

Informed Giving

INFORMATION DONORS WANT AND HOW NONPROFITS CAN PROVIDE IT



Written by Root Cause

Introduction

The motivation behind a donor's decision-making process and the information¹ he or she uses has been the focus of extensive research in the field of philanthropy.

Donor behavior research has shown that a nonprofit's performance and impact are important factors affecting donors' giving decisionsⁱ. It has also shown that approximately one in three donors conduct research before givingⁱⁱ, that the likelihood and frequency of this research are influenced by the sector in which the donor is giving and the donor's level of existing knowledge with the nonprofitⁱⁱⁱ respectively. However, it does not address donors' preferences between different types and sources of information, what types of information donors would use more, and the frequency with which they actively seek information about causes or nonprofits. This report delves into these research questions and uses the conclusions to provide actionable steps for donors and nonprofits to be more deliberate in their decision making and fundraising.

First, it confirms takeaways from other research studies, such as donor interest in the long-term benefits of a social cause. Second, it builds on this existing knowledge, providing new insights into the type of additional information donors could leverage to make informed giving

¹ Information is defined as any material a donor may look for during his or her decision-making process, including but not limited to: research studies, evaluation data, 990s and other financial statements, annual reports, etc.

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METHODOLOGY

Root Cause partnered with Fidelity Charitable, an independent public charity with the Fidelity® Charitable Gift Fund, a national donor-advised fund program, and worked with an independent research firm to conduct qualitative and quantitative surveys of over 200 Fidelity Charitable donors with average account balances over \$50K.

This report focuses on the 71 percent of survey respondents, who reported that they regularly (6 percent) or sometimes (65 percent) give to new social causes or nonprofits each year. Those respondents that annually give to a single cause or organization were not included in this report.

- Number of participants: **224**
- **PHASE I:** In-depth qualitative interviews
- **PHASE II:** Quantitative online survey
- Criteria for survey participant selection:
 - Gives to more than three nonprofits annually
 - Open to giving to nonprofits to which they have not previously given

To ensure the objectivity of the research, a third-party research firm was hired with expertise in testing new products on target audiences. The research questions focused on behavioral and demographic characteristics, donors' current giving practices, what type of content donors currently use or would like to use, the format in which the information should be displayed, and value of this information being available through a central place.

decisions. Third, and most importantly, gaining this level of depth and variety about the nuances of donor decision making helps us identify key action steps for nonprofits and donors. Nonprofits can use these action steps to become more targeted and effective in their fundraising by improving communications with donors by using formats donors prefer and highlighting the type of information donors prioritize. Simultaneously, donors can take these action steps to be more deliberate in their decision making as these steps help identify ways in which donors can be explicit about their preferences on type, depth, variety, and source of research.

Key findings and implications

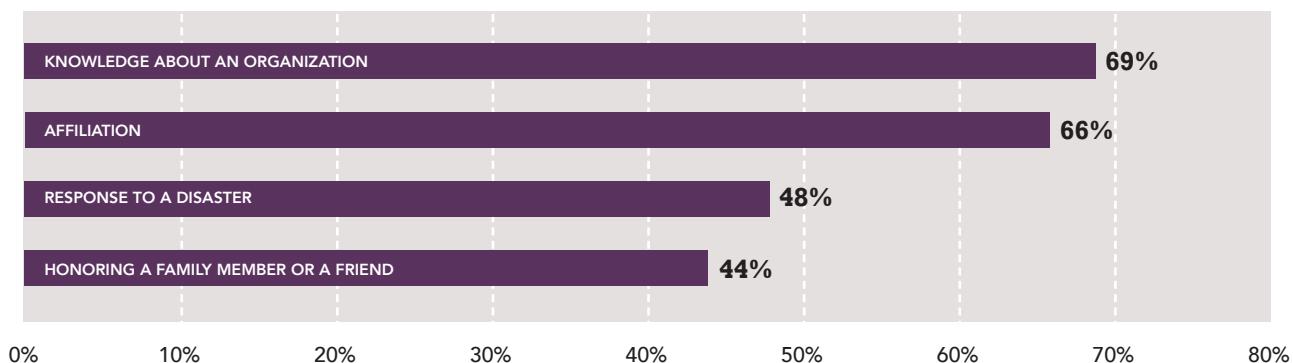
Overall, we found that charitable giving among donors who regularly or sometimes give to new causes/charities is heavily motivated by affiliation and existing donor knowledge of an organization (see Figure 1) and is somewhat unresponsive to solicitation^{iv}. As little as 16 percent of donors would respond to solicitation, while an even smaller percentage—5.8 percent—would be motivated to give to an unaffiliated organization of which the donor had no knowledge.

