



HOPE CONSULTING



MONEY FOR GOOD II

DRIVING DOLLARS TO THE HIGHEST-
PERFORMING NONPROFITS

Summary Report

2011

Contents



1. Project Overview | Origins, Objectives, Structure

2. Findings from MFG1 | Donor Interest and Research Behavior

3. Findings from MFG2 | Motivations, Desires, and Opportunities

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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 and foundation grant-makers. 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

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Donors aren't all alike. They cluster into six segments, each with different motivations for giving

Repayer

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

23% of donors

Casual Giver

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

18% of donors

High Impact

"I support causes that seem overlooked"
"I give to nonprofits I feel are doing the most good"

16% of donors

Faith Based

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

16% of donors

See the Difference

"I think its important to support local charities"
"I give to small organizations where I feel I can make a difference"

13% of donors

Personal Ties

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

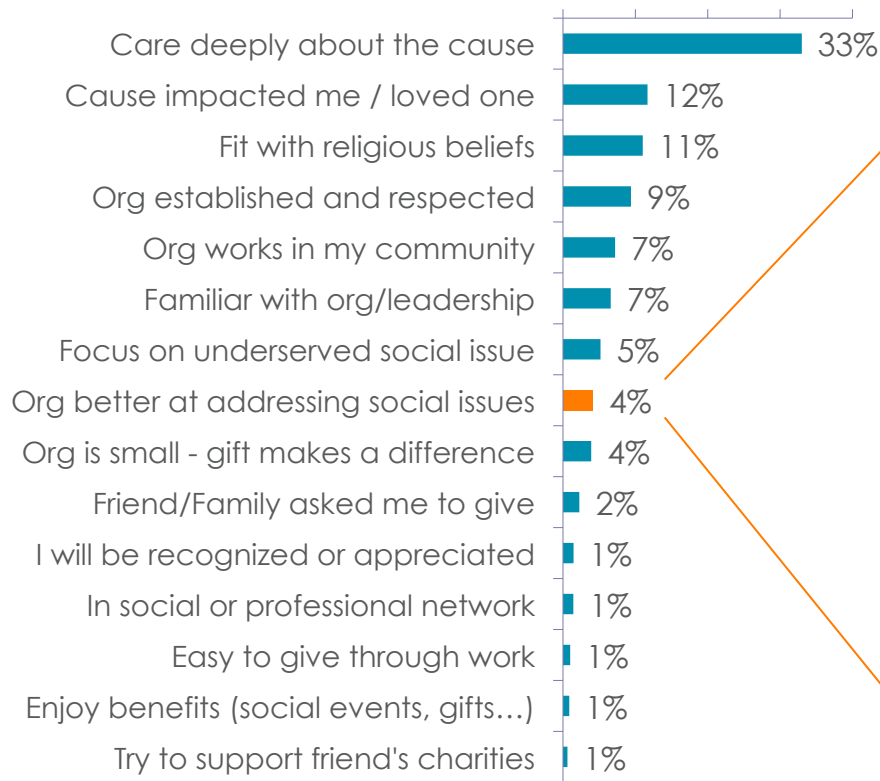
14% of donors

Note: Segments based on statistical analysis. See appendix for more information on the segments

