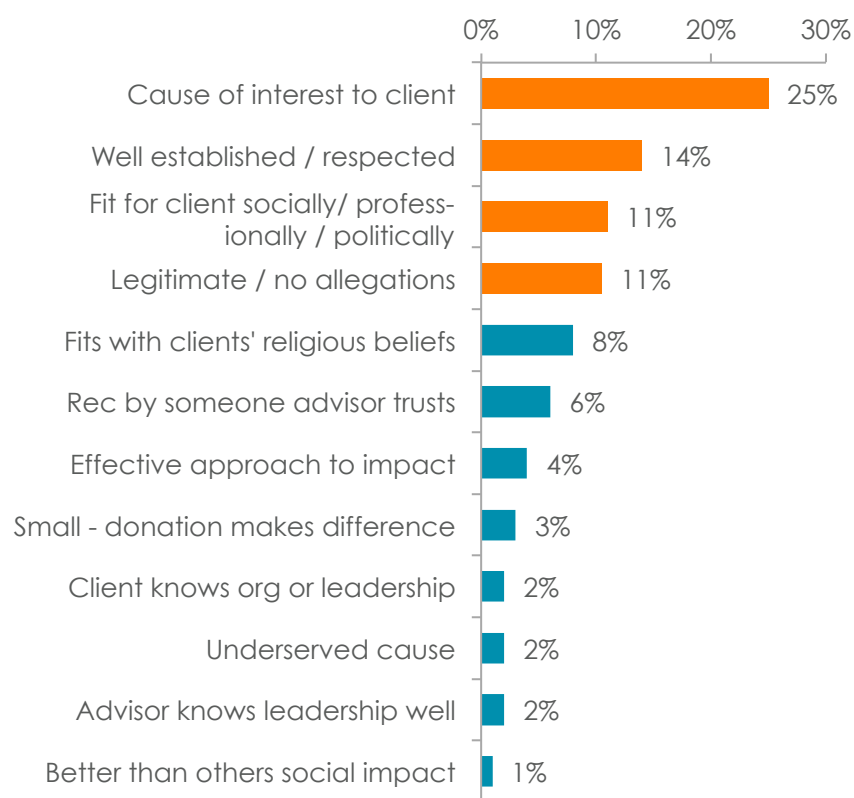
ADVISORS

We surveyed 873 advisors, each of whom helped their clients with the *selection* of nonprofits in 2010



Advisors care about making ‘good’ donations that meet their clients’ needs – not finding the best charity

What Is Important to Advisors¹



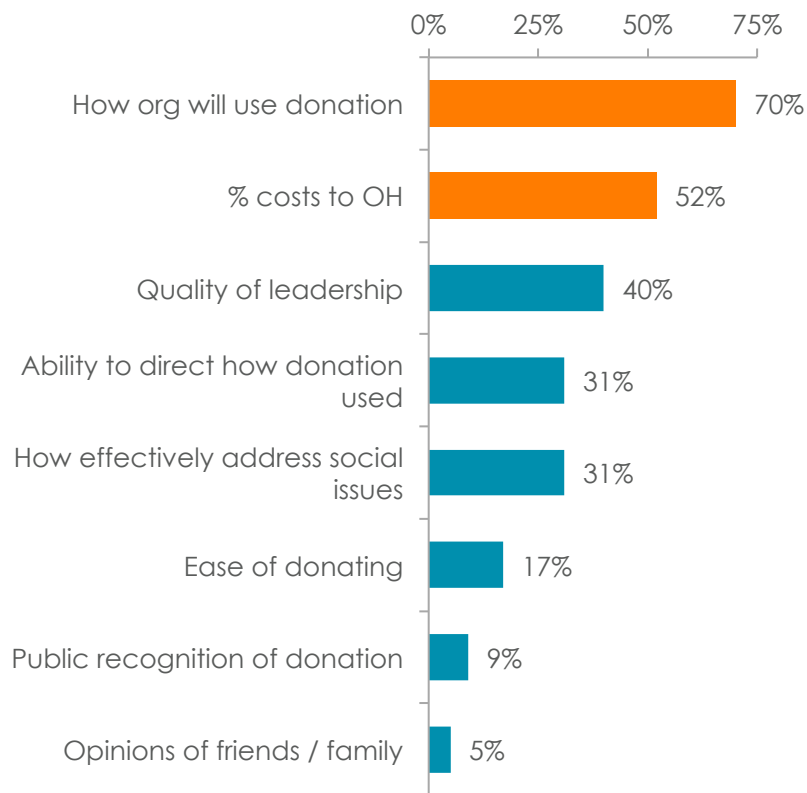
How These Differ Among Advisors

- Advisors providing tax/legal advice care more about respect, legitimacy
- Personal connections more important for advisors with many clients
 - Those with >15 clients care twice as much as those with 1-3 clients
- Religious beliefs, size of NP, advisor familiarity with NP, underserved issues matter less for advisors whose clients' made >\$5M in donations (n=23)
- Attorneys and wealth advisors more likely to say “none of these matter, my client identifies organizations”

1. Question: “What is important to you when you advise clients on their charitable donations? Select most important”

As such, advisors pay attention to elements that help ensure a charity won't "waste" their clients donation

What Advisors Pay Attention To¹



- Advisors care more about minimizing downside and ensuring that charities won't use money inappropriately, than they do about how effectively the nonprofit will address social issues
- This closely mirrors what individual donors look for in nonprofits, but is very different from foundations, who are much more focused on impact
- As such, we see that while advisors research and behave more like foundations, their core motivations and interests are similar to individual donors

1. Question: "How much do you pay attention to the following when evaluating nonprofits on your clients' behalf" Select up to 3

Advisors are diligent, and frequently research their donations

Advisors Diligently Research

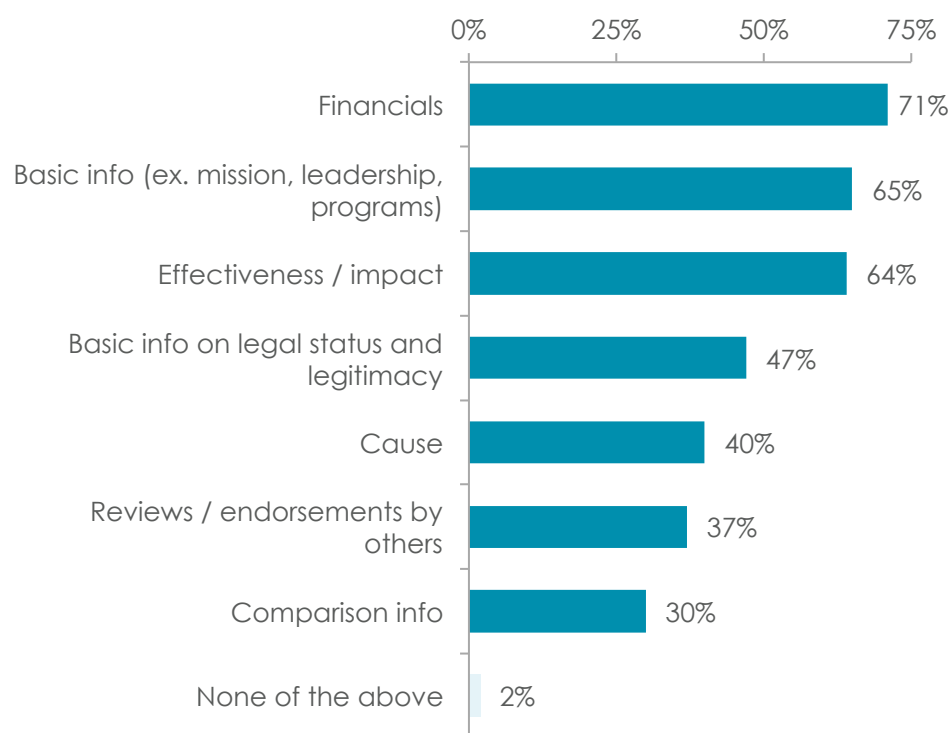
- Advisors say they research 80% of the nonprofits they recommend to clients
- Moreover, they go to a source before recommending 96% of the time
- This is despite the fact that 77% of their recommendations are to repeat NPs
- Advisors also compare twice as often as do individual donors

More Similar to Foundations in Research Behavior

	I	A	F
% Time Take Action	69%	96%	98%
% Donations Research	33%	80%	89%
% Time Compare when Research	17%	34%	42%
% Spend > 1 Hour Researching	30%	78%	84%

And when researching, they look for more information than donors, with a particular focus on financials

Information Used in Last Donation¹

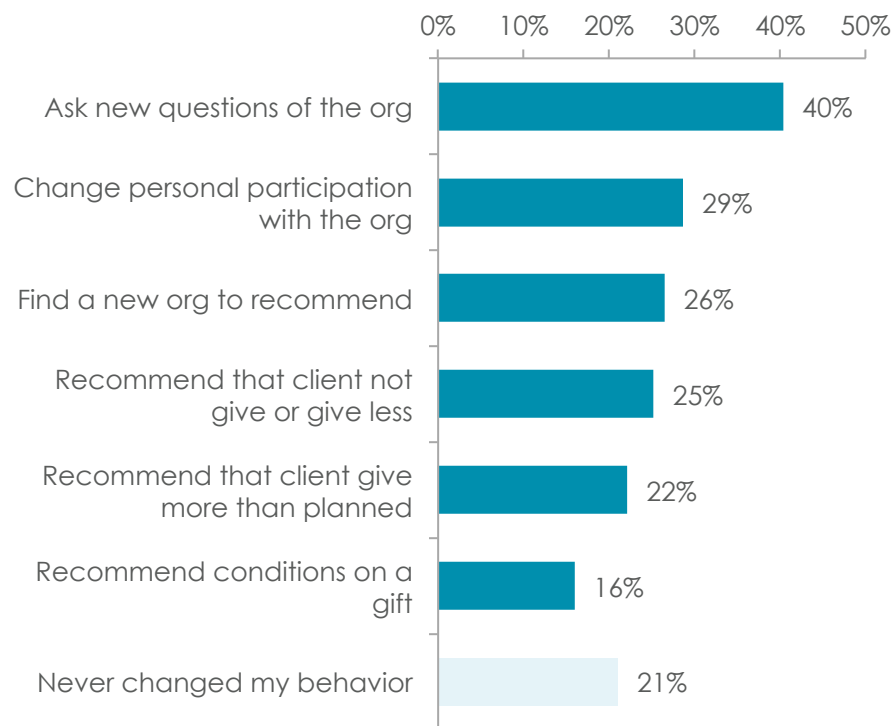


- Advisors looked for more information than individual donors when they researched in the past
- Specifically:
 - 71% looked at financials, vs. 36%
 - 47% looked at legitimacy, vs. 27%
 - 64% looked at effectiveness, vs. 48%
 - 98% looked at some info, vs. 84%
- *"I am responsible for my counsel to the client who relies on my advice, so I better do my due diligence."*
- Advisor Focus Group

1. Question: "Please select all the types of information you looked for when researching the organization."

Advisors are likely to act on information they find, either by further research or changing their behavior

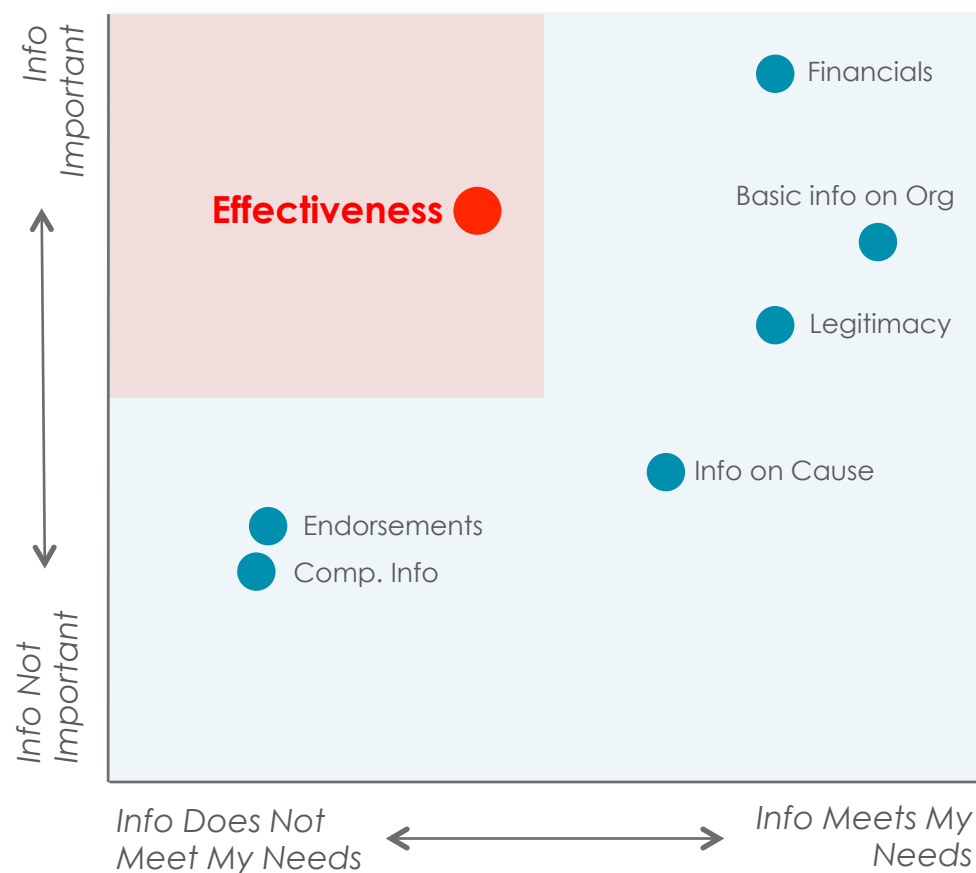
Impact of Information on Past Giving Decisions



- Advisors often take action when they find meaningful information on a NP
- Few (21%) state that information has never changed their behavior (vs. 40% for individual donors)
- That behavior is more 'passive' than for donors, prompting advisors to reach out to nonprofits for more info
 - 40% ask questions vs. 8% for Individual donors
- This is consistent with advisors being motivated to find legit organizations that are a fit for their clients

Of the information available today, we see that it is effectiveness/impact data that is the key unmet need