Donors who regularly or sometimes give to new causes/charities, and express a preference, are 50 percent more likely to start the giving or research process by looking at a social cause² instead of a nonprofit versus donors who give to the same charities. The subset of donors who regularly seek new charities are almost five times as likely to start with social cause rather than a nonprofit.

The following findings demonstrate deeper research into understanding donor behavior when seeking and using information.

2 Social causes are defined as gaps (e.g. homelessness, hunger) in basic human needs that must be filled through the strategic efforts of nonprofit organizations, donors, volunteers, and other in-kind resources.

Figure 1: Top motivators of charitable giving



ACTION STEPS

What Can Nonprofits Do?

- Recognize that solicitation as a fundraising tool is more effective when coupled with referrals from friends and family or through an affiliated organization*

1

High level of interest in seeking information

Asking donors about their level of interest in and frequency of seeking information provided significant findings that can lead to actionable steps for nonprofits and funders:

- There is a high level of donor interest in having access to information about social causes and nonprofits, regardless of whether or not they are giving to new causes or nonprofits each year (see Figure 2).
- Donors are interested in seeking information about causes and not just about the nonprofits themselves. Of the donors giving regularly or sometimes to new charities/causes, 57 percent actively seek out information about social causes occasionally or frequently [highlighted box in Figure 2].
- Of donors obtaining or looking for information, 51 percent do so when giving to a nonprofit for the first time, and 14 percent consistently look for information annually, while 35 percent have no set time period for reviewing information.



ACTION STEPS

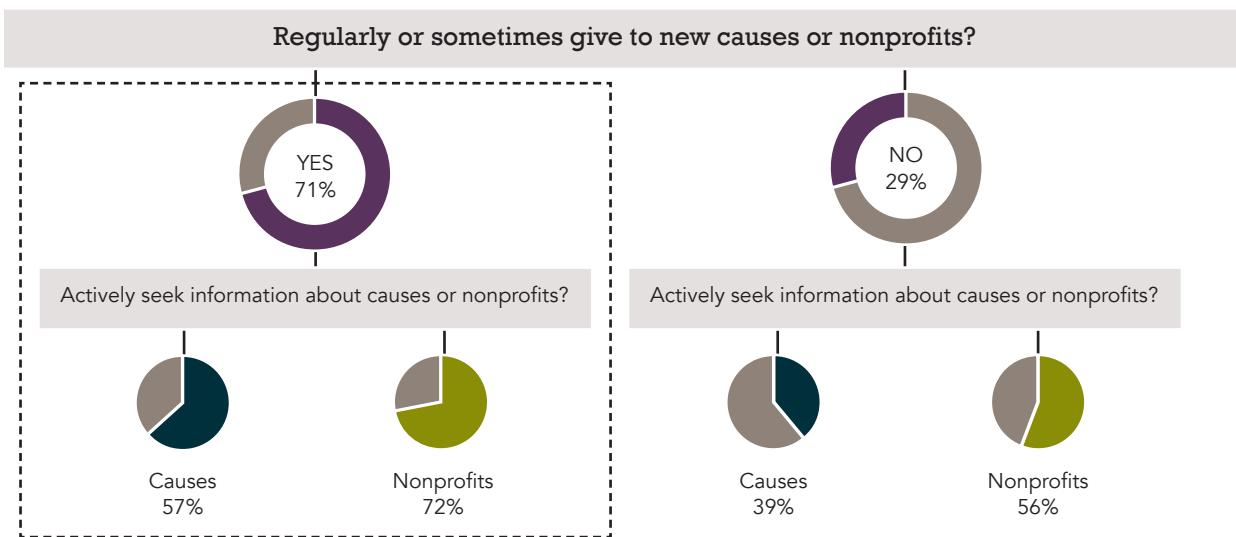
What Can Nonprofits Do?