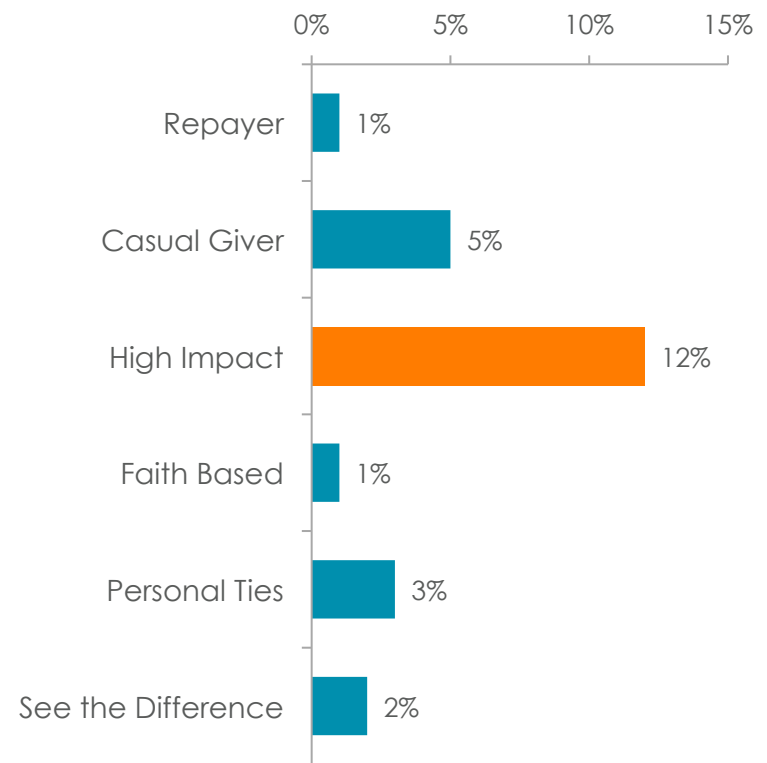


Donors are not motivated to find the ‘best’ nonprofit. Only “High Impact” segment cares about this somewhat

Importance of Key Drivers of Donation (for donor population overall)



Importance of “Organization is Better Than Others at Addressing Social Issues”



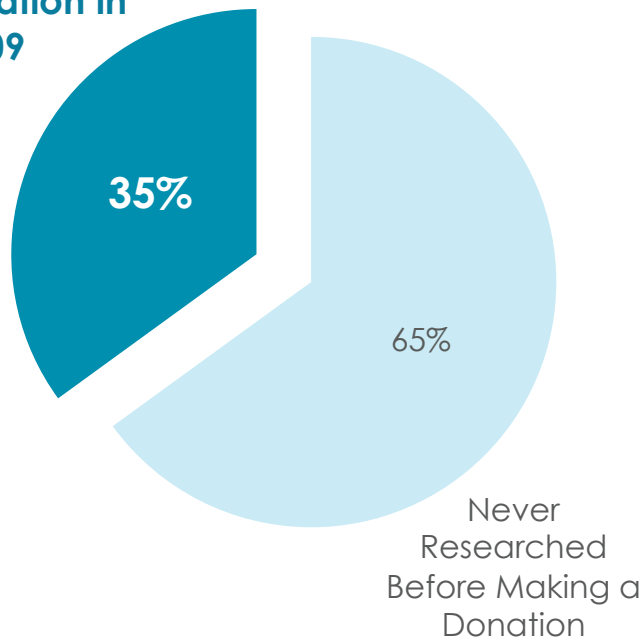
Full details of each group's drivers and preferences in appendix



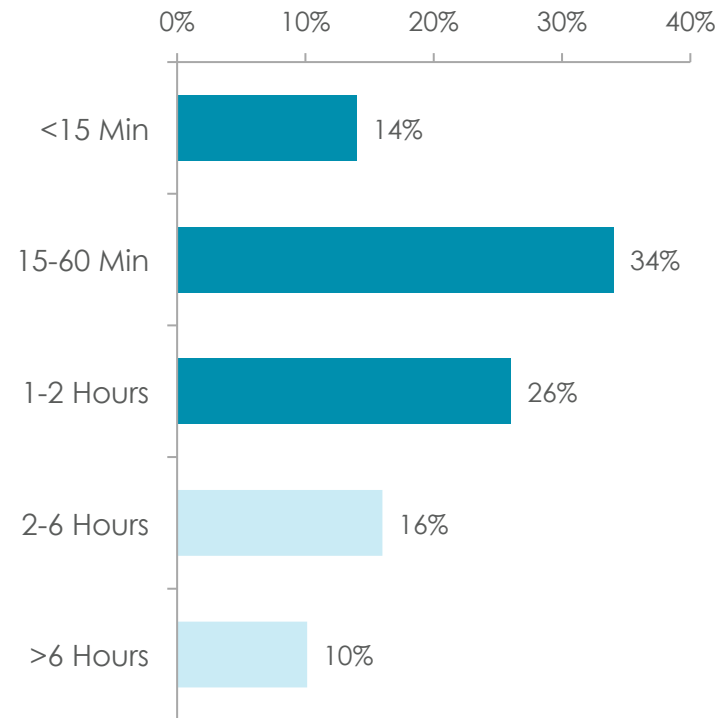
Regardless of their segment, donors do not spend a lot of time researching nonprofits before they give...