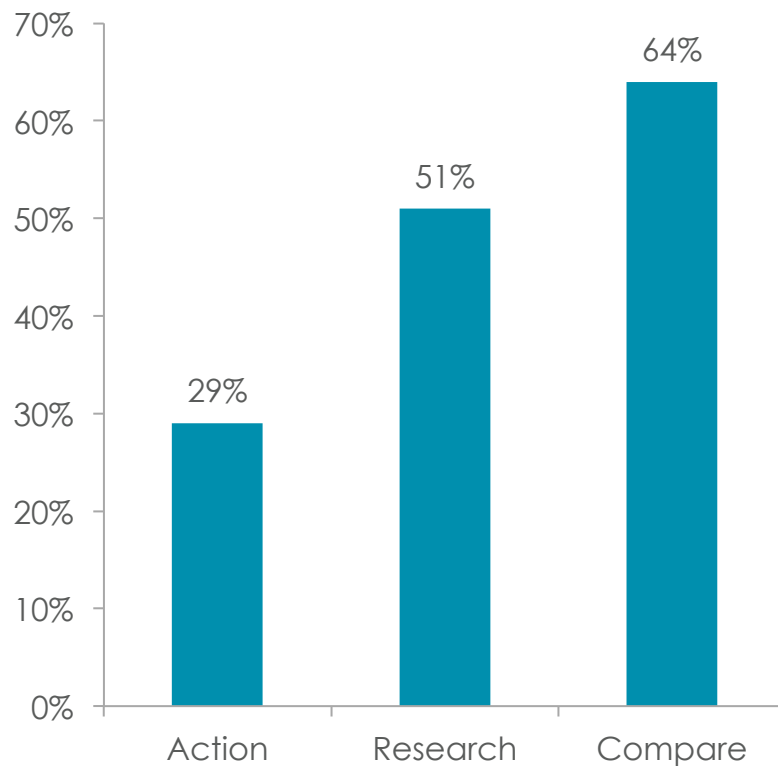
Met and Unmet Information Needs



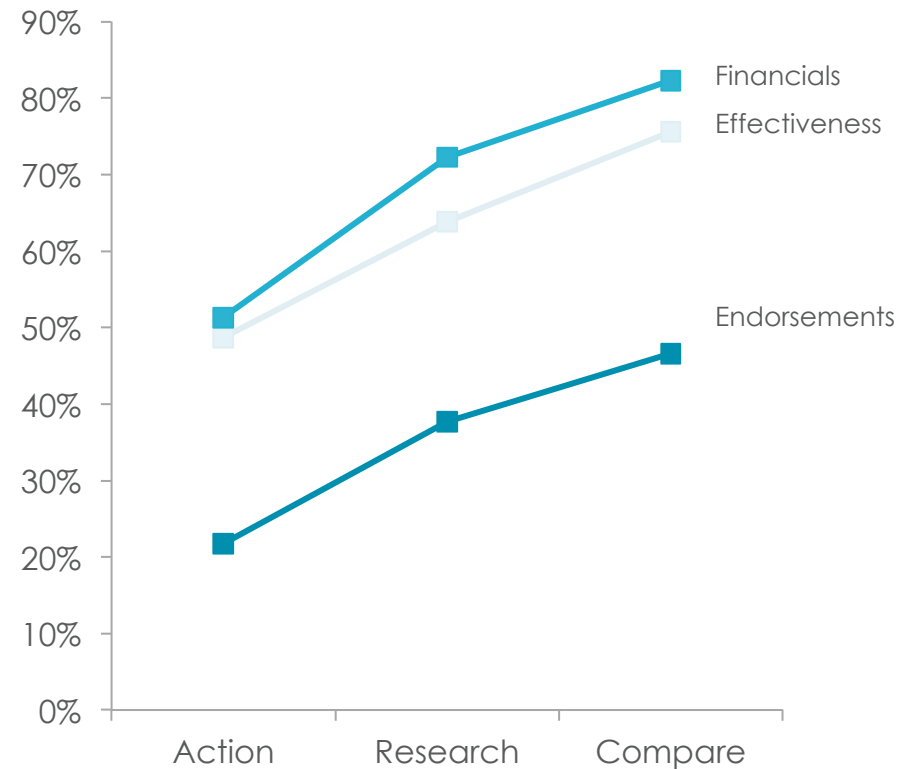
- Relative to other areas, effectiveness and impact data are the areas where users say the information is important AND is not meeting their needs today

Advisor research increases in predictable ways from those that just take “action” to those that “compare”

Time Spent Researching >2 hours

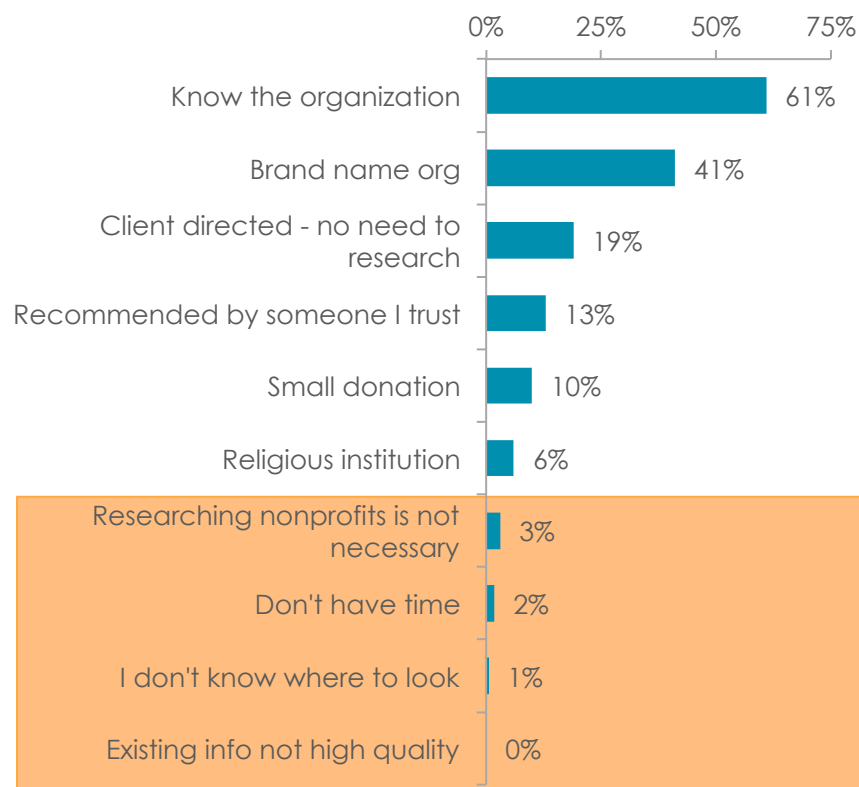


Information Preferences



And, like individual donors and foundations, advisors have few problems with the research experience today

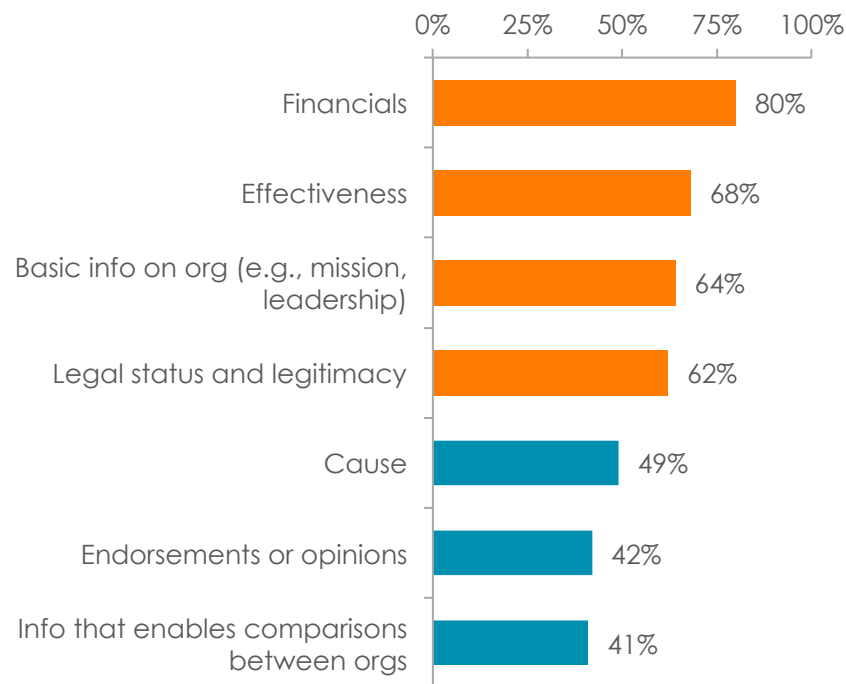
Why people don't research a donation



- When advisors don't research, it is often because they are familiar with the organization
- In focus groups, advisors generally did not express difficulty with the research process ...
 - Average score of 8 on 1-10 scale, where 10 = extremely easy (n=5)
- ... Although one commented on the poor quality of information from the nonprofits themselves, and several agreed in the value of a 3rd party web info provider on nonprofits

Advisors state an interest in researching almost all donations, and are most interested in financial info

Information Advisors Want

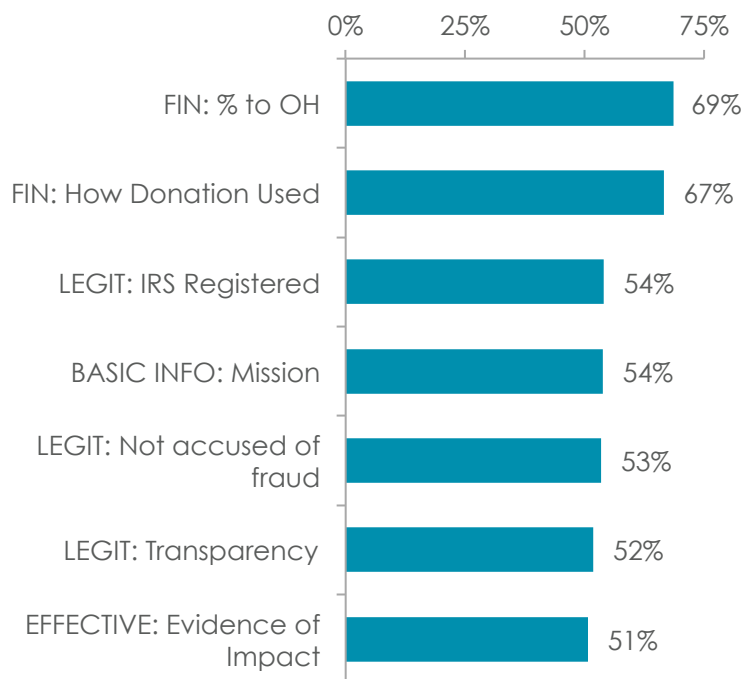


- Advisors state an intent to research 90% of the time
- Advisors have the same general interests and priorities as indiv. donors,
 - Slightly less emphasis on legitimacy
 - Slightly more on financials, cause
- Interest does not vary significantly based on number of clients advised or nonprofit dollars advised
 - Some increase in preference for comparison info for those that have advised 15+ clients on selection of charitable orgs in the last 12 months (49%) versus those who have advised <4 clients (37%)

Question: "What type of information is most important to you...". %'s reflect % of respondents rating information type as a 5 or 6 on 1-6 scale

Advisors share individual donors' interest in minimizing risk and avoid scam organizations

Most Sought After Information: Granular Level¹



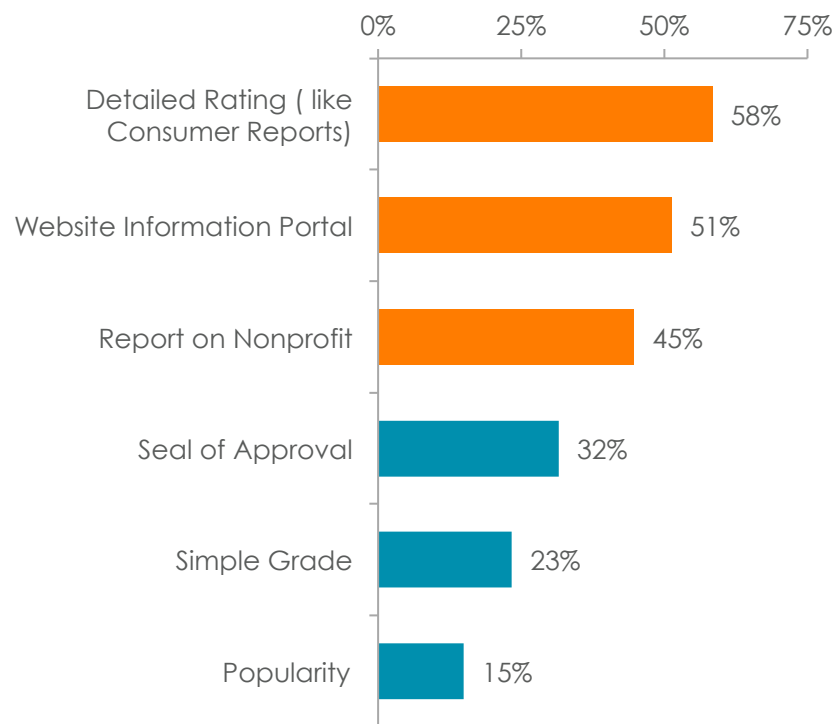
Interest in Specific Pieces of Information Within Highest Rated Categories²

Financials - 80%		Effectiveness - 68%	
% to Overhead	54%	Data / evidence of org's impact	34%
How Donation Used	25%	Track record/ past performance	22%
I/S and B/S	10%	Reviews by beneficiaries	17%
Expense Breakdown	5%	Org's relative impact	9%
Comparison to Other Orgs	3%	Expert Reviews	8%
Historical Financial Trends	2%	Stories about org's impact	5%
Compensation	1%	Reviews by people close to the org	4%
		Reviews by other donors	0%
Basic Info on Org - 64%		Legitimacy - 62%	
Org's mission	27%	IRS-Registered NP	35%
Org's financials	25%	Transparency	31%
Program description	16%	Not accused of fraud	21%
Org's history	12%	Copies of 990	7%
Org's leadership	10%	Not on Terrorist Watch List	6%
Annual reports	5%		
Org's governance	4%		
Org's Board	2%		

1. Within each category we asked about specific types of information. These figures show highest COMBINED ratings, calculated by multiplying the % of individual donors that rated each macro category a 5 or 6 on 1-6 scale * % of donors that individuals rated each sub-category a 5 or 6 on 1-6 scale
2. %'s reflect "most sought after piece of information" within each category

Advisors prefer that information is packaged in detailed ratings, information portals, or simple reports

Preferred Packages

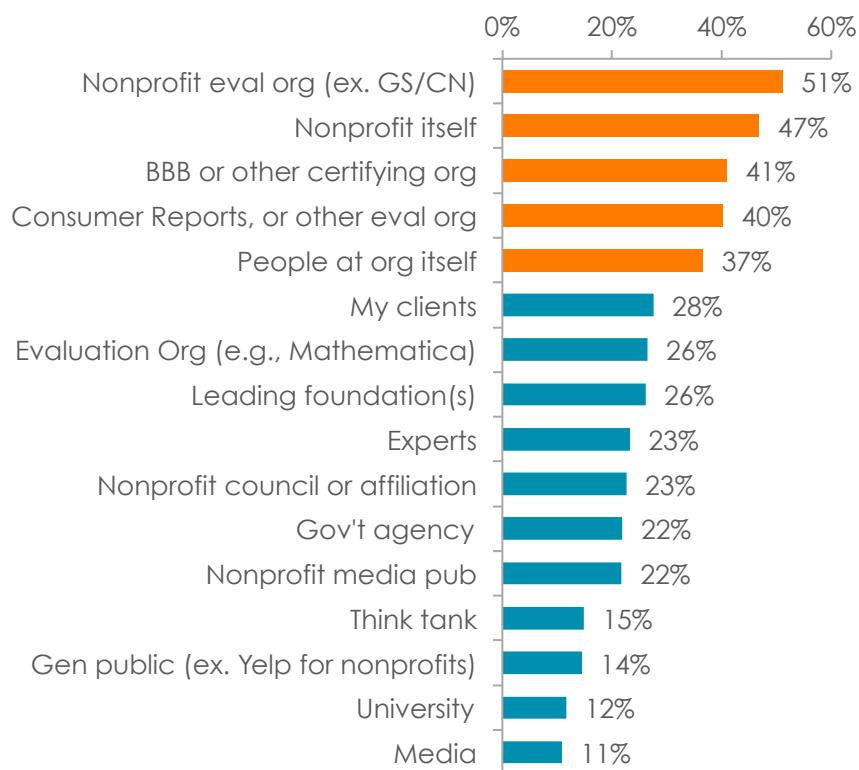


- Similar to Individual donors, we see that the more detailed, “Do It Yourself” formats are more popular than the simple, “Do it For Me” options
- Advisor Focus Group comments:
 - “[Detailed Rating] looks like Consumer Reports which I already like”
 - “Criteria is easily seen and can be compared easily”
 - “[Detailed Rating] stands out – I am looking for more detail”
 - “[Detailed Rating] provides the info quickly at a glance”

Question: “Information about a nonprofit could be provided in different ways. We’d like to know which way of providing information would be most appealing to you.” %’s reflect % of respondents rating information type as a 5 or 6 on 1-6 scale