- Make information about your nonprofit AND your cause readily available through a variety of communication media: annual reports, donor collateral, website, and profile pages on third-party aggregators.

What Can Donors Do?

- Ask for the right type of information to ensure alignment between your goals and the nonprofit's goals
- Ask whether your donor-advised fund provider or advisors can make more types of information available about nonprofits and social causes.
- Rely on partners such as your personal or advisor network

Figure 2: Donors actively seeking*/not seeking information about social causes or nonprofits frequently or occasionally



*The highlighted box shows the 71% of donors on which this research is focused

2

Information about long term benefits and impact as top priority

The research on donor access to and use of information reflects important tenets of donor behavior:

- Donors who frequently or occasionally look for information show a strong interest in having access to a variety of information types instead of relying heavily on a single type of information (Figure 3).
This is true for donors looking for information about both nonprofits and social causes.
- When donors are looking for information about both social causes and nonprofits, **they care most about long-term benefits and impact** (see Figure 3).
- When making a charitable donation to a nonprofit, donors are interested in information beyond metrics of financial stability (such as fundraising and overhead costs).
- As many as 75 percent of donors use information about the nonprofit's impact, while 63 percent use information about the social issue the nonprofit addresses.



ACTION STEPS

What Can Nonprofits Do?

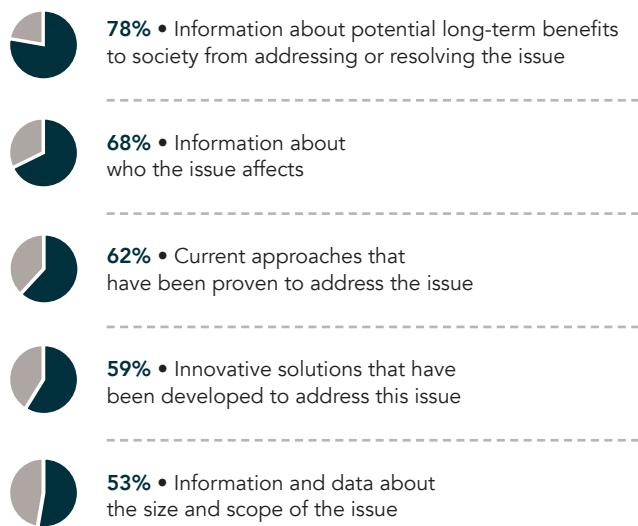
- Increase diversity of and access to available information types such as
 - Impact and long-term benefits
 - Target populations

What Can Donors Do?

- In addition to asking nonprofits about financials, be deliberate in asking for information about impact, population served, and best practices
- Inquire about accessibility to different types of information

Figure 3: Types of information that donors look for about nonprofits and social causes