Only 35% ever do research

Did Research on Any Donation in 2009



Of those, ~75% spend less than two hours researching

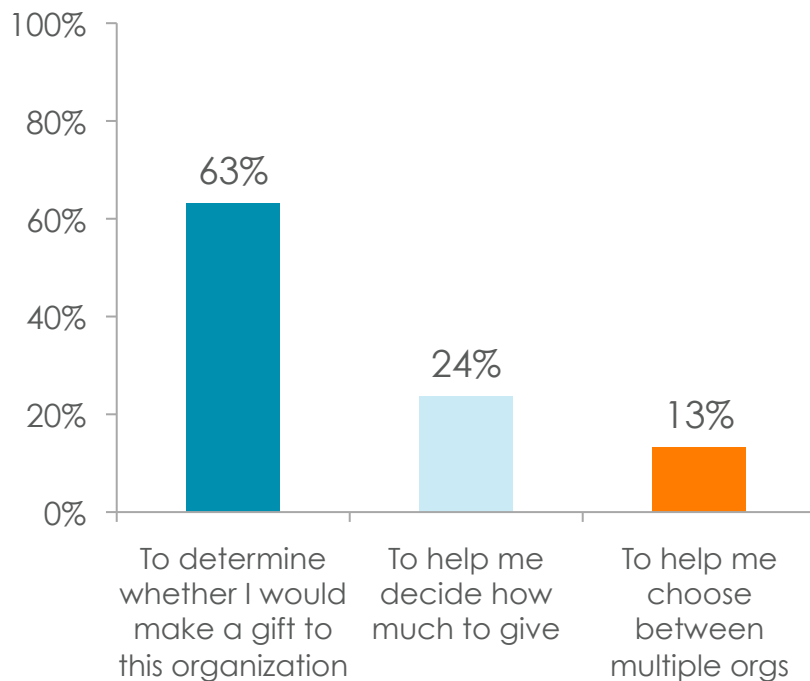




... and when they do research, it is to *validate* their donation, not to find the ‘best’ nonprofit

For the 35% that research, it is often to “validate” their choice of charity

% of the 35% that research



Comments from Focus Groups

- “I just want to make sure my charities ‘hurdle the bar’, I don’t care by how much”
- “I 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”
- “We give to faith based organizations if they are accredited by our church”



Where MFG1 left us

- MFG1 led to some valuable insights:
 - There are different segments of donors that are driven by different interests
 - In general, donors are not motivated by maximizing social impact
 - Few donors (~1/3) ever research a charity before donating
 - When they do research it is to validate the organization is acceptable, not to try to find the “best nonprofit” to which they could give

- But it did not address the following (which led to MFG2):
 - What do those who research want in terms of information about nonprofits
 - How can we motivate donors to become more informed about their donations
 - How do others (foundations, advisors) behave, and what can motivate them

For More
on MFG1:

- Full presentation at: <http://www.hopeconsulting.us/money-for-good/>
- Contact Greg Ulrich at greg@hopeconsulting.us

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

| Individuals | 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 |



While individual donors rarely research, advisors and foundations research almost every grant/donation

