

# A DonorTrends® White Paper



**CMS**

Craver, Mathews, Smith & Company

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## **DonorTrends White Paper**

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### ***Keep Your Postage Meter: The Status of Online Giving in America***

Hurricane Katrina, like the 2004 election campaign before it, has generated a huge outpouring of individual contributions, including in each case an unprecedented proportion through the online channel. Have we crossed some historical divide, where online fundraising has suddenly become more important than traditional direct mail?

This white paper says: “Not yet. Online giving in pure dollar terms is still the tail on the dog. But boy is it wagging!”

Our observations are based on an online survey of 2,333 American adults conducted in July 2005 by the DonorTrends Project, a collaboration of Craver, Mathews, Smith & Company (CMS) and The Prime Group. The DonorTrends Project has just released its first study, *Boomers! Navigating the Generational Divide in Fundraising & Advocacy*, which included extensive questioning on online behavior and attitudes.

*Keep Your Postage Meter* examines responses on online giving. Our key observations:

- The vast majority of donors have yet to make an online contribution. Online “penetration” is greatest for political campaign giving, disaster relief, and issue advocacy.
- Important generational differences indeed exist; however the most significant characteristic associated with online giving is higher education.
- Going forward, the important news is that the best donors – those who give the most today – are also the most inclined to make online contributions.
- Those who do give online give significantly more money on average; they appear more loyal in their reported giving behavior; and they indicate different giving interests than offline (i.e., non-online) donors.
- Individuals are considerably more comfortable with online advocacy – urging public officials and their friends to take action on an issue – than with online giving.

### **Reported Online Giving**

Our survey data indicates that online giving, despite the impression left by much media attention, has secured just a tiny foothold today:

*Percent making an online contribution in the past 12 months*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
Charity	14%	8%	13%	19%
Issue advocacy	6%	4%	5%	9%
Political campaign	6%	4%	5%	8%

Somewhat higher, but consistent levels of online giving are reported when the 12-month time frame is removed.

*Have made one or more online contributions ... ever*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
Charity	22%	13%	20%	30%
Issue Advocacy	11%	6%	9%	16%
Political campaign	10%	5%	8%	15%

Younger individuals are more likely to make online contributions than their elders. This is clearly good news assuming these younger cohorts increase their overall giving over time to the levels now exhibited by Boomers and Pre-Boomers. Interestingly, in each generation, about half the percentages give online to causes and campaigns as donate to traditional charities. Financial engagement in politics and issue advocacy seems to be an acquired taste, appealing to a relatively small proportion of Americans, whatever their age.

This relatively low level of online giving is the more remarkable when the overall “internet-friendliness” of the surveyed audience is taken into account. For example, in each age cohort, more than 90% of respondents claim to be daily users of the internet; more than 85% of each age cohort has made an online purchase in the last 12 months; and 71% of all respondents have used online banking and/or bill paying in that time frame (including 60% of Pre-Boomers, compared to 70% of Boomers and 78% of Post-Boomers).

But the fact remains that almost twice as many respondents say they have never given in response to an email solicitation than have never responded to direct mail, granting that direct mail fundraising has now been around for thirty-odd years.

*Percent who have never given through channel*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
No mail giving	44%	33%	41%	56%
No online giving	83%	82%	86%	81%

Interestingly, fully half (53%) of online givers say they have never been contacted online to give, which suggests that they have acted on their own initiative to give online rather than responding to e-appeals. One hypothesis is that these donors are responding to other triggers or stimuli, and simply gravitate to the internet as a matter of choice or convenience.

*Reasons given for making a contribution*

	Saw news report that triggered concern		Saw advertising that appealed	
	Online	Offline	Online	Offline
Frequently	18%	7%	12%	4%
Sometimes	61%	53%	45%	37%
Never	21%	40%	43%	59%

While there is a definite generational trend that would suggest more online giving in the future, the strongest correlate to online giving is level of education – the higher one’s education, the more likely to give online, as the following table indicates.

*Percent making online contribution in past 12 months*

	High school	HS+	College grad	Post-grad degree
Charity	9%	14%	22%	26%
Issue advocacy	4%	5%	10%	11%
Political campaign	4%	6%	10%	11%

Since education level also correlates strongly to overall giving levels, the promise here is that a greater and greater share of giving by the best donors will occur online. 29% of all donors who contribute more than \$1,000 per year have made online contributions.