Social Causes



Nonprofits



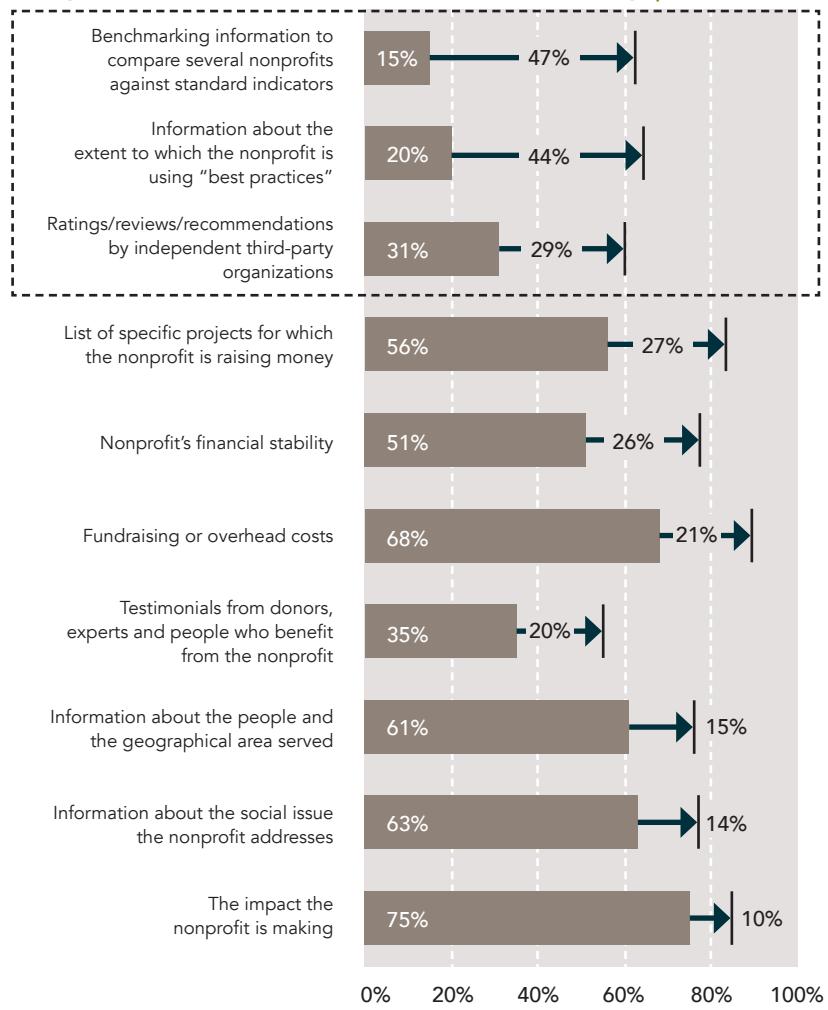
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Significant increase in future use of benchmarking information

Donors pay particular attention to both what current approaches are and how best practices are being employed. When looking at social causes, 62 percent of donors want to know about current approaches proven to address the issue (see Figure 3).

- In fact, if both pieces of information were readily available and accessible, the number of donors using benchmarking information **would increase the most** (by 47 percent points) followed by the number of donors using information about best practices (44 percent points (Figure 4)).

Figure 4: Current information use and identified gaps



ACTION STEPS

What Can Nonprofits Do?

- Provide information about current approaches and best practices
- Provide information about how your program is benchmarked within the field

What Can Donors Do?

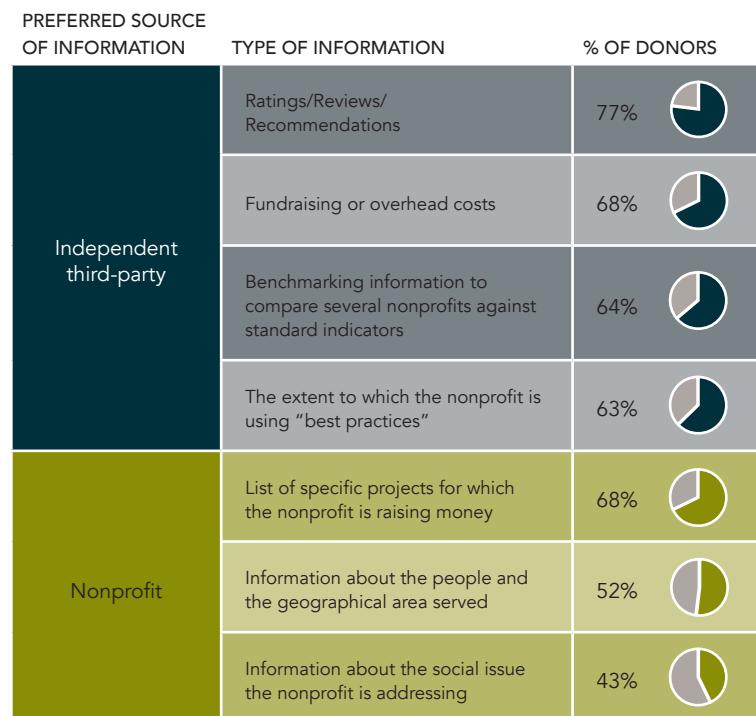
- Ask for information about how nonprofits define impact, how they collect, monitor and report data, and how transparent they are being
- Ask whether nonprofits have been assessed by a third-party organization