Advisors look to three types of sources for their information

Preferred Sources

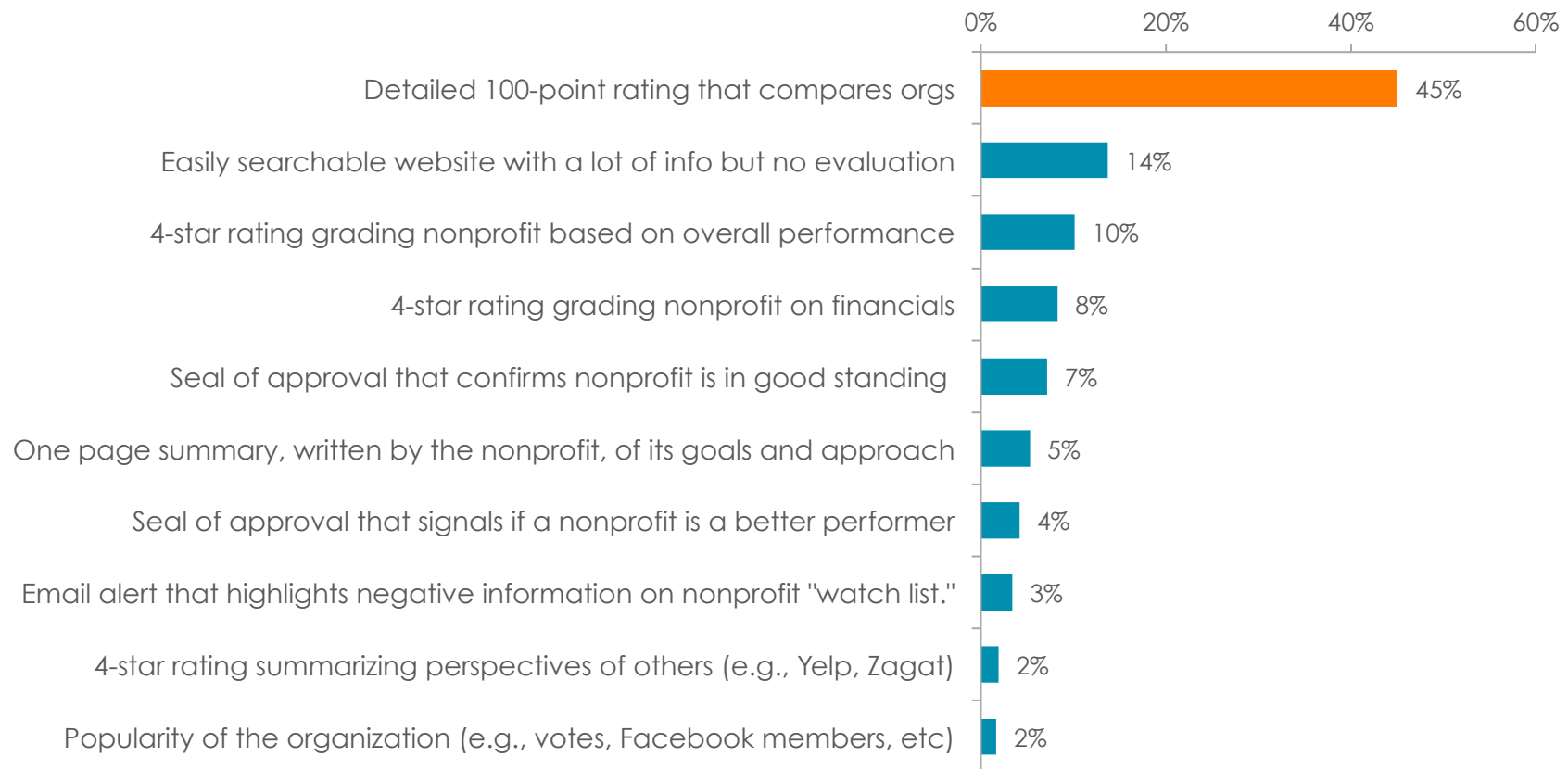


- Advisors look to three primary sources:
 - Organizations that provide information or evaluate nonprofits
 - The nonprofit itself, including its leaders
 - Respected consumer organizations that evaluate or certify organizations
- As such, their preferences are again very similar to those of indiv. donors
- “Experts” like expert panels, universities, and think tanks rated relatively low
- We see here and elsewhere general public / popularity not a driver

Question: “Who would you trust to provide the information that you are looking for? (Select all that apply)”.

ADVISORS: DESIRE FOR INFORMATION

In an analysis that brought several of these elements together, we see that “Consumer Reports” ratings are clearly the most preferred



1. Tests designed to show users 8 screens, each with 4 options. User choose most and least desired of the four. Did not conduct with Foundations given timing limits within the survey, thus have not shown these as the default across all three groups

Advisors control the smallest total dollar amount, but offer a great opportunity

- Advisors can influence a lot of money
 - 33% in study influenced >\$100k/year in charitable contributions
- Advisors research the majority of the charities that they recommend to clients, even for charities that they have recommended in the past
 - They have an obligation and duty to their clients to perform such research
 - State intent to research 90% of the time
- We see that research has impacted them in the past – 80% have changed their behavior due to what they have found in their research
- They show the highest level of interest in actively shifting their recommendations to HPNPs if research identifies them
 - 67% willing vs. 40% individual donors, 51% Foundation grantmakers
- The headwinds to change are that they
 - a) Are loyal (75% of recommendations are loyal, 25% are switchable)
 - b) Don't state many issues with the research process today
 - c) Are distributed. There are over 2.5 million advisors, but a minority actually help clients choose to which nonprofit they should donate. Many not involved in philanthropy at all, and majority of those that are focus primarily on tax advice

When we compare advisors with individual donors and foundations, we find that they are easiest to influence

	I	A	F
% Interested in Using Research to Identify High Performing Nonprofits	66%	89%	77%
Total Size of Portfolio Willing to Move	N/A	54%	27%
Certainty of Moving that Money	N/A	46%	39%
% of Total Portfolio that can be Influenced	5%	~20%	8%

1. Includes grants from corporate foundations. Giving USA source

The opportunity with Advisors is \$1.5-2.4B

How Many Charitable Dollars to Advisors Influence	
Total Donations from Indiv	\$235B
% of Donations from HNW	65%
Total Donations from HNW Indiv	\$153B
% HNW Using an Advisor	48%
Total \$ touched by Advisors	\$74B
% Advise on Selection of NPs	15%
\$\$ where Advisors influence Location of Donation	\$11B

Opportunity for Advisors To Increase \$ to HPNPs	
Total Donations Controlled by Advisors	\$11B
% Interested in using research to identify HPNPs	89%
% of their portfolios willing to reallocate to HPNPs	54%
Level of certainty of making those reallocations	46%
Total Opportunity	\$2.4B
As % of total	22%
Note: Given total amount Advisors willing to 'switch' is 25%, this estimate is on the high side. Therefore, we use \$1.5-\$2.4B (\$1.5B = 13.5%)	

See appendix for detail on methodology and assumptions

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OUTLINE FOR SPECIFIC ISSUES:

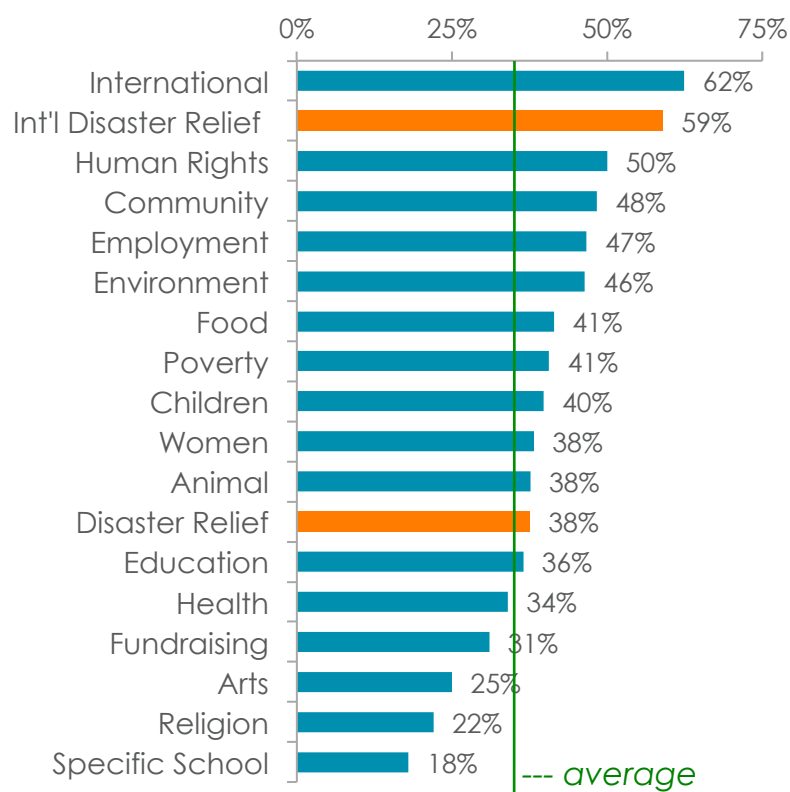
- Disaster Relief
- Issues of Inequality
- Drivers of Donor Loyalty

Disaster relief can be an entry point to more informed giving for many individual donors

- Giving to assist with disaster relief has surged in the past decade
 - Over \$5B given for Haiti alone
 - Made possible by increased media attention and easier means of donating
 - Giving spikes following disasters, especially in the following few days
- Individual donors are often unaware of where to give, and look for information
 - “[Research is] important to me when there is a disaster and I want to be sure that my gift is supporting an organization with experience in that area” – Individual Focus Group
- There are mechanisms to distribute information following a disaster
 - Websites devoted to this
 - Many organizations providing information
 - Media looking for information to convey
- If individual donors can start to take in more information in one area – such as disaster relief – it could flow into their behaviors with other gifts
 - Start with getting information
 - Then get interested in how good that info was, and what impact was had
 - Then gain interest in if the same analysis could be compiled in other sectors

Individual donors do show that they research disaster relief more than average, especially international DR

Likelihood of Researching Varies Based on the Type of Organization

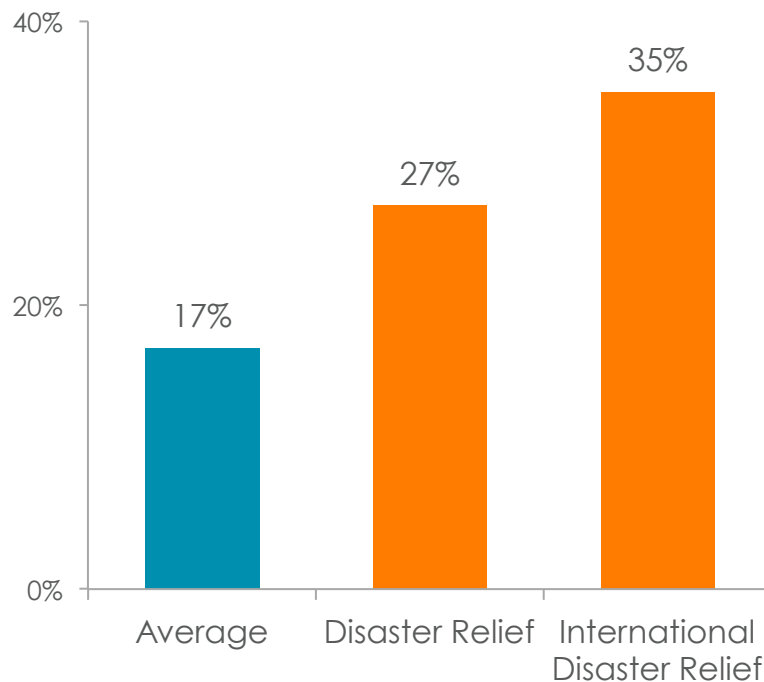


- Overall, donations to assist Disaster Relief are researched 38% of the time, just slightly above the 33% average
- However, over 80% of these donations are to “Brand Name” nonprofits, well above the average (60%) and higher than all but one other sector
 - 47% donors that did not research DR said they didn't because it was a “Brand Name” organization, vs. 30% overall
- When we look at donations where the donor selected BOTH international and disaster relief, they are researched a majority (59%) of the time

Further, when individual donors research disaster relief, they often do so to compare organizations

Indiv. Donors Compare Organizations When They Research Disaster Relief

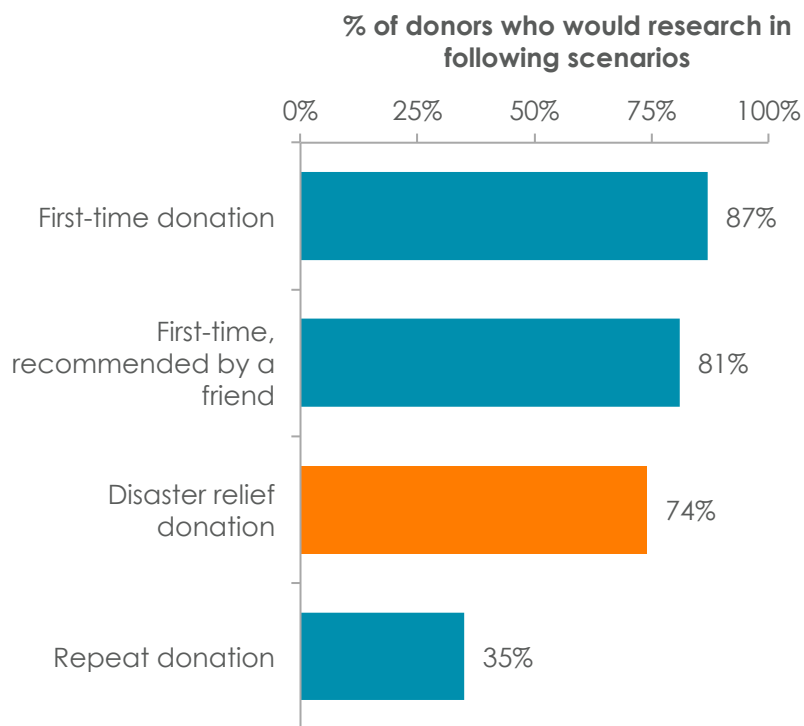
% of Researched Donations where the Individual Compared Organizations



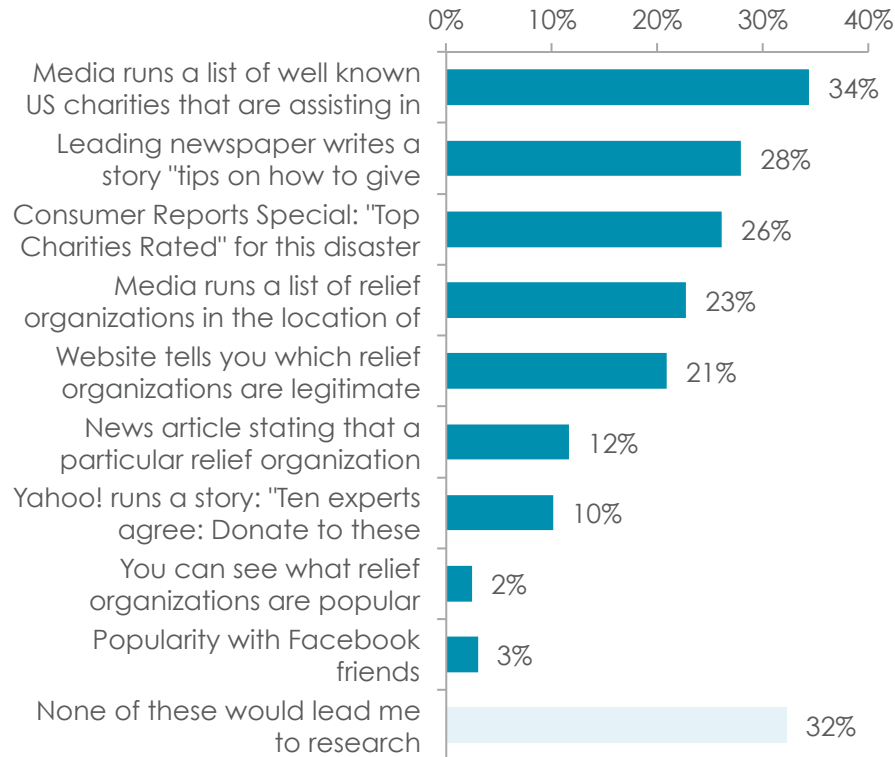
- Comparing organizations shows an interest in finding the 'best' or at least a 'good enough' organization
- Shows higher likelihood of ultimately trying to find the HPNPs within the sector

Looking forward, we find that individual donors are very interested in researching disasters in the future

3/4 of indiv. donors would research before making a donation to D.R.