Indeed, the best news in this survey for fundraisers is probably the finding that online givers donate nearly twice as much money on average than offline givers, as the following table indicates.

*Average giving per year by those who have contributed at least \$1*

	Online donors	Offline donors
Charities	\$1,309	\$698
Issue advocacy	\$ 271	\$135
Political campaigns	\$ 222	\$107
Total	\$1,802	\$940

Moreover, 52% of online givers plan to give more in the future, compared to 37% of offline donors.

Importantly, there is no significant gender difference in proportions who give online. While slightly more men than women make online contributions to causes and campaigns, the online channel has become essentially gender neutral. However, reflecting overall giving patterns, men do contribute greater dollar amounts.

### **Online Referrals and Advocacy**

The viral nature of the internet is widely established by numerous examples of money appeals, political actions, and “hot” products that have simply “taken off” as the convenience of the medium has been used to accelerate “word-of-mouth” recommendation (see, for example, Seth Godin, Unleashing the Ideavirus, Purple Cow).

That said, there is nowhere to go but up when it comes to capitalizing upon the internet as a viral fundraising tool.

Only 35% of all respondents have ever urged someone else to make a contribution to a charity, cause or campaign – 23% of Pre-Boomers, 38% of Boomers, and 39% of Post-Boomers. Fortunately for the future, younger generations seem significantly less shy and retiring as prospective missionaries!

Looking only at the 35% who have recommended contributions, we can see the potential still awaiting the online medium:

*How did you urge (others) to make a contribution?*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
In person	89%	92%	91%	87%
By mail	15%	13%	14%	15%
By email	19%	12%	20%	21%
By telephone	26%	21%	33%	23%

The responses point to more online referrals in the future, given the current behavior of Boomers and Post-Boomers.

Noteworthy is the finding that online givers are significantly more likely than offline givers (59% versus 34%) to urge others to contribute, and 36% of online givers do their urging online. Herein lies the engine of online viral issue marketing!

Interestingly, our survey finds significantly greater acceptance and usage of the online medium for issue engagement as opposed to contributing. As the following table indicates, large percentages of each generation affirmatively ask for online newsletters and alerts, while many also use the medium to encourage others to act on issues.

*Percent using the internet in the last 12 months for ...*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
Putting yourself on a list for an online newsletter or info alert of any kind	75%	80%	74%	73%
Urging a friend or public official to take action on an issue	37%	49%	37%	31%

Ironically, given their resistance to online contributing, it is the Pre-Boomers who seem most inclined to use the internet to “rally the troops” and advocate. One might hypothesize that, for a more taciturn older generation, there is an important distinction between urging fellow citizens to act (i.e., a public/civic duty) versus asking them to give money (i.e., a private matter).

In any event, the general openness to online “calls to action” suggests that fundraisers might successfully prospect for new names by appealing first for individuals simply to align with a policy/program initiative, and subsequently seeking to convert these “hand raisers” into donors. This approach would simply model the successful psychology of direct mail “petition” packages.

### **Attitudes about Online Giving**

While trends can be identified that should increase online giving over time, fundraisers should recognize the significant resistance that does exist to this channel as a means of donating.

When asked whether they would “prefer” to contribute online rather than through the mail, only 4% of Pre-Boomers, 8% of Boomers and 15% of Post-Boomers agreed. At

present, online solicitation – at least by unknown parties – is more comparable in donors’ minds to telemarketing than to direct mail. The following table indicates respondents’ comfort level with being solicited through various media:

*How comfortable are you receiving a fundraising request in the following ways?  
Percent “Comfortable”*

	Total	Pre-Boomers	Boomers 1946-1964	Post-Boomers
By mail	32%	25%	35%	33%
By email, from someone you know	35%	29%	30%	42%
By email, from someone you don’t know	11%	9%	12%	12%
By telephone	8%	7%	8%	9%

Not surprisingly, current online donors are significantly more comfortable with being solicited online – 50% are comfortable from someone they know and 18% are comfortable from someone unknown.