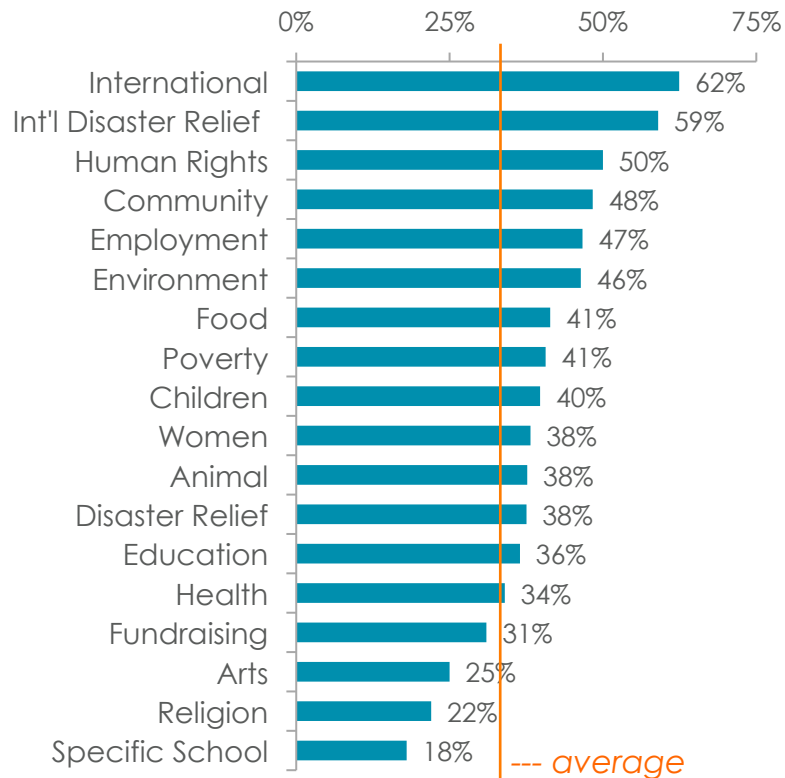
| | ACTION <i>Went to any source of information before donating</i> | RESEARCH <i>Self described as doing 'research' before donating</i> | COMPARE <i>Researched to compare nonprofits</i> |
|--------------------|--|--|---|
| Individuals | 69% | 33% | 6% |
| Advisors | 97% | 80% | 27% |
| Foundations |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

Note: Conducted at the donation, not respondent level

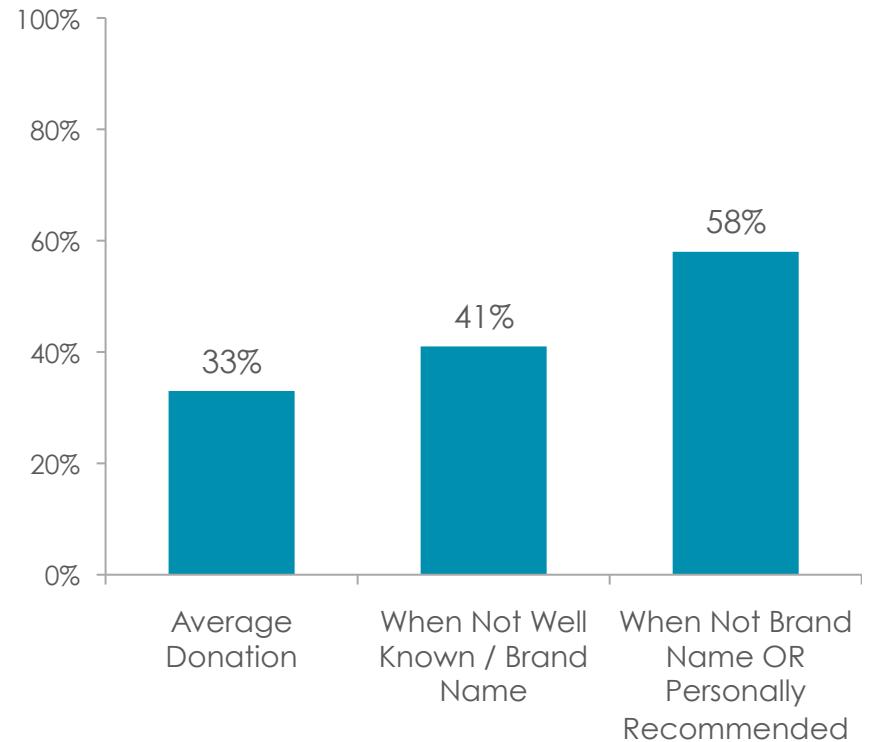


However, individuals' research behavior varies based on the type of nonprofit and the donors' familiarity