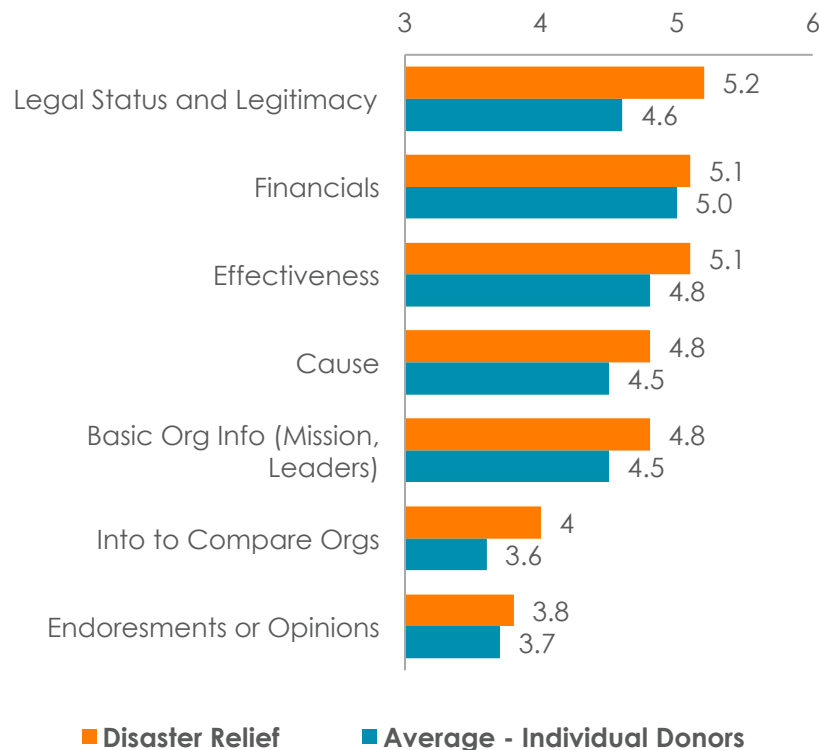
Pushing info can get 68% to research when they otherwise would not¹



1. Question: "Below are various scenarios which may or may not impact your donation decision... From the list below, please select only the scenarios which would be extremely likely to impact whether or not you would donate to this organization. " For Disaster Relief donations only

When donors give to DR, they are more interested in **all** information - especially legal status and legitimacy

Information Desired



- Legal status and legitimacy critical given large number of unknown organizations, and potential for scams
- Rest of categories show a greater interest in information when looking at disaster relief than the 'average' donation
 - Given higher rate of comparison, bump in info to compare orgs makes sense

1. Question: "For this type of donation, which types of information are most important to you? Please rate them on a 1-6 scale where 1 = not at all important and 6 = extremely important". Figures shown are averages for individual donors

Donors also show more interest In other “popular” areas when researching disaster relief

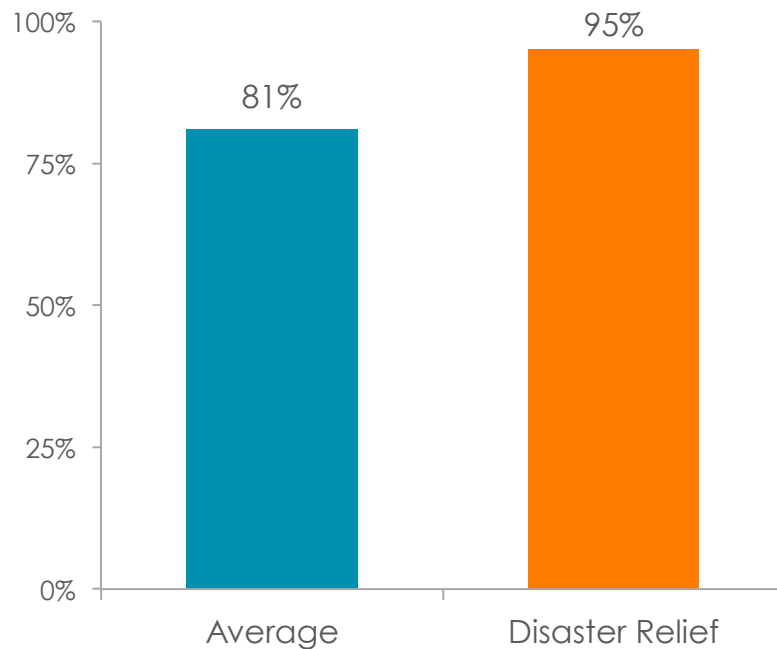
- **Formats:** Rank order the same, but when supporting DR even higher interest in detailed ratings (60% vs. 56%)
- **Source:** More interest in strong consumer brands like Consumer Reports and BBB, and less interest in information from the nonprofit itself
- **Channel:** More interest in finding the information on third party sites that provide information on many nonprofits (56% vs. 52%)

SPECIFIC ISSUES: DISASTER RELIEF

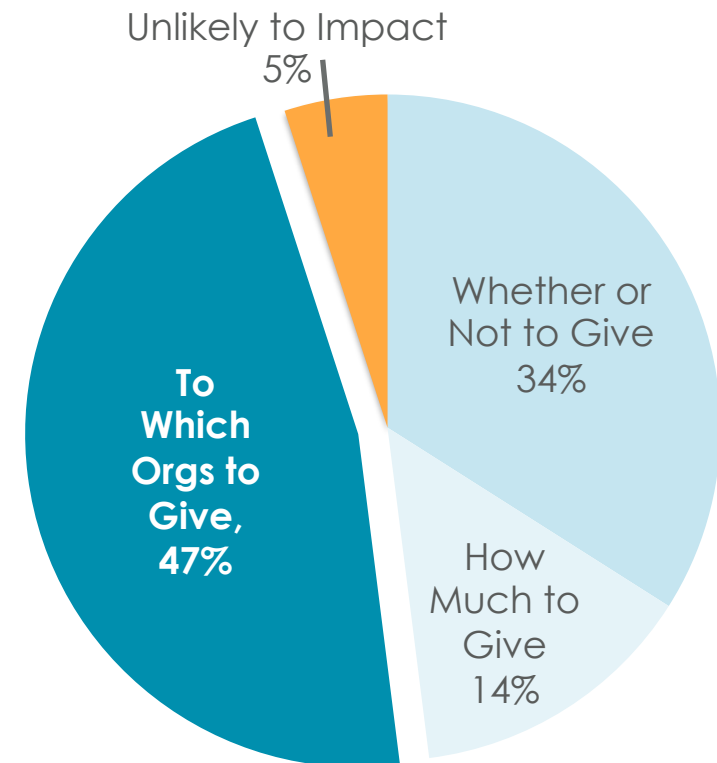
Those supporting disasters show a higher willingness to use research to inform their decisions, and to use that research to determine to which organization to donate

Individual Donors Whose Actions Would be Influenced by Research

% Who Said that Research Package Would Influence Their Decision

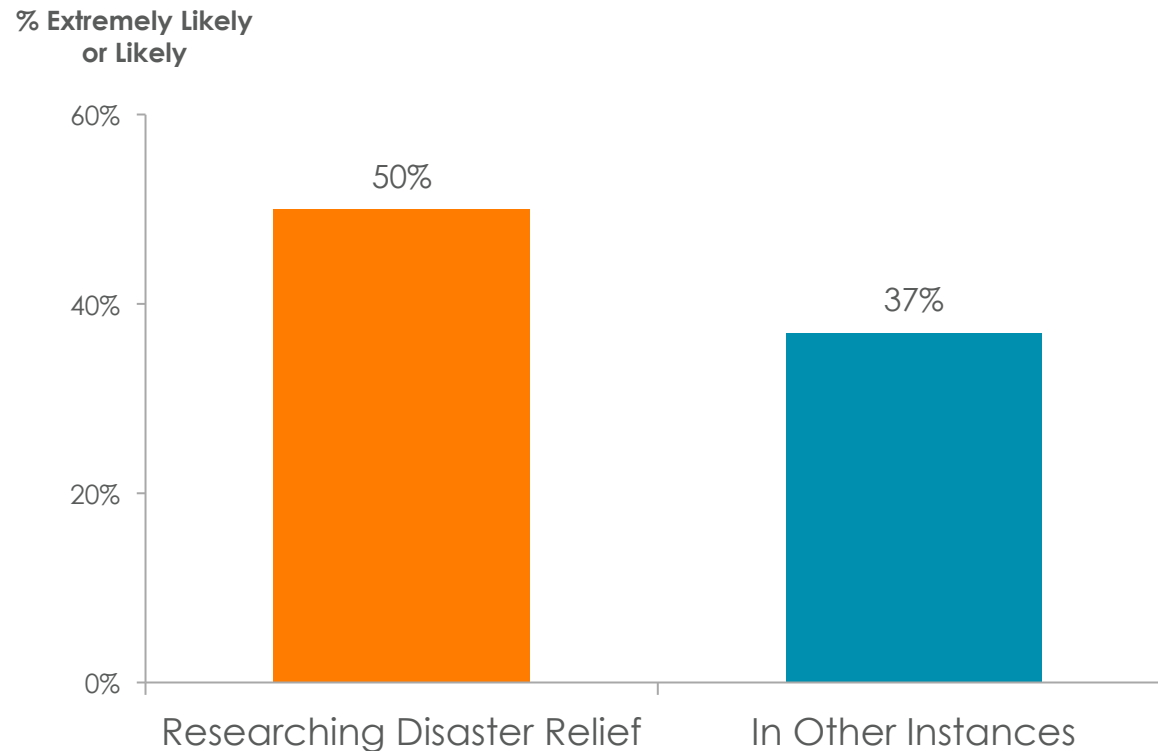


How Those Giving to Disaster Relief Would Use Research



And finally, donors are much more likely to use research to identify HPNP's when donating to Disaster Relief

Interest in Using Research to Identify High Performing Nonprofits



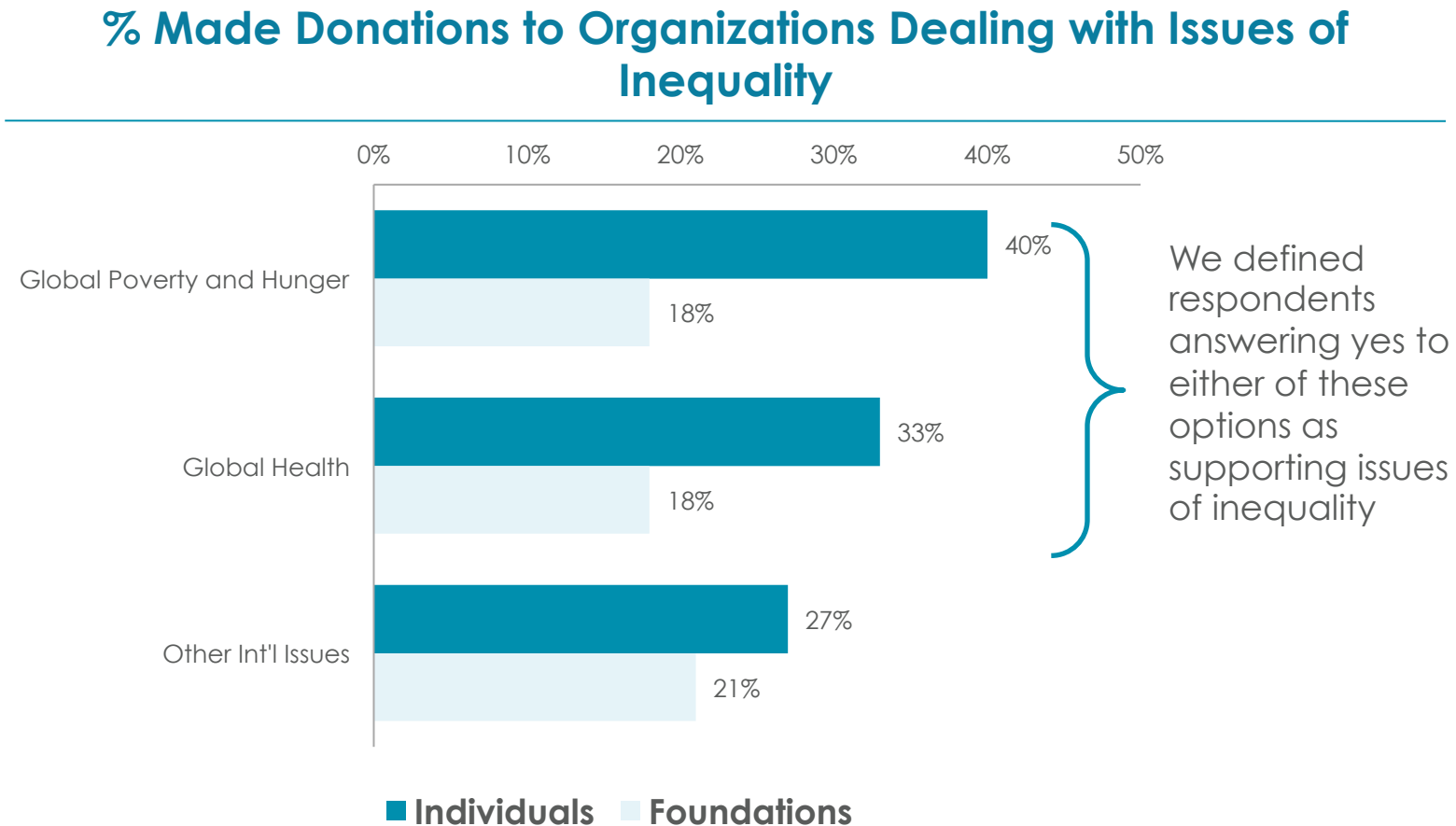
Overall, we estimate that there is an opportunity to increase giving to Disaster Relief by 10-12%

Estimate

Opportunity to Move Disaster Giving to HPNPs	
% Would Research	74%
% Willing to Increase Donations	57%
% Increase in Donations (adj for likelihood)	25%
Total Possible Increase in DR Giving	~10%
% of Non-Researched that Could be Convinced to	68%
Add. Possible Increase from these Individual Donors	~2%
Total Possible Increase (Max Upside)	~12%