By comparison, 67% of Pre-Boomers are “Very Uncomfortable” being solicited by email from someone they don’t know, as are 59% of Boomers and 50% of Post-Boomers. Fully a third of Pre-Boomers and a fourth of Boomers are even “Very Uncomfortable” being solicited by email from someone they do know (compared to 15% of Post-Boomers).

These responses suggest that fundraisers should be quite cautious about cold prospecting via email (Note: one could hypothesize that this might not apply to simply offering opportunities to give online as a response option in mail pieces, or within websites). E-solicitation might be better reserved for fundraising from a group’s existing donors. Worth further investigation is whether a familiar organization (as opposed to a person) qualifies as “someone” a donor knows!

### **Issue Interests of Online Donors**

Online donors differ significantly from offline donors in terms of types of purposes and organizations supported. With the exceptions of “church-related giving, “helping needy Americans” and “animal protection,” online donors give at significantly higher rates.

*Percent who have contributed to this type of organization*

	Online donors	Offline donors	Online margin
Political campaign/party	46%	24%	+22%
International disaster relief	68%	48%	+20%
Issue advocacy group	39%	19%	+20%
Arts or cultural organization	37%	24%	+13%
Fighting specific disease	79%	67%	+12%
School or university	45%	33%	+12%
Animal protection/humane org	48%	44%	+4%
Church or faith-related project	60%	62%	-2%
Helping needy Americans	74%	80%	-6%

We hypothesize that the much greater relative “penetration” of online giving in the areas of disaster relief, political campaigns and issue advocacy is a result of the greater urgency and immediacy conveyed by fundraising campaigns in these areas – in the donors’ minds each of these areas may well involve averting or alleviating disaster! In tune with their asserted urgency, these types of campaigns have increasingly emphasized online response, and they seem to be getting it.

Still, in absolute terms, the most mainstream purposes – disease, the needy, disasters, and church – have won the highest percentages of online donors.

In addition, online donors are more likely than offline donors to focus their giving on national or international purposes, as opposed to local community needs. 42% of offline donors agree that they focus their giving on local matters, compared to 28% of online givers.

When we examine only giving to issue advocacy groups, notable distinctions also appear.

*Percent of issue advocacy donors who have contributed or will contribute in the future to such groups*

	Online donors	Offline donors	Online margin
Personal & civil liberties	51%	29%	+22%
Government integrity	32%	15%	+17%
Peace, arms reduction	27%	13%	+14%
Environmental protection	50%	37%	+13%
Gun control	21%	11%	+10%
Advocacy for the needy	39%	29%	+10%
Equal opportunity, non-discrim	39%	30%	+9%
Women's rights	35%	26%	+9%
Human rights	44%	36%	+8%
Right to life	31%	25%	+6%
Family values	38%	33%	+5%
Labor union	20%	22%	-2%
Tax reduction	21%	27%	-6%
Gun owners' rights	18%	34%	-16%

Impressively, three types of advocacy groups, generally perceived as “liberal” – civil liberties, human rights, environment – have managed to win contributions from about half of online donors. Our impression, watching the marketplace, is that these groups have charged aggressively into online fundraising, and are beginning to see serious results. And in each case, causes generally perceived as “liberal” do better with online donors than with offline donors.

“Conservative” causes have less online penetration. “Family values” appears to set the mark for online penetration in absolute terms. “Right to life” lands in the middle. And “tax reduction” and “gun owners’ rights” rank lowest amongst groups of all stripes.

While cause giving seems to appeal to online donors, our survey presents an interesting anomaly. These same online donors do not appear to be any more concerned about a broad range of challenges facing America than are the offline donors.