Likelihood of Researching: By Sector



Frequency of Researching





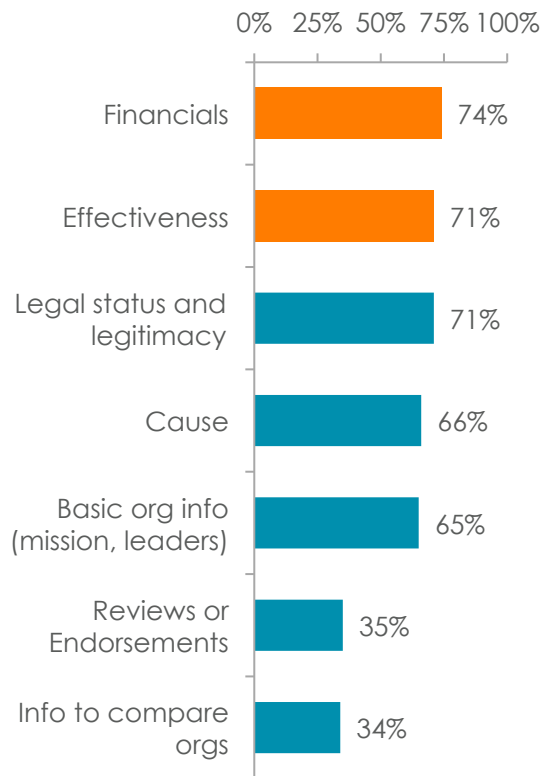
Further, certain individuals are much more active when it comes to researching nonprofits

| | 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 |
|-------------------------------------|---|--|--|--|
| % Individuals | 14% | 39% | 29% | 19% |
| % research past | 0% | 0% | 32% | 100% |
| % “action” past | 38% | 49% | 83% | 100% |
| % Research > 1HR | 6% | 7% | 24% | 44% |
| % Interest in HPNP | 0% | 37% | 45% | 51% |
| % looked for “Effectiveness” | 7% | 14% | 40% | 62% |

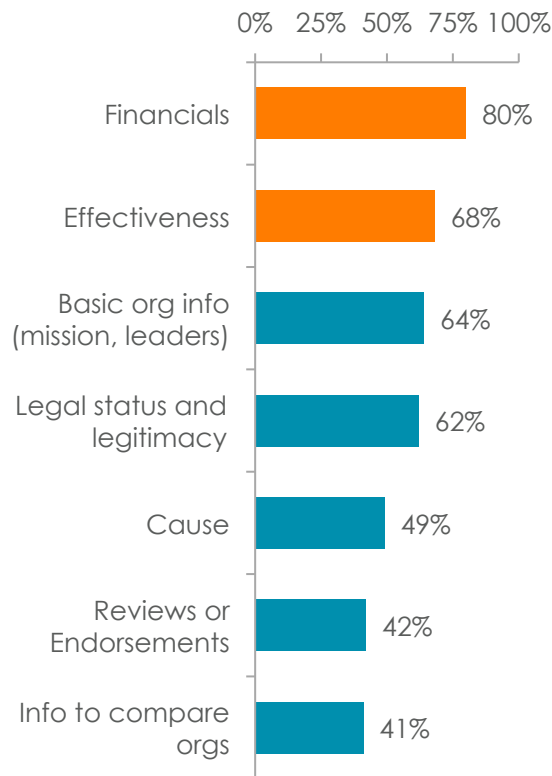


Despite different motivations and research behaviors, each group wants similar information on nonprofits...