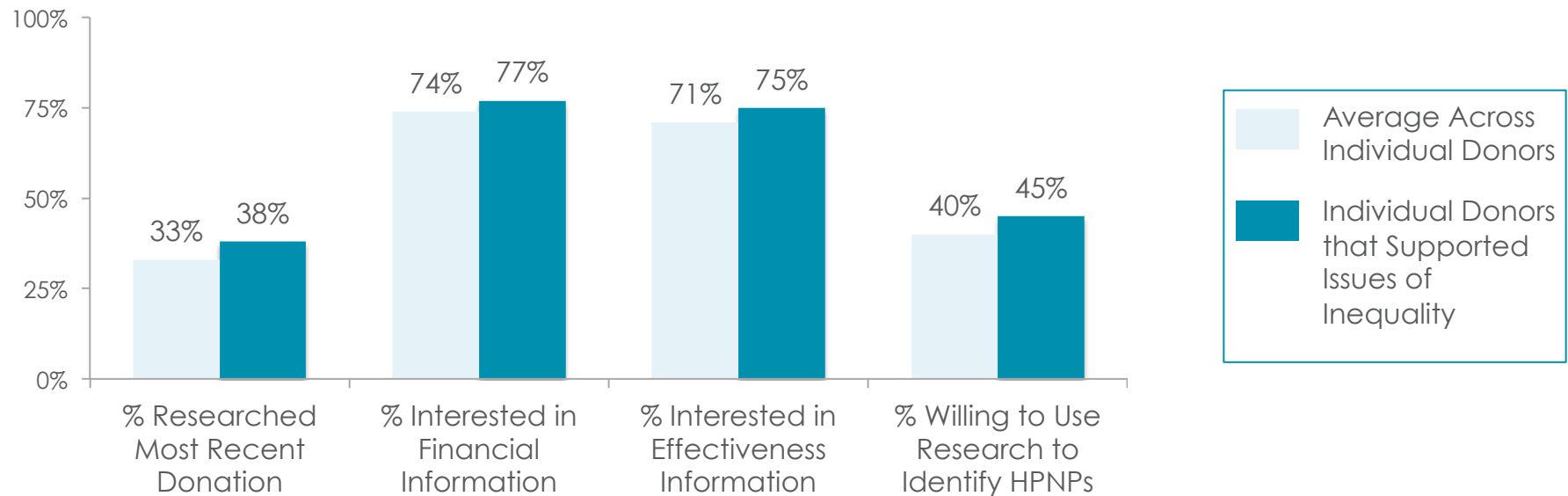
SPECIFIC ISSUES: ISSUES OF INEQUALITY

Many respondents stated that they gave to organizations supporting issues of inequality



SPECIFIC ISSUES: ISSUES OF INEQUALITY

Individual Donors that support issues of inequality are slightly more engaged and interested in funding HPNPs

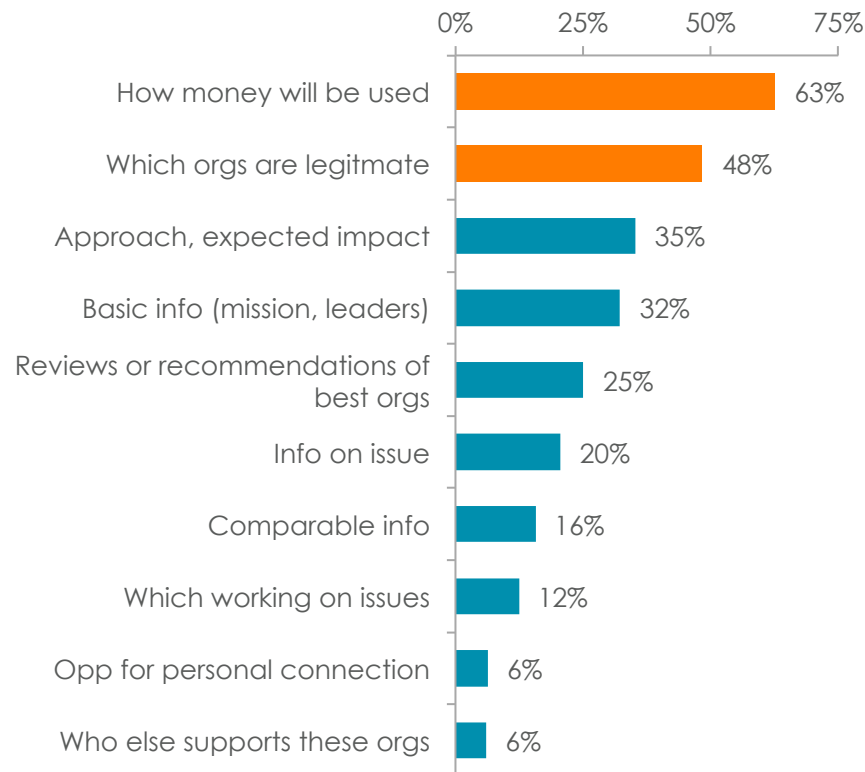


Foundations, given their high level of engagement in general, do not show notable differences on most of the above dimensions, though those that supported Issues of Inequality said they were 20% more likely to use research to identify HPNPs

SPECIFIC ISSUES: ISSUES OF INEQUALITY

To support their giving to these organizations, donors want legitimacy and to know how money will be used; foundations want legitimacy and impact

What Individual Donors Want

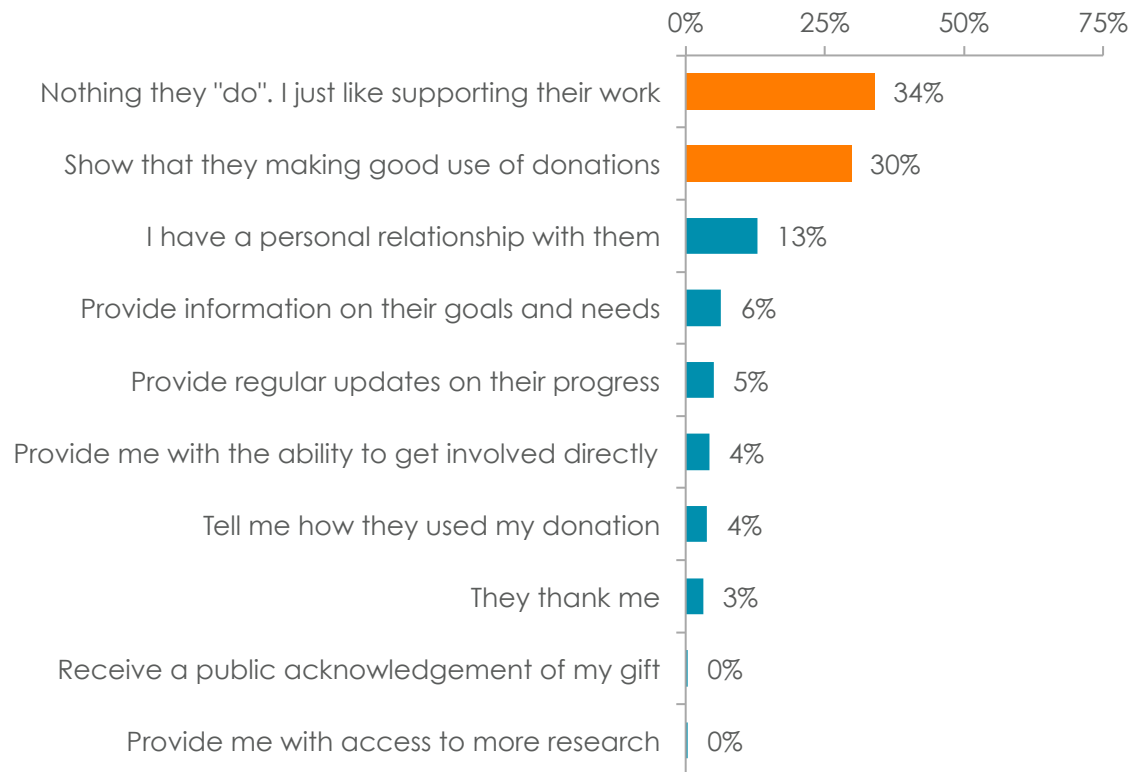


What Foundations Want



Showing that they don't waste a donors' money can drive loyalty

What Actions The Nonprofit Takes Make You Likely To Give Again Next Year?

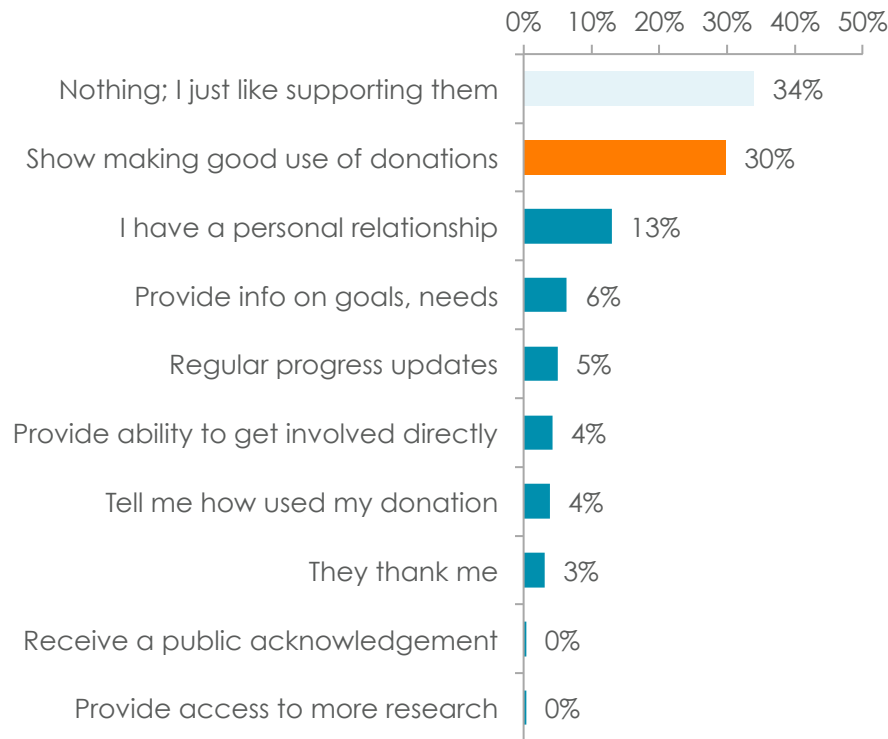


- Question asked of donors who were 'Extremely Likely' or 'Likely' to give to the organization in 2011
- Two biggest drivers not surprising
 - Nothing; it's the right cause
 - Not wasting money

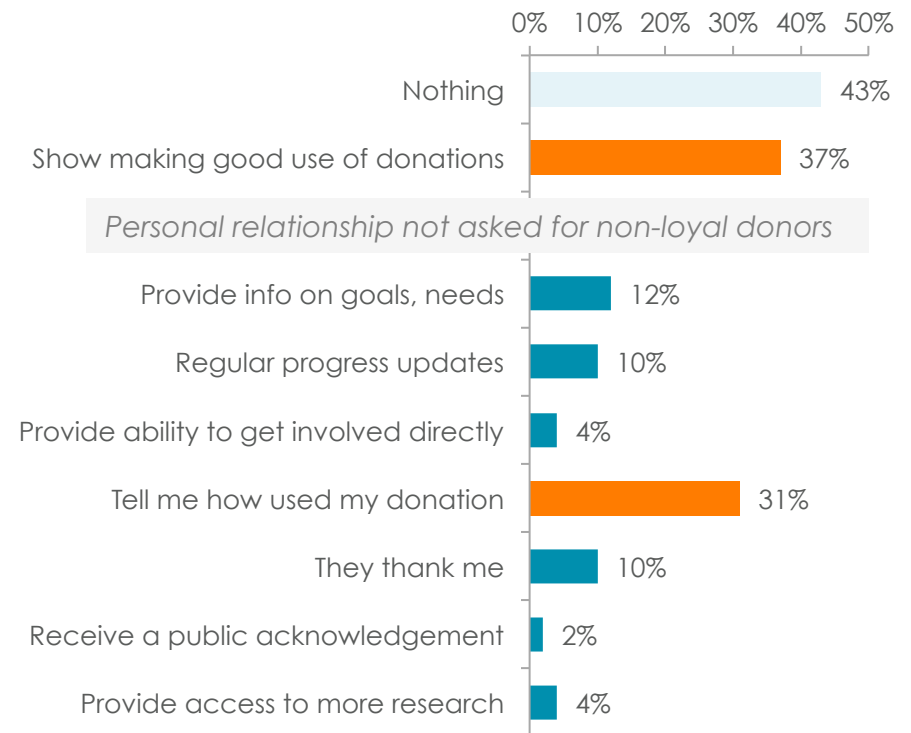
SPECIFIC ISSUES: DRIVERS OF LOYALTY

Showing that the nonprofit doesn't waste a donors' money can drive loyalty

LOYAL DONORS¹: What Actions Make You Likely To Give Again Next Year?



NOT LOYAL DONORS²: What Actions Would Make You Likely To Give Again Next Year?

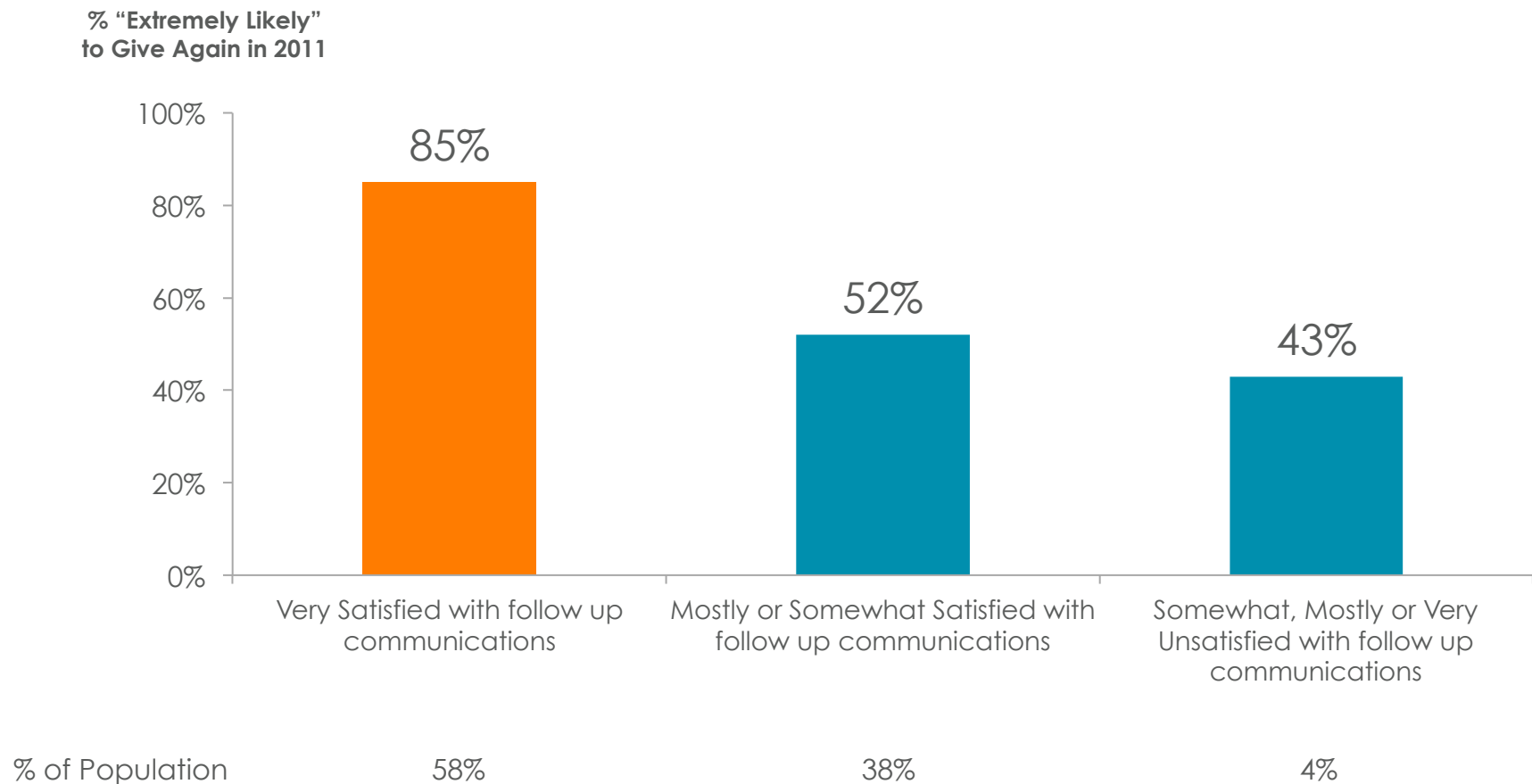


1. Asked of donors who were "Extremely Likely" or "Likely" to give to the same organization again in 2011

2. Asked of donors who were "Somewhat Likely", "Somewhat Unlikely", "Unlikely", "Extremely Unlikely" to give to same organization again in 2011