*Percent terming the challenge “Very Important” or “Important”*

	Online donors	Offline donors
The world is becoming more hostile to America every day	63%	69%
Our children are falling behind the educational levels of other children in the world	66%	64%
The American political system does not seem able to address the important issues of the day in a timely and effective way	60%	64%
Our environment is getting worse, and with things like global warming, habitat destruction and toxic chemicals, we might even damage it beyond repair	59%	64%
It is becoming more important to sustain a growing and competitive economy in the face of global competition	62%	61%
Corporations are becoming too powerful, beyond the ability of governments and consumers to hold them accountable	59%	60%
A growing number of people in America, many of them children, just don’t have enough to have a decent life	51%	58%
America is becoming a more uncivil and even violent society	53%	55%
America’s aging infrastructure – bridges and tunnels, water and power systems, railways, highways and airports – won’t last another generation without massive investment	52%	49%
Religious zealots in this country are becoming too powerful and will impose their views on ordinary Americans	48%	45%
America is becoming more racially, ethnically and religiously diverse, and this will cause social and political problems in years to come	43%	45%

Our hypothesis is that the high “importance” ratings of offline donors (relative to their lower giving levels) reflects the disproportionate number of Pre-Boomers in the offline donor category. In our overall Boomer survey findings, we noted that Pre-Boomers ascribed substantially more importance to these challenges than younger generations, especially the Post-Boomers who are the more likely current online donors.

One might question what groups are out there that might address the high levels of concerns amongst online (and offline) donors about global issues like hostility to America, economic competitiveness, and educational competitiveness.

## Loyalty of Online Donors

Our survey asked respondents to indicate their degree of loyalty to a wide range of products and institutions, from beer to sports teams to doctors (ten in all). Fully 41% of online donors termed themselves “Very loyal” to charities/causes they support, compared to 26% of offline donors. This made charities/causes the #1 object of loyalty for online givers. Second at 32% was “my current employer.” And 29% of online donors termed themselves “Very loyal” to a political party (tied for third with “my doctor” and “a sports team”), compared to only 14% of offline donors. The #1 object of loyalty for offline donors was “my doctor,” followed by “my current employer” at second.

Other data in the survey reinforces an impression that online donors are, or would be, more loyal. First, they assert more continuity and focus in their giving. Second, they admit to little impulse or “shopping around” behavior. Third, they appear to possess more of an “ethic” of giving. Fourth, they are more likely to be satisfied that their donations are well spent.

*Percent who “Strongly agree” or “Agree” with these statements:*

	Online donors	Offline donors
I have contributed to my favorite charity or cause for more than two years	72%	56%
I contribute to a few favored charities or advocacy groups year after year	67%	44%
I follow certain issues very closely, and limit my giving to organizations working on those issues	40%	26%
I tend to donate on impulse, when I hear about an issue that bothers me or seems especially urgent	33%	22%
I “shop around” for charities or advocacy groups as my interests change	14%	7%
I like to feel that I’m a member of groups I support, and not just a contributor	42%	31%
I feel like contributing to a charity, cause or campaign is part of being a good citizen	61%	43%
I think it is wrong to contribute nothing to charity if you can afford to	55%	46%
I feel I should be giving more to charities than I do	46%	31%
Overall, I think the money I contribute is well spent	52%	38%

This is a striking “loyalty advantage” for online donors, if their claims can be believed and validated over time. However, it is at least cautionary that, looking at actual online giving data for its clients, CMS has observed slightly lower multi-year retention rates for online-acquired donors.

Suggestive of factors that cut against loyalty and retention are the reasons online donors (versus offline donors) give for deciding not to continue or renew their support for a charity or cause.

*Percent indicating one or more of the following reasons (top three, excluding “can no longer afford”)*

	Online donors	Offline donors
Interests or priorities change	38%	40%
Found a different organization I thought might be more effective	44%	35%
Dissatisfied with the organization’s performance	41%	34%

Both donor segments admit equally to changing priorities, but online donors appear somewhat more attuned to effectiveness and performance.

The possibility of closer scrutiny by online donors is supported by other findings in the survey. As noted above, online donors are significantly more likely to say that they “follow closely” and are “pretty familiar” with the issues and groups they care about. Our hypothesis is that what accompanies this greater attention is greater critical evaluation. This tension between “loyalty” and “performance” factors is at the root of donor retention. The DonorTrends Project will be conducting a more intensive probe of loyalty issues in early 2006.

### **Ten Insights for Online Fundraising**

Dispute and debate the following observations if you like, but we believe they are well-supported by our survey results.