4

Preference for source of information linked to information type

- Donors use multiple sources to gather information instead of relying heavily on one particular source.
 - Donors who frequently or occasionally look for information about nonprofits use the nonprofit itself³ as the most common source (76 percent), followed by friends or family (69 percent), and then independent third-party⁴ organizations (54 percent)⁵.
- Donors also use different sources depending on the type of information desired.
 - When looking for certain types of information, such as ratings/reviews/recommendations, fundraising or overhead costs, and benchmarking (Figure 5), donors have an overwhelming preference for using third-party sources.
 - When looking for *internal* information, such as a list of specific projects for which the nonprofit is raising money, donors go directly to the nonprofit.

Figure 5: Information sought by source



Finally, the perception among donors surveyed is that ratings and reviews readily accessible for donors today through third-parties are not comprehensive enough because they do not include factors such as impact, population served, and best practices, among others.

ACTION STEPS

What Can Nonprofits Do?

- *Highlight information about projects, target population, and social issue(s) addressed on your website because donors look to nonprofits for this type of information*
- *Ensure information about any independent evaluation or assessment that your program has participated in is available on your website and independent third-party websites*

What Can Donors Do?

- *Ask the nonprofit about any external source that provides access to information about the organization*
- *Often, information about independent assessments and benchmarking is hosted on websites of third-party sources*

3 Information gathered from interviews with the executive director, through annual reports, data on the website, etc.

4 Any neutral agency that provides an unsolicited and unbiased/objective opinion about the performance of the nonprofit.

5 It should be noted that these sources aren't mutually exclusive, i.e., donors go to more than one source to find information.

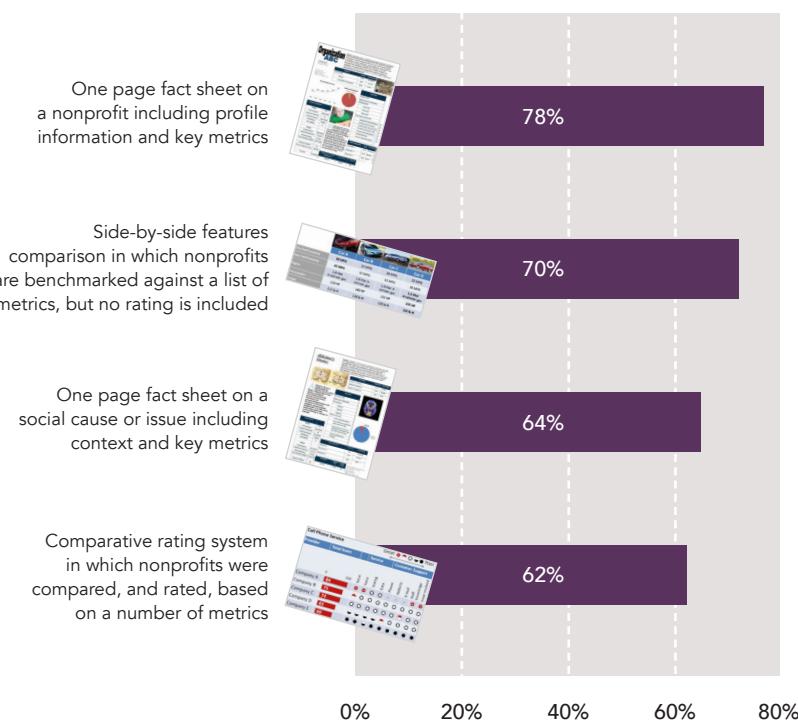
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Preference for formats that enable donors to make their own decisions

Donors expressed a high interest in multiple information formats (Figure 6), with three out of four donors having an interest in one-page fact sheets about nonprofits.