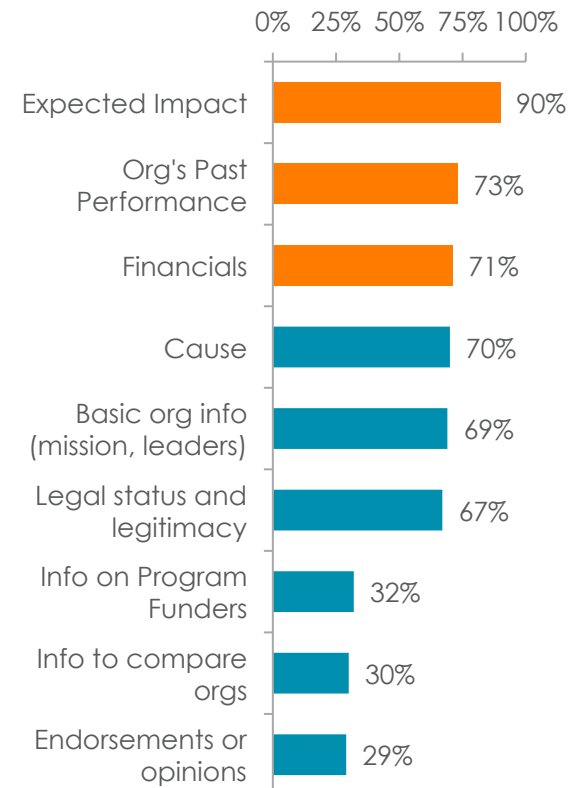
Individual Donors



Advisors



Foundations¹



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

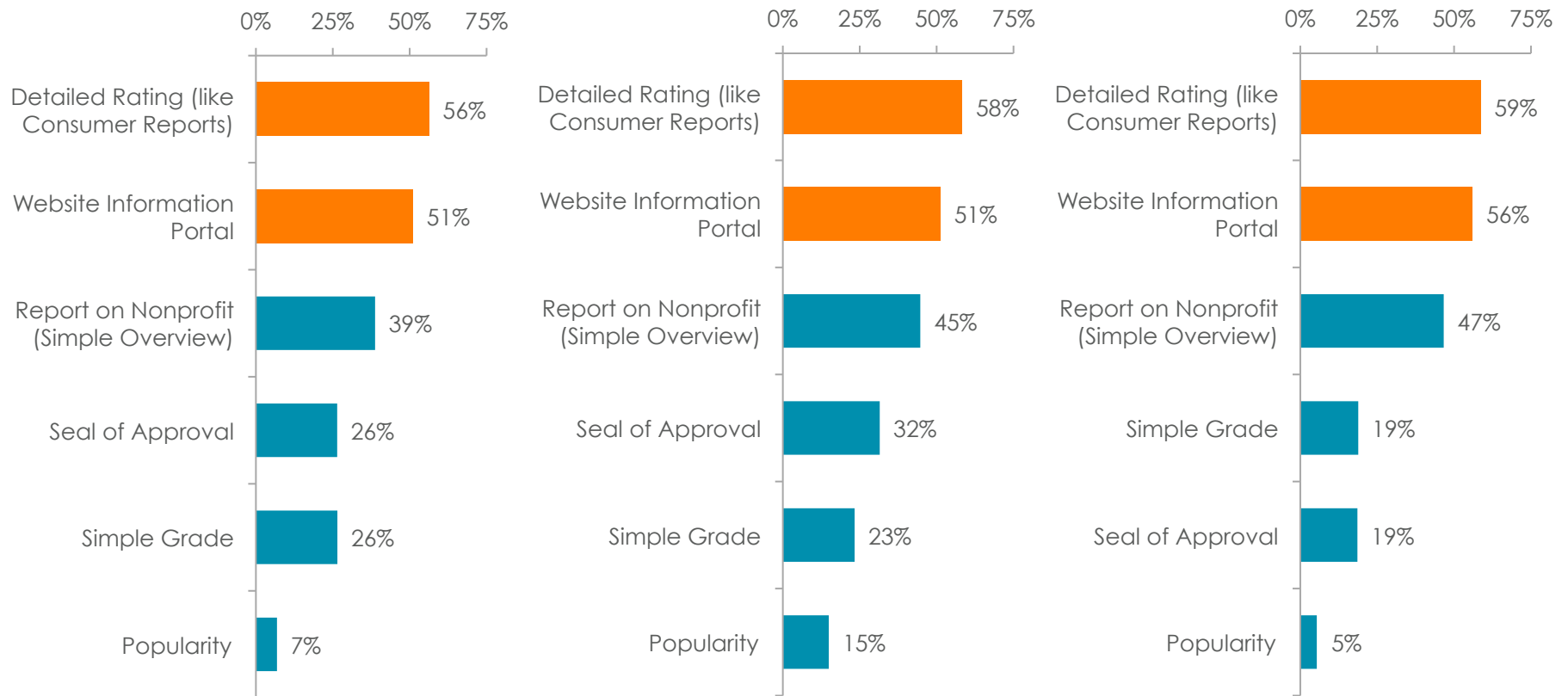


... packaged in “Consumer Reports style” ratings, or available on information portals (like GuideStar)...

Individual Donors

Advisors

Foundations