SPECIFIC ISSUES: DRIVERS OF LOYALTY

Donors that are very satisfied with follow-up communications from nonprofits are more loyal



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1. Context
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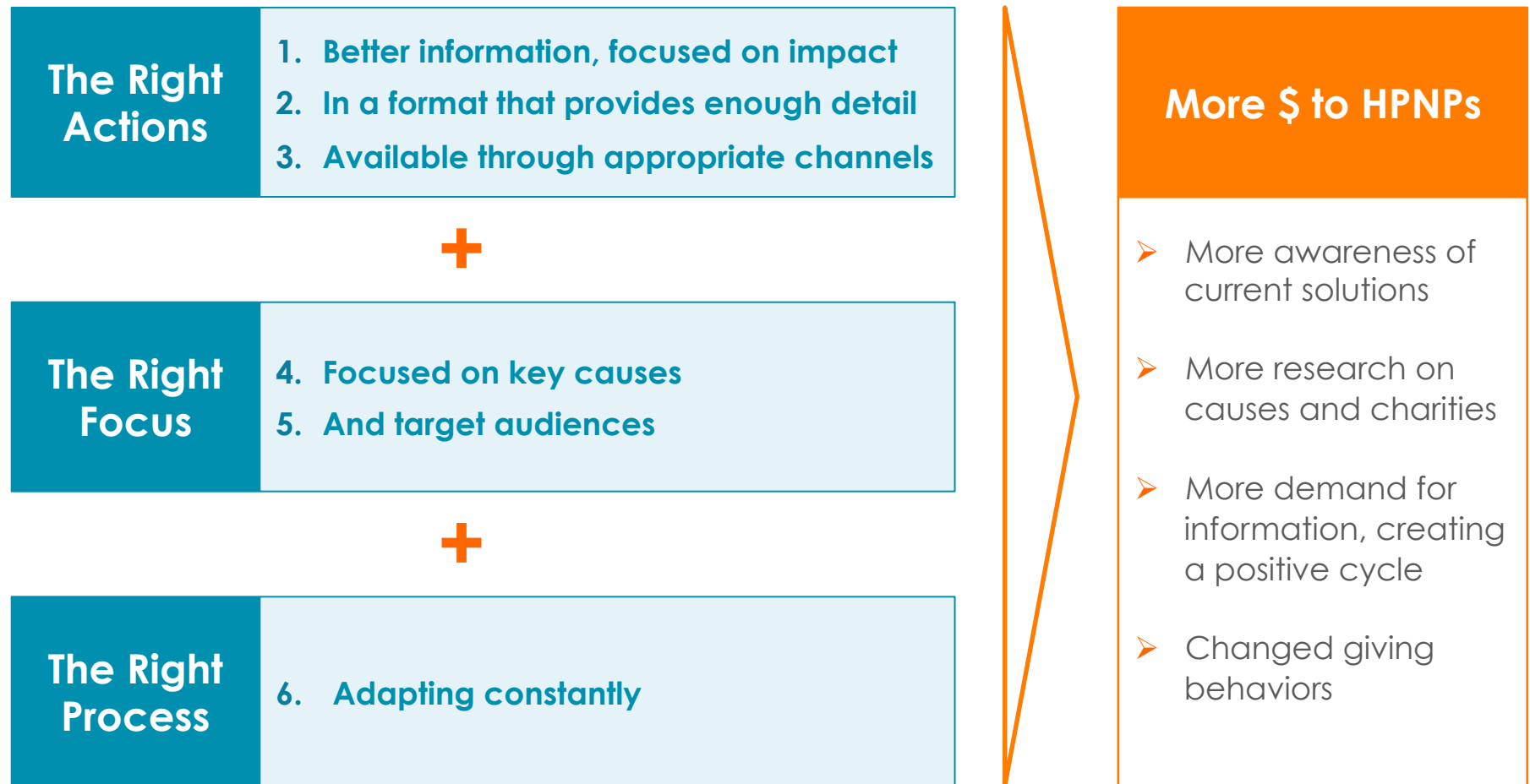
OUTLINE FOR DETAILED REC'S:

- Overall implications
- Organizations providing infrastructure support to the philanthropic community
- Organizations providing information or evaluation on nonprofits & donation portals
- Nonprofits themselves
- Individual donors

How to move more money to high performing nonprofits

- While the results of the analysis we have completed are still preliminary, pending our market testing phase, there are some useful recommendations and insights from the work completed to date
- The recommendations vary based on the type of organization. We have outlined our implications and recommendations by the following audiences:
 - A. Overall implications
 - B. Organizations providing infrastructure support to the philanthropic community
 - C. Organizations providing information or evaluation on nonprofits, or donation portals
 - D. Nonprofits themselves
 - E. Individual donors that want to make more of their giving experience

Emerging implications – How we can move \$ to HPNPs



Emerging implications: The Right Actions

1. Better information, focused on impact

- Need to provide users with a complete picture of nonprofit organizations – they desire for info on financials, impact, legitimacy, and more, not just one data point
- Most critical need is for effectiveness / impact information – desired by each group, is highest unmet need, and critical to identifying which organizations are “high performing”
- Better information must be done in a way that is efficient for nonprofits, and leads to cost-efficient, quality, standardized information for the sector

2. In a format that provides enough detail

- Experiment with more detailed “Consumer Reports”-style formats – they are the most desired format by each group, and by researchers and non-researchers alike
 - Partnerships with brand like Consumer Reports could drive impact with donors, advisors
- Portals like GuideStar, and self-reported summaries like Charting Impact, also very valuable

3. Available through appropriate channels

- People rarely “shop” for charities, so need to push information to where people look for it today – in particular to nonprofit’s websites and solicitations
 - Will reach more people, and utilize the natural incentives that HPNPs have to publish
- Build awareness of portals/evaluators that are desired but suffer from lack of awareness
- DAFs and community foundations can help reach donors efficiently

Emerging implications: The Right Focus and Process

4. Focused on key causes

- Easier to make progress by focusing on where there is natural drive for research
 - Majority of research (on a \$\$ basis) occurs in children/youth, poverty, education, health
 - Research most common (on a % basis) in international causes and int'l disaster relief

5. And on target audiences

- While many current efforts are focused on individual donors, there is less friction and a higher potential ROI with advisors and foundations – more apt to move \$ to HPNPs
- Advisors, in particular, are interested in research offerings that exist today but are underpenetrated as a community, and unaware of solutions
- Among donors, target first-time donors (prospects)

6. Adapting constantly

- Given the difficulty in predicting and changing behaviors, especially for “less rational” items like charitable giving, it is necessary to constantly try new things and adjust

Organizations providing infrastructure support to the sector, such as large foundations: (1 of 2)

- **Invest in effectiveness information**

Effectiveness information is the bedrock for getting more funding to HPNPs, and is an under-met need for all three user groups. Infrastructure funders should focus on collecting and aggregating existing data to make the most of what exists today (not just funding new development), focus on specific sectors to ensure the information is relevant, and require strong logic models in those they fund to ensure the information collected leads to impact

- **Focus on key sectors**

The majority of research occurs in four sectors: children/youth, poverty, education, health, and is most common in international causes and international disaster relief. Infrastructure funders should focus on those sectors – and encourage those they fund to focus there as well

- **Look at advisors and foundations, not just individual donors**

Advisors and foundations are more willing and motivated to use information to find and fund HPNPs. However, many of today's efforts are directed at individual donors, since they make >75% of all donations to nonprofits. Focus placed on helping advisors and foundations give effectively can yield a higher ROI, and since each group prefers generally similar things, what is developed here will help individual donors as well

Organizations providing infrastructure support to the sector, such as large Foundations: (2 of 2)

- **When addressing individual donors, focus on points of leverage**

Individual donors are difficult to influence and difficult to reach (there are >80M households that give each year). Focusing efforts on, for example, donor advised funds and community foundations will allow infrastructure supports to reach donors more cost-effectively

- **Drive to scale with information**

There are economies of scale associated with the collection of information on nonprofits. A single, agnostic, aggregator of information would be cost efficient, help encourage standardized information from nonprofits, help ensure information is of high quality, and lead to a single portal that can act as a true “virtual CGA” for foundations

- **Balance attempts to change behavior with direct support to HPNPs**

Changing the behavior of donors, advisors, and foundation grantmakers is difficult. Direct funding to HPNPs can help them increase impact and better raise funds themselves

- **Experiment with market testing**

Predicting and changing behaviors is difficult, and we don't have all the answers. Market testing can help understand how we can influence donor behavior, and ensure that new initiatives will actually influence donors - not just give donors what we think they want

Organizations providing information or evaluation of nonprofits, and donation portals: (1 of 5)

- **Focus on key sectors**

The majority of research occurs in four sectors: children/youth, poverty, education, health, and is most common in international causes and international disaster relief. Focusing research in those areas will lead to the greatest amount of interest and usage

- **Provide deeper information on effectiveness**

Effectiveness information is the bedrock for getting more funding to HPNPs, and is an under-met need for all three user groups. Better effectiveness data can be accomplished independently or through partnerships (e.g., “Take Action” on GuideStar)

- **Experiment with detailed (“Consumer Reports” type) ratings**

This is the format that each user group prefers. Portals should experiment with format to see how they can drive users to use their research. Again, this can be independently created or done through partnerships.

Organizations providing information or evaluation of nonprofits, and donation portals: (2 of 5)

- **Experiment with simple one pager**

Users – who are often researching to learn more about a particular nonprofit (vs. comparing it with others) – show interest in simple reports that have basic information on nonprofits. These reports can also lead to more consistent information being provided across nonprofits. Portals should look to publicize simple overviews of nonprofits, like Charting Impact.

- **Modify search to put higher performing organizations first**

Portals can direct users to who they believe are the HPNPs. One effective way to do this is to default rank search results based on the portal's perspective of which nonprofit is the best performing organization. This drives donations without having to change behaviors

- **Customize for the audience**

Each user group has different motivations and research preferences. As such, the depth, breadth and format of research should be tailored to the user group (e.g., foundations could see detailed, searchable information, advisors could see simple due diligence)

The following three pages have specific ideas for organizations trying to reach foundations, advisors and individuals

Organizations providing information or evaluation of nonprofits, and donation portals: (3 of 5)

If Portal's Focus = Foundations

- **Virtual CGA**

Foundations show interest in obtaining information from a single source. Consolidating information at a single source, that foundations can use for grants and due diligence, would make grant making more effective and efficient for foundations and nonprofits

- **Depth. Effectiveness**

Foundations want more information than advisors or individuals, especially around effectiveness and social impact. Portals need to focus on providing deep levels of data to meet their needs

- **Searchable**

Foundations have ingoing perspectives of what information they want. Portals should focus on making that information easy to find.

Organizations providing information or evaluation of nonprofits, and donation portals: (4 of 5)

If Portal's Focus = Advisors

- **Simple due diligence tools**

Advisors want to ensure nonprofits are 'good enough'. This can be met with access to legitimacy, financials, and basic information, sorted by cause area and organization. Expanded coverage of legitimacy checks / seals would also be valuable

- **Market to them**

Advisors are an attractive audience, and today's solutions meets many advisors' needs. However, few know what exists. As such, portals need to focus on marketing to advisors to build awareness and use

- **Information on how funds are used**

Advisors and individuals want to know how funds are used. Portals can provide that information to advisors in simple reports, which will help increase the value advisors can provide to their clients. For advisors that direct significant funds to specific nonprofits, portals could facilitate direct linkages

Organizations providing information or evaluation of nonprofits, and donation portals: (5 of 5)

If Portal's Focus = Individuals

- **Push**

Individuals are hard to reach, and when they research, they often go direct to the nonprofit itself – not to independent portals. Pushing information to nonprofits will help reach more donors, and will utilize the natural incentives that the HPNPs have to publish that information

- **Partner**

Individuals trust consumer brands like BBB and Consumer Reports. Partnering with these types of organizations could help move nonprofit research into the mainstream with individual donors.

- **Experiment with simple ratings**

While simple ratings didn't score well in survey, they do meet underlying motivations of individuals. For simple ratings to work they need transparency into how the rating was derived

- **Focus**

The opportunity with individual donors resides with “Core” and “Occasional” donors. Portals should focus on meeting the needs of this subset of the universe; and not try to please everyone

- **Advisors**

Portals can work with advisors to reach individual donors

Nonprofits: (1 of 2)

- **Fill out Charting Impact**

Donors said that initiatives like Charting Impact provide them with the answers to the questions they want, in a format they like. Nonprofits should complete Charting Impact, and then include the Charting Impact report in mailings, on their homepage, and in their emails

- **Maintain updated profiles**

Nonprofits should report information to intermediaries like GuideStar. Not only is this information present on GuideStar for donors, advisors, and foundations to find it, but GuideStar powers many other portals, like leading Donor Advised Funds

- **Focus on Impact**

Donors have been conditioned to care about OH ratios. But, we know they are interested in a fuller picture of information. Nonprofits can change the conversation from OH to Impact by providing and focusing on that information

Nonprofits: (2 of 2)

- **Show off**

Nonprofit websites are the #1 source donors go to find information today. Nonprofits should show off content on their site – be it self reported information, or information/evaluation from other parties (from BBB seal to GuideStar exchange seal to a rating by Philanthropedia). This shows donors that the nonprofit is high performing and takes its job seriously

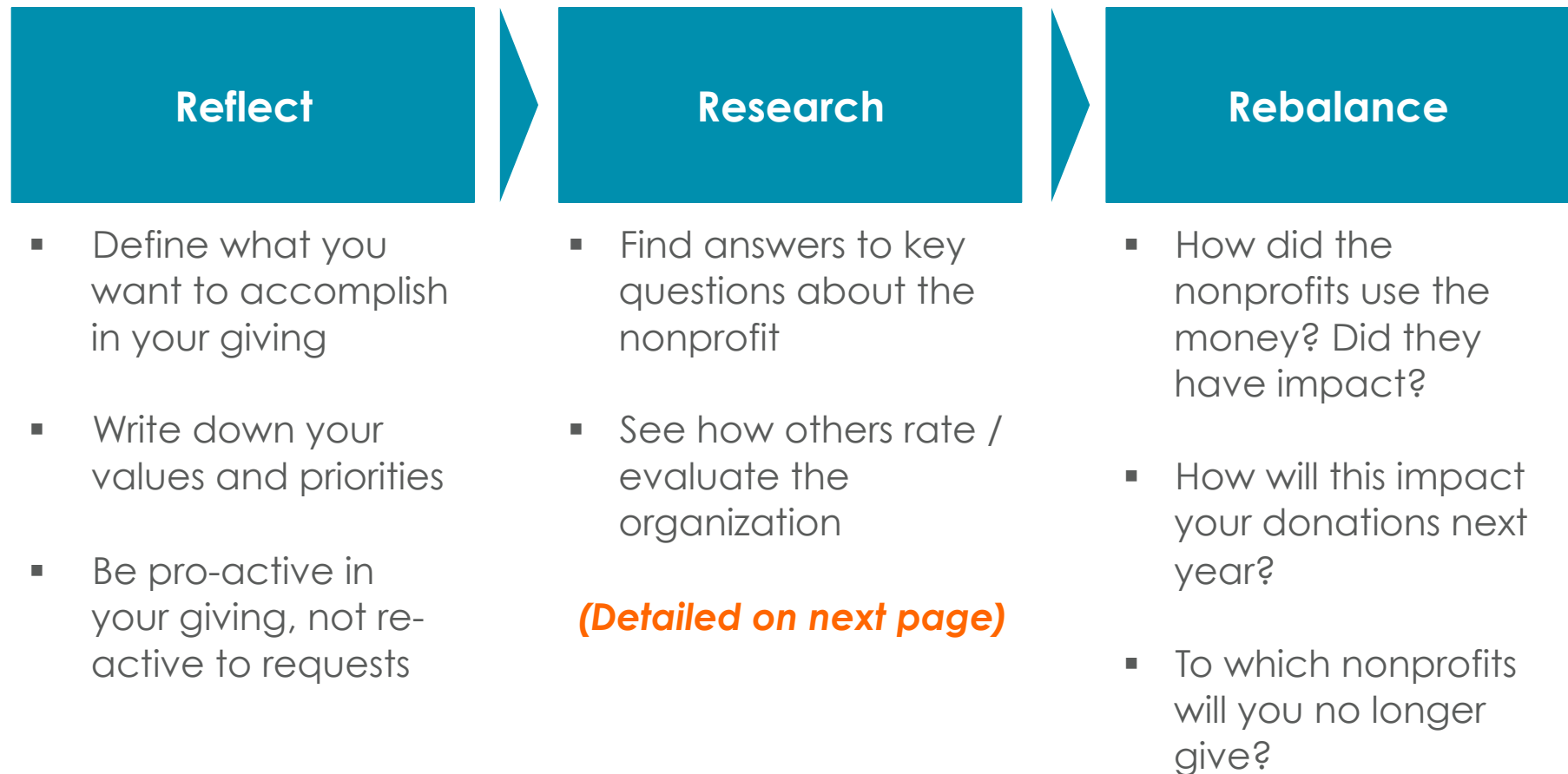
- **Provide information and follow up regarding how used donors' donations**

Donors want to ensure that nonprofits are using their donations appropriately. Following up with them on how they use those funds (even on a very 'macro' basis) can both help nonprofits continue to engage with donors and provide them with useful information.