- Donors also indicated a strong interest in side-by-side (70 percent) and comparative formats (62 percent).
- When asked which format they would typically look at first, donor preferences were split almost equally between a one-page fact sheet (47 percent) and one of the two comparative options (52 percent).
- Of the donors surveyed, 68 percent were interested in having comparative information and one-page fact sheets about social issues and nonprofits easily accessible through one website or platform.

Figure 6: Donor preference across various formats



ACTION STEPS

What Can Nonprofits Do?

- Provide one-page fact sheets which present information using key metrics and profiles
- Place information about your nonprofit in one-pager formats on websites that also compile comparative information

What Can Donors Do?

- Inquire about different formats in which the nonprofit makes information available
- Look for sources that compile comparative information and one-pagers about nonprofits in one place

Summary of action steps donors and nonprofits can take

Key Learning	✓ Nonprofit Action Steps	✓ Donor Action Steps
HIGH LEVEL OF INTEREST IN SEEKING INFORMATION	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Solicitation as a fundraising tool is more effective when coupled with referrals from friends and family or through an affiliated organization</i> <input type="checkbox"/> <i>Make information about your nonprofit AND your cause readily available through a variety of communications media: annual reports, donor collateral, website, and profile pages on third-party aggregators.</i> 	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Ask for the right type of information to ensure alignment between your goals and those of the nonprofit</i> <input type="checkbox"/> <i>Ask whether your donor-advised fund provider or advisors can make more types of information available about nonprofits and social causes.</i> <input type="checkbox"/> <i>Rely on partners such as your personal or advisor network</i>
INFORMATION ABOUT LONG-TERM BENEFITS AND IMPACT AS TOP PRIORITY	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Provide information about current approaches and best practices</i> <input type="checkbox"/> <i>Provide information about how your program is benchmarked within the field</i> <input type="checkbox"/> <i>Increase diversity of and access to available information types such as</i> <ul style="list-style-type: none"> • <i>Impact and long-term benefits</i> • <i>Target populations</i> 	<ul style="list-style-type: none"> <input type="checkbox"/> <i>In addition to asking nonprofits about financials, be deliberate in asking for information about impact, population served, and best practices</i> <ul style="list-style-type: none"> • <i>This information should include how nonprofits define impact; how they collect, monitor, and report data; and how transparent they are being.</i>
PREFERENCE FOR SOURCE OF INFORMATION LINKED TO INFORMATION TYPE	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Highlight information about projects, target population, and social issue addressed on your website because donors look to nonprofits for this type of information</i> <input type="checkbox"/> <i>Ensure information about any independent evaluation or analysis that your program has participated in is available on independent third-party websites</i> 	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Ask the nonprofit about any external source that provides access to information about the organization</i> <input type="checkbox"/> <i>Usually, information about independent evaluations and benchmarking is hosted on websites of third-party sources.</i>
PREFERENCE FOR FORMATS THAT ENABLE DONORS TO MAKE THEIR OWN DECISIONS	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Place information about your nonprofit in one-pager formats on websites that also compile comparative information</i> <input type="checkbox"/> <i>Provide one-page fact sheets that include key metrics and profiles</i> 	<ul style="list-style-type: none"> <input type="checkbox"/> <i>Inquire about different formats in which the nonprofit makes information available</i> <input type="checkbox"/> <i>Look for sources that compile comparative information and one-pagers about nonprofits in one place</i>

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Endnotes

- i Hope Consulting (May 2010). *Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors*.
- ii Ibid
- iii Hope Consulting (2011). *Money for Good II: Driving Dollars to the Highest Performing Nonprofits*.
- iv Ipsos Loyalty (2012). *Donor Research for Fidelity Charitable and Root Cause*.

