



# Money for Good

OVERVIEW:  
CHARITABLE GIVING

APRIL 2010

# Overview

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- The Money for Good project has conducted deep research on the market opportunity for impact investment products and charitable donations, and has identified what organizations can do to “unlock” that market opportunity
- The project provides the first major donor segmentation since the 1994 *Seven Faces of Philanthropy*
- The project revealed that much of the conventional wisdom on how donors make their giving decisions, and the role that information plays, is unfounded
- The Money for Good project has been funded by the Rockefeller Foundation, the Aspen Institute of Development Entrepreneurs (ANDE), the Metanoia Fund, and the William and Flora Hewlett Foundation

# Most thorough market analysis of the sector to date

## WHO WE TARGETED

Individuals with household incomes of over \$80K. These individuals represent the wealthiest 30% of US HHs, and make 75% of all individual charitable donations

We oversampled people with household incomes over \$300K, due to their disproportionate share of charitable contributions

## HOW WE RESEARCHED

Used 3 sources of information:

External research - to understand markets and previous research in the field

Qualitative research - consisting of focus groups and interviews with >30 individuals, to test survey language and inform hypotheses

Quantitative research - consisting of an online survey of 4,000 individuals, which was the main thrust of our research

## WHY SURVEY IS UNIQUE

Breadth and Depth: survey is unique both in the number of respondents and the amount of information it covered

High Net Worth: half (2000) of the respondents had HH incomes >\$300k, making this one of the most robust surveys of high net worth individuals

Behavioral Focus: survey investigated behaviors, not simply stated preferences. It also forced individuals to make trade-offs to mirror real life decisions and minimize “pro social” responses

# Select charitable giving findings

## Overturning the Conventional Wisdom

- High net worth donors do not behave differently than less affluent donors
- Age and gender don't matter; they aren't good predictors of donors' giving behavior
- The majority of donors do not do any research on their charitable gifts today
- If donors do research, they do so primarily to validate the charity they're interested in

## The Market Opportunity

- There is \$45B at play (25% of affluent individuals' annual giving in US)
- Organizations can access this \$45B by addressing donors' motivations and unmet needs
- Better targeting of donors will yield more effective and efficient fundraising

## To Improve the Quality of Giving, Organizations Can:

- Focus on getting a majority of donors to make better decisions...  
...Not on getting the minority make the best decision
- Focus more on giving donors simple information in the form and place they want it...  
...Less on asking donors to use comparative or exhaustive metrics

***Additional findings available upon request***

# Behavioral segmentation of charitable donors

## We Found Six Discrete Segments of Donors

### Repayer

*"I support cancer nonprofits because my father was afflicted with the disease"*

**23% of Donors**

### Casual Giver

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

**18% of Donors**

### High Impact

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

**16% of Donors**

### Faith Based

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

**16% of Donors**

### See the Difference

*"I only give to small organizations where I feel I can make a difference"*

**14% of Donors**

### Personal Ties

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

**13% of Donors**

- Many nonprofits segment based on demographics
- However, demographics do not predict how donors give (we found that HNW donors behave like everyone else!)
- This segmentation is based on behaviors, which are a better predictor of future giving
- Nonprofits need to identify which segments best match their strengths, and tailor their donor experience to those segments

# What donors care about: Focus on what matters, de-emphasize what does not

## Importance vs. Performance<sup>1</sup>

<b>Importance to Donors</b>	<ul style="list-style-type: none"> <li>• Too frequent solicitations</li> </ul>	<ul style="list-style-type: none"> <li>• How org will use donation</li> <li>• % of \$ to OH</li> </ul>	<ul style="list-style-type: none"> <li>• Ease of donating</li> <li>• Leadership quality</li> <li>• Effectiveness</li> </ul>
		<ul style="list-style-type: none"> <li>• Direct use</li> <li>• Freq reports</li> <li>• Endorsements</li> <li>• Can get involved</li> </ul>	<ul style="list-style-type: none"> <li>• Prompt and sincere thanks</li> </ul>
	<ul style="list-style-type: none"> <li>• Innovative Approach</li> <li>• Contact w/ beneficiaries</li> <li>• Social events</li> <li>• Gifts</li> <li>• Recognition</li> </ul>		
	<b>Performance of Nonprofits</b>		

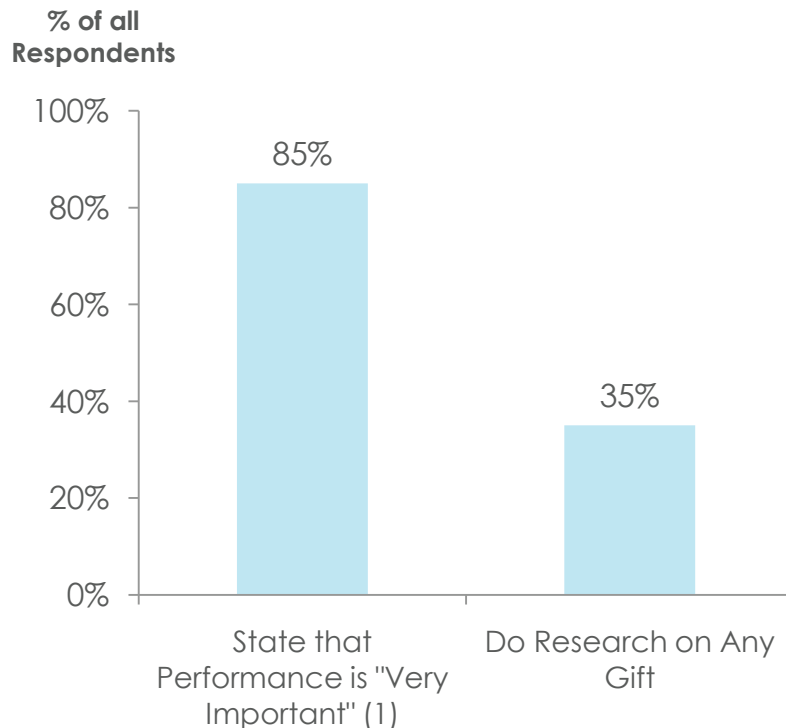
- Nonprofits should improve in areas that are important to donors, and on which they perform poorly, e.g.,
  - Frequency of solicitations
  - How organization will use donation
  - % of gift going to overhead
- Nonprofits should not over-focus on attributes that are not important to donors, e.g.,
  - Gifts
  - How innovative the approach is
  - Contact with beneficiaries

1. 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

# How donors make giving decisions: Few do any research



## People say they care about nonprofit performance, but few research it



## Comments from Focus Groups

"Giving to charity should be the easy thing in my life"

"I don't want to spend the time to do research"

"I just want to ensure that I'm not throwing my money away. I can't determine which is the 'best' nonprofit, but I can find out if a nonprofit is bad"

"I'm not a 'mini-foundation' – don't treat me like one"

1. % responding 5 or 6 on a 1-6 scale, where 6 = "I pay extremely close attention to"

# About Hope Consulting



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## WHAT WE DO

We're a general strategy consulting firm that identifies major social sector issues, and develops and executes strategies to address them

## WHO WE ARE

We are experienced consultants from elite strategy firms, including Marakon Associates and the Boston Consulting Group

## HOW WE ARE UNIQUE

Deep “customer” research capabilities – to understand what donors, investors, or beneficiaries need to change their behavior

We engage investment bankers, market researchers, and other specialists to provide targeted expertise on an as-needed basis

Tailored staffing model – building the best team for your needs

Experience working in social sector organizations as well as for them – we know what will work in the social sector