- **Connect with donors**

Not all donors are alike. In fact, we have found six unique segments, from “Faith Based” to “High Impact” to “Repayers”. Understand donor to connect with them; after all, giving is still ultimately an emotional experience. See the original [Money for Good](#) report for more.

Individual donors: 3 steps for more effective giving



Individual donors: focus on research

Find answers to key questions about the nonprofit:

Key questions to research:

- What is the organization trying to do?
- How are they going about it?
- Are they capable of achieving it?
- What have they achieved to date?

How to find those answers:

- Look at nonprofits' website
- Read profile at www.guidestar.org
- Ask for their Charting Impact report

See how others rate / evaluate the organization

Organizations to look at:

- Charity Navigator: Independent charity ratings portal, evaluating >5000 of America's largest nonprofits on Financial Health and Accountability & Transparency
- Philanthropedia: Independent organization providing Expert Ratings and Reviews on verified, financially responsible charities
- GiveWell: Ratings website providing In-depth research on the 'highest impact' nonprofits;
- Great Nonprofits: Website with reviews from donors, volunteers, beneficiaries, etc.
- BBB Wise Giving Alliance: Organization that seeks to assist donors in making informed donation decisions, especially related to organization legitimacy and status

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OUTLINE FOR APPENDIX

- Individual Donor Segmentation (from MFG I)
- Why It is Difficult to Change Individual Giving Behavior
- Detail on Opportunity Calculations / Methodology

INDIVIDUAL DONOR SEGMENTATION

In MFG I we determined that there were six discrete segments of individual donors

Repayer

"I give to my alma mater"
"I support organizations that have had an impact on me or a loved one"

Casual Giver

"I primarily give to well known nonprofits through a payroll deduction at work"
"I donated \$1,000 so I could host a table at the event"

High Impact

"I give to the nonprofits that I feel are generating the greatest social good"
"I support causes that seem overlooked by others"

Faith Based

"We give to our church"
"We only give to organizations that fit with our religious beliefs"

See the Difference

"I think it's important to support local charities"
"I only give to small organizations where I feel I can make a difference"

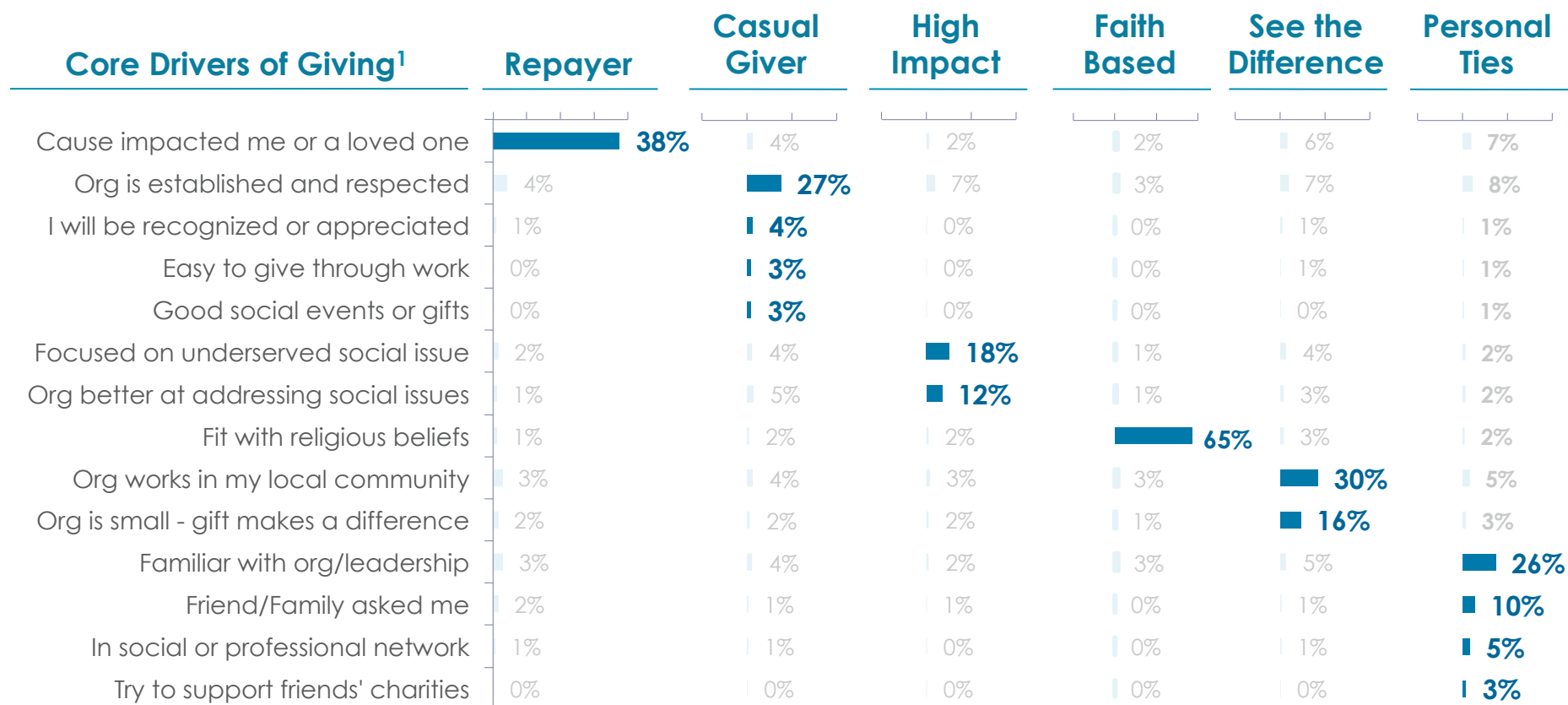
Personal Ties

"I only give when I am familiar with the people who run an organization"
"A lot of my giving is in response to friends who ask me to support their causes"

Note: Segments based on statistical analysis

INDIVIDUAL DONOR SEGMENTATION

Each segment has different motivations for giving



1. The segments were derived by grouping individual donors who had similar priorities across these "Core Drivers" of giving. We tested for multiple segmentations (from 3-9 groupings) and found this breakout of six segments to be the most robust. The %'s represent the relative importance of each variable to each segment's decision making for charitable giving. "I care deeply about the cause" was important to all segments so was removed from the analysis (it's more of a table stake than a driver of segment-specific decision making).

INDIVIDUAL DONOR SEGMENTATION

Repayer has the largest number of donors;
Personal Ties has the largest amount of donations

	% POPULATION	% DONATIONS	MEAN DONATION ¹	MEDIAN DONATION ²
Repayer	23%	17%	\$11,000	\$1,800
Casual Giver	18%	18%	\$15,000	\$2,500
High Impact	16%	12%	\$11,000	\$3,500
Faith Based	16%	18%	\$18,000	\$7,700
See the Difference	14%	10%	\$10,000	\$2,500
Personal Ties ³	13%	25%	\$27,000	\$3,700

1. Refers to all donations. 2. Refers to all donations. Estimated as people entered their giving in ranges (e.g., \$1,000 - \$2,499) vs. directly inputting the amount. 3. The reason that Personal Ties has such a large % of donations is because, in our survey, a disproportionate # of people who gave >\$1M / year fell into this category. This may be unsurprising, as many other reports discuss the importance of personal connections for very high net worth donors

It Is Difficult to Change Individual Giving Behavior

1. Only a fraction of individual donors are primarily motivated by giving to the HPNPs (unlike Foundations). This **isn't why they give**, and isn't their primary care
2. Individual donors believe most **nonprofits are doing a good job...** especially so for the organizations to which they donate. 44% of those who don't look for effectiveness information say that it is because "all nonprofits do good"
3. Individual donors are often **personally familiar** with their chosen charities, and these ties are stronger than what a third party evaluator could tell them
4. Majority of donations are to **organizations that are well known**, and implicitly trusted
5. Individual donors are very **loyal** to their chosen charities. As such, the amount of money they are willing to reallocate is limited
6. Individual donors **don't show dissatisfaction with the giving process** – so why change?
7. Individual donors **don't show dissatisfaction with the research process**. They are not troubled by information quality, ease of finding that info, or challenge of research
8. Individual donors are a **large and fragmented group**, and thus expensive to market to

WHY IT IS DIFFICULT TO CHANGE INDIVIDUAL DONOR GIVING BEHAVIOR

1. Only a fraction of individual donors are motivated by giving to HPNPs (unlike foundations)

Not Key Driver of Individual Donors' Giving



Only Important to One Segment

Repayer: 17%

"I support organizations that have had an impact on me or a loved one"

Casual Giver: 18%

"I give to well known nonprofits because it isn't very complicated"

High Impact: 12%

"I give to the nonprofits that I feel are generating the greatest social good"

Faith Based: 18%

"We give to organizations that fit with our religious beliefs"

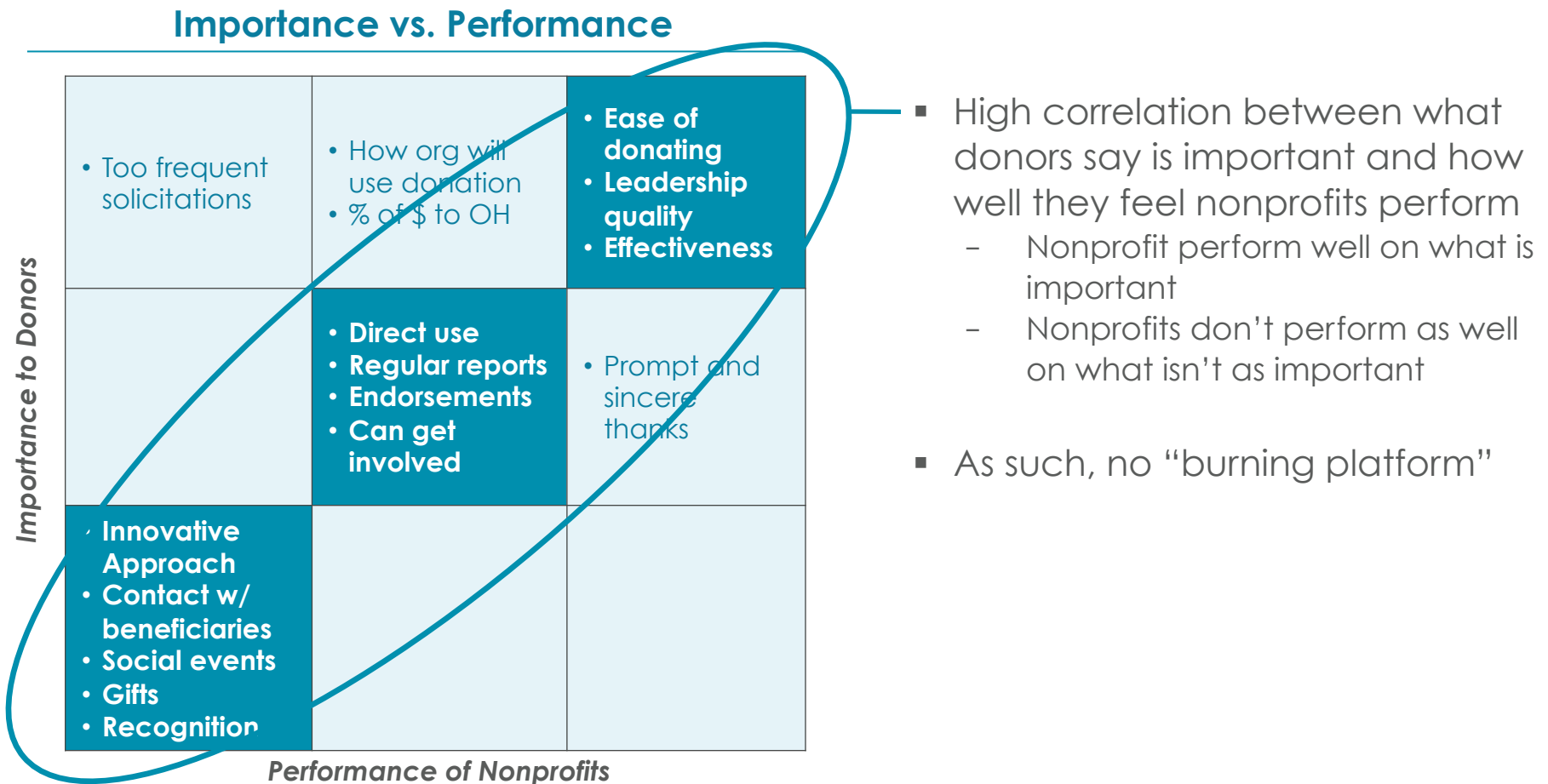
Personal Ties: 25%

"I give when I am familiar with the people who run an organization"

See the Difference: 10%

"I give to small organizations where I can make a difference"