1. Don’t bet the farm yet on online fundraising, BUT ...
2. You can bet that your existing prime donors are very likely to be comfortable with online solicitation.
3. The higher the educational level of your organization’s traditional donor base, the more you should be investing in online fundraising today.
4. The younger your organization’s traditional donor base, the more you should be investing in online fundraising today.

5. Cause and political fundraisers have special reason to move confidently and briskly to greater investment in online fundraising – your core donors already have the demographic and psychographic characteristics most associated with online giving.
6. There are numerous indications that online donors will be more loyal. Confirm that reality with analysis of hard transaction data from your online donors ASAP. If true, step up your online fundraising commitment to reflect the greater ROI.
7. At the same time, online donors are placing your organization under greater scrutiny. Make sure you are using the online medium proactively – both your email and your website – to broadcast the achievements and effectiveness of your organization, to make transparent how donations are spent, and to offer a full range of involvement opportunities to members/contributors.
8. Experiment, experiment, experiment with techniques for engaging new supporters online before soliciting them. The cost advantages and viral nature of the online medium permit much more to be accomplished cost-efficiently through “two-step” marketing approaches.
9. But, until you can effectively get your existing donors to give online, don’t expect a lot from online prospecting (unless, perhaps, your organization or cause holds special appeal for Gen Xers and Yers).
10. Broadband internet access now accounts for more than half of U.S. online households ... with higher penetration in the high education, higher income households that shelter the prime donors. For both “house” e-appeals and viral outreach, exploit the capacity of high speed access to the fullest with images, audio and video that can better convey the urgency and impact of what your organization does.

### **What More Do We Need to Know?**

This white paper injects a note of caution into the present assessment of online fundraising. Not as much as happened as fast as some pundits have suggested.

Still, all the indicators point in the same positive direction for online fundraising – without question, the online medium will be hugely important and ultimately dominant as Pre-Boomers diminish in numbers.

Of the unprecedented \$1 billion+ contributed to the Red Cross by October 1 for Katrina and Rita relief efforts, over \$347 million arrived online ... from more than 2.3 million donors. At the same time, Yahoo collected more than \$51 million online and Amazon another \$12 million.

Meantime, market researcher Forrester predicted in September that online sales will grow from \$172 billion in 2005 to \$329 billion in 2010, a 14% compound annual growth rate. More and more consumers are becoming more and more comfortable making online purchases. They are being “trained” by commercial marketers to buy online ... and greater comfort with online contributions will surely follow.

Finally, the generations now assuming America’s philanthropic burden report significantly more online giving than their elders today, portending major growth in the online share of the fundraising pot in the immediate future.

Given this snapshot, what more do fundraisers need to know about donors’ online giving behavior and attitudes? Here are some areas where DonorTrends believes more research will be useful.

- Are online donors more volatile ... is the online medium somehow conducive to impulse giving that does not translate into long-term loyalty? In this survey, online donors assert more loyalty, but also admit to more impulse giving. Which behavior will dominate?
- Is there a “wave” phenomenon in online giving – massive response to high visibility, high emotion events, introducing new online donors, followed by “doldrums” where the growth rate of online giving flattens or slows?
- Will the higher giving amounts now reported by online donors, compared to offline donors, hold up as the universe of online givers grows? Are we seeing the “best” online donors already?
- Are online donors “new” to the giving game, or are they simply “switchers” to a new medium? What other dynamics are at play when integrating online and offline direct marketing?
- What does the giving portfolio of the typical online donor consist of? We know that direct mail cause donors typically give to seven or more cause groups.
- What is the dynamic between online “engagement” and online contributing? Is this a continuum or are there exclusive categories of “activists” versus “donors”?
- What makes an individual more comfortable with online solicitation? How much online giving reflects “urgency” versus “convenience”?
- Where are the trends pointing in terms of growth of the online donor universe? What percent of donors already give most of their donations online? When will the online share of giving exceed other direct marketing? For what types of

organizations and causes will this happen first? What accounts for different “penetrations” of online giving in different giving categories?

Some new and additional data must be collected by survey (and qualitative) research; some pertinent data must be culled from actual giving histories; and the two types of data must be integrated so that marketing hypotheses can be tested and validated in the real world of fundraising. This will be the challenge for the next DonorTrends Project report on online giving, scheduled for later this year. Stay tuned!