2. Individual donors believe that the nonprofits to which they give are doing a good job

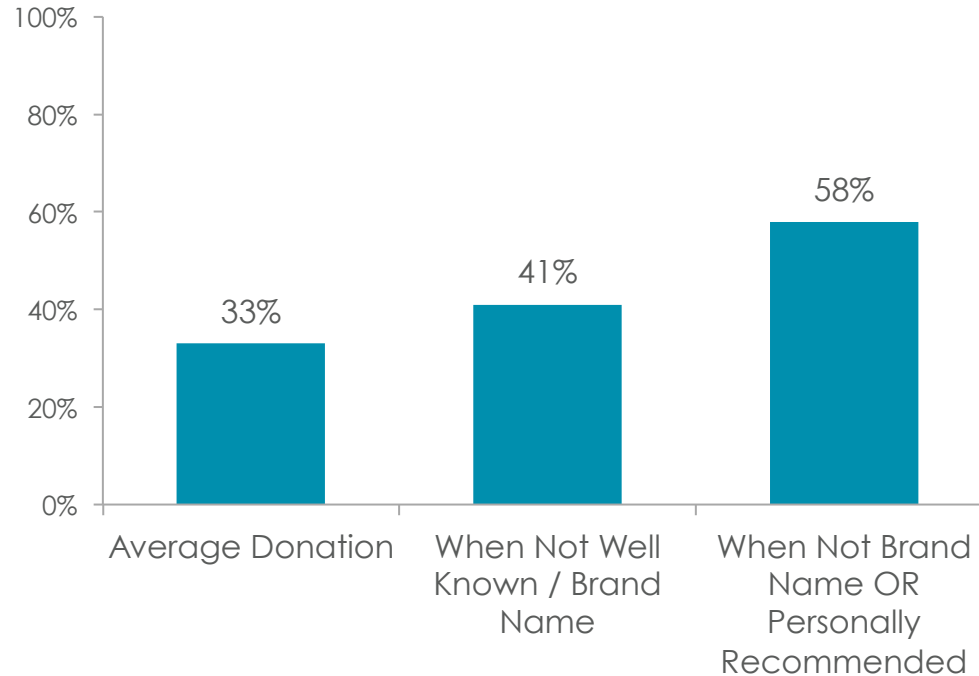


1. Analysis from Money for Good I. Donors were asked to rate the importance of various elements of giving, and the performance of the nonprofits to which they donated, on 1-6 scale

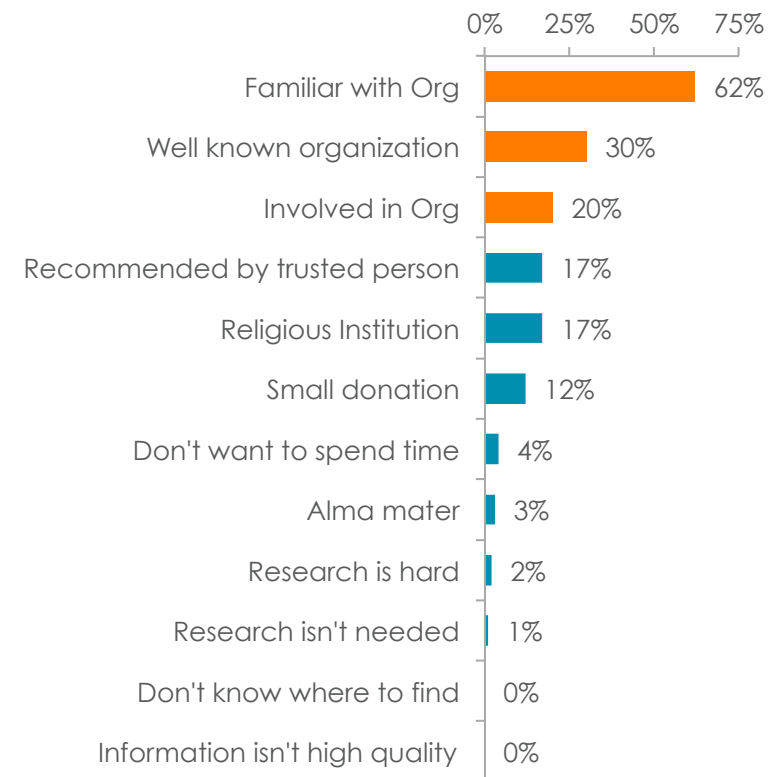
WHY IT IS DIFFICULT TO CHANGE INDIVIDUAL DONOR GIVING BEHAVIOR

3/4. Individual donors are often personally familiar with their chosen charities, or give to well known nonprofits

% of Donations Researched



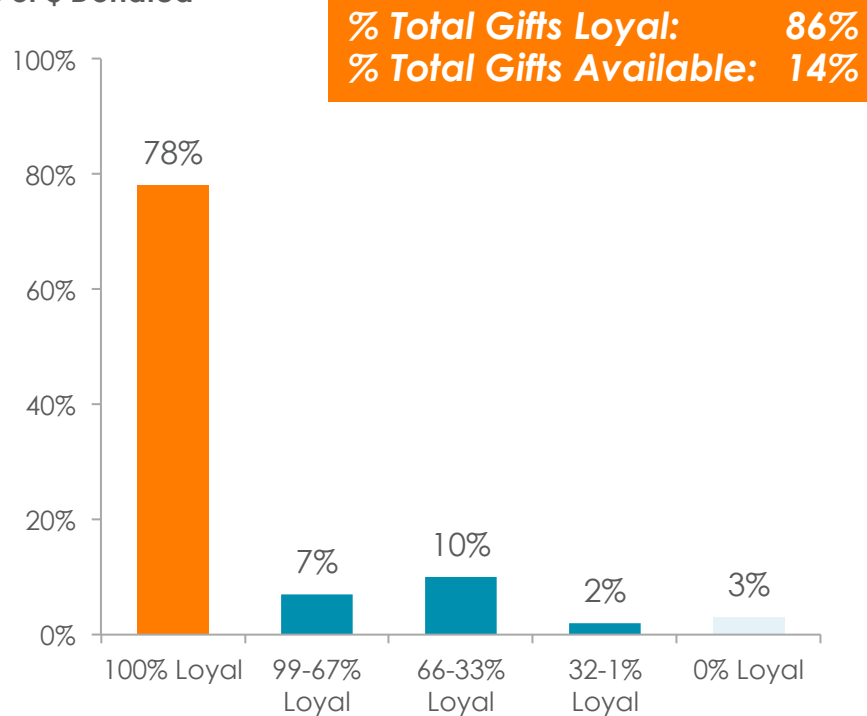
Why Donors don't Research



5. Individual Donors are very loyal to their charities. They are willing to reallocate a limited amount of money

MAJORITY OF DONATIONS LOYAL

% of \$ Donated

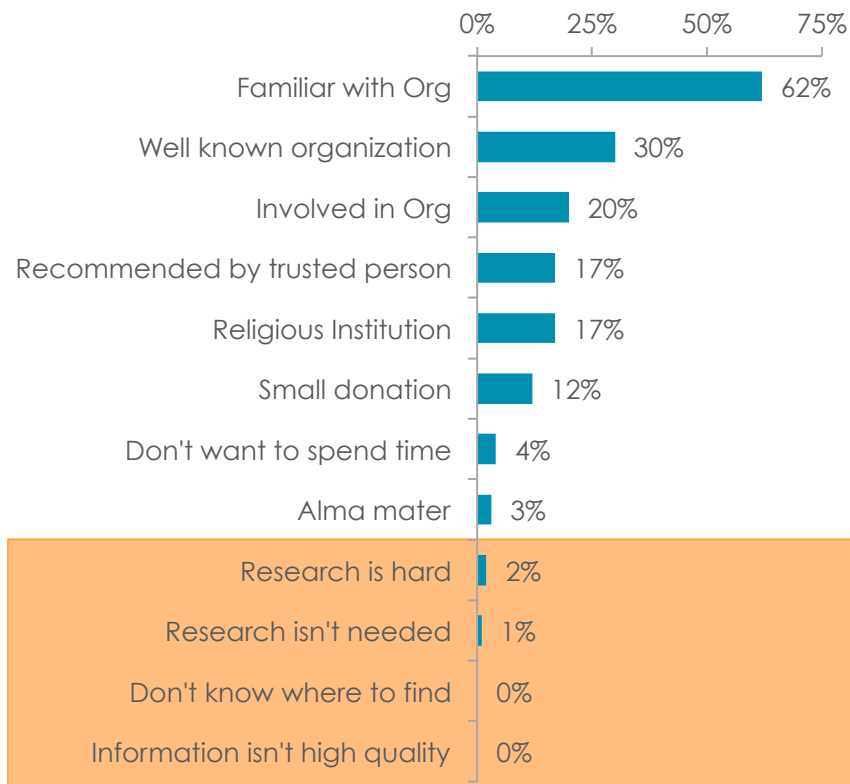


- Loyalty was measured based on donors' certainty around future gifts, and their historical giving patterns¹
- Almost 80% of all gifts made are "100% loyal," meaning that there is a virtual certainty that these gifts will be repeated next year
 - More loyal than typical industries
- Overall, on a weighted basis, 14% of gifts are available, or "switchable"

1. Analysis from Money for Good I

6/7. Individual Donors don't show dissatisfaction with the giving or research processes

Why People Don't Research



- Individual Donors do not state any problems with research or information
- In fact, in focus groups, donors said that the research process and finding information was “Easy” ...
 - Average score of 8 on 1-10 scale, where 10 = extremely easy (n=43)
- ... And did not cite any core unmet needs
- Further, we see that most individual donors feel that the nonprofits to which they give are doing a good job

8. Individual donors are a large and fragmented group, and thus expensive to market to

- 80-85 million US households give to charity each year
- The average donation / household is ~\$2,700
- In comparison, there are only 120,000 foundations, and on average they grant \$350,000 / year
- And in the advisors we surveyed, 33% influenced over \$100,000 in client donations / year

The opportunity for individual donors

Given the difficulty of this estimation, we used 2 approaches; they gave similar results

Looking at available donations (based on MfG1 research), and then what % of those could be influenced through better research	
Total Individual Donations '10	\$212B
% "Switchable" – from MFG1	14%
% "Possibly Add" – from MFG1	12%
Total Amount Indiv willing to donate differently than today	\$54B
% to HPNP – Core	36%
% to HPNP – Occasional	24%
% to HPNP – Long Shot	13%
% to HPNP – No Hope	0%
Weighted Avg % to HPNP	19%
Total Opportunity	\$10.3B

Looking at how much individual donors said they would give above what they give today, and how much they would reallocate	
Total Individual Donations '10	\$212B
% Interested in Research Offer	66%
Donations by Those Interested	\$149B
<u>New Additional \$ to HPNP</u>	<u>\$3.9B</u>
% would increase donation	47%
How much would inc. donations	13%
Certainty of inc. donations	46%
<u>Reallocation of \$ to HPNP</u>	<u>\$6.6B</u>
% "Switchable" – from MFG1	14%
% would reallocate to HPNP	34%
Total Opportunity	\$10.5B

Individual Donors: Methodology for Approach 1

		Assumptions / Source / Comments
Total Indiv Donations '10	\$212B	Based on Giving USA totals for 2010
% "Switchable" – from MFG1	14%	In MFG1 we found that 14% of donations are moveable. See page 127 in appendix for detail
% "Possibly Add" – from MFG1	12%	In MFG1 we found that individual donors are willing to donate an additional 12% to charity, if nonprofits provide them what they need. This is adjusted based on donors' attitude certainty
Total Amount Indiv willing to donate differently	\$54B	$\$212B * (\% \text{ switchable} + \% \text{ possibly add})$
% to HPNP – Core	36%	<p>For each category, we looked at the product of:</p> <ul style="list-style-type: none"> the % that ever take action before they make a donation * the % that were interested in using new research * the % that said they would give more to HPNPs if provided with the right information. <p>Then, weighted by the size of each category we get an avg % which we can apply to the total amount that could be moved. In essence, this implies that of the available dollars that individual donors could move to different nonprofits (\$54B), better information on could impact ~19%</p>
% to HPNP – Occasional	24%	
% to HPNP – Long Shot	13%	
% to HPNP – No Hope	0%	
Weighted Avg % to HPNP	19%	
Total Opportunity	\$10.3B	$\$54B * 19\%$

Individual Donors: Methodology for Approach 2

		Assumptions / Source / Comments
Total Individual Donations '10	\$212B	Based on Giving USA totals for 2010
% Interested in Research Offer	66%	% of donors who showed interest in research offerings
Donations by Those Interested	\$139B	\$227B * 66%. Provides a basis / denominator for change
<u>New Additional \$ to HPNP</u>	\$3.9B	\$149B * 47% * 13% * 46%
% would increase donation	47%	Product of those that said that: a) positive information would impact their decision; b) that they would increase their donation
How much would inc. don	13%	Average % increase to which this would lead
Certainty of inc. donations	46%	Combination of how certain donors are they would increase their donations by that amount and if they could identify where the money would come from
<u>Reallocation of \$ to HPNP</u>	\$6.6B	
% "Switchable" – from MFG1	14%	In MFG1 we found that 14% of donations are moveable. See page 127 in appendix for detail
% would reallocate to HPNP	34%	Product of those that said that: a) positive information would impact their decision; b) that they would reallocate their giving
Total Opportunity	\$10.5B	\$3.9B + \$6.6B

Foundations: Methodology for Opportunity

Opportunity of Foundations To Increase \$ to HPNPs		Assumptions / Source / Comments
Total donations from Foundations	\$46B ¹	From Giving USA 2011. Includes \$4.7B in grants from Corporate Foundations
% Interested in using research to identify HPNPs	77%	% of respondents that said they were somewhat likely, likely, or extremely likely to use research to identify HPNPs
% of their portfolios willing to reallocate to HPNPs	27%	Average amount of portfolio they would reallocate
Level of certainty of making those reallocations	39%	Product of how certain foundations are they would use this information (53%) and their level of interest (74%)
Total Opportunity	\$3.7B	$\$46B * 77\% * 27\% * 39\%$
<i>As % of total</i>	8%	$\$3.7B / \$46B$

Calculating the opportunity with advisors required two steps

1. How Many Charitable Dollars do Advisors Influence

Total Donations from Indiv	\$235B
% of Donations from HNW	65%
Total Donations from HNW Indiv	\$153B
% HNW Using an Advisor	48%
Total \$ touched by Advisors	\$74B
% Advise on Selection of NPs	15%
\$\$ where Advisors influence Location of Donation	\$11B

2. What is the Opportunity for Advisors to Increase \$ to HPNPs

Total Donations Controlled by Advisors	\$11B
% Interested in using research to identify HPNPs	89%
% of their portfolios willing to reallocate to HPNPs	54%
Level of certainty of making those reallocations	46%
Total Opportunity	\$2.4B
<i>As % of total</i>	22%

Advisors: Methodology for total amount influenced

How Many Charitable Dollars to Advisors Influence		Assumptions / Source / Comments
Total Donations from Indiv	\$235B	Giving USA. Donations + Bequests
% of Donations from HNW	65%	% of Donations from individual donors with incomes >\$200k, who are more likely to use advisors. Source: BoA report on high net worth philanthropy
Total Donations from HNW Indiv	\$153B	$\$235B * 65\%$
% HNW Using an Advisor	48%	% of high net worth households who get information on nonprofits from advisors. Source: BoA, HNW Philanthropy
Total \$ touched by Advisors	\$74B	$\$153B * 48\%$
% Advise on Selection of NPs	15%	% of attorneys, accountants, and financial advisors who advise donors on the creation of a mission for their giving, or with grantmaking research (as opposed to tax advise, legal advise, gift structure, timing, etc). Based on averages from 2007 and 2009 BoA Research on HNW Donors.
\$\$ where Advisors influence Location of Donation	\$11B	$\$74B * 15\%$

Advisors: Methodology for Opportunity

Opportunity for Advisors To Increase \$ to HPNPs		Assumptions / Source / Comments
Total Donations Controlled by Advisors	\$11B	See previous page
% Interested in using research to identify HPNPs	89%	% of respondents that said they were somewhat likely, likely, or extremely likely to use research to identify HPNPs
% of their portfolios willing to reallocate to HPNPs	54%	Average amount of their client's portfolio they believe they could influence
Level of certainty of making those reallocations	46%	Product of how certain advisors are they would use this information (69%) and their level of interest (66%)
Total Opportunity	\$2.4B	$\$11B * 89\% * 54\% * 46\%$
As % of total	22%	$\$2.4B / \$11B$
<p><i>Note: Given total amount Advisors willing to 'switch' is 25%, this estimate is on the high side. Therefore, we use \$1.5-\$2.4B (\$1.5B = 13.5%) as the likely range</i></p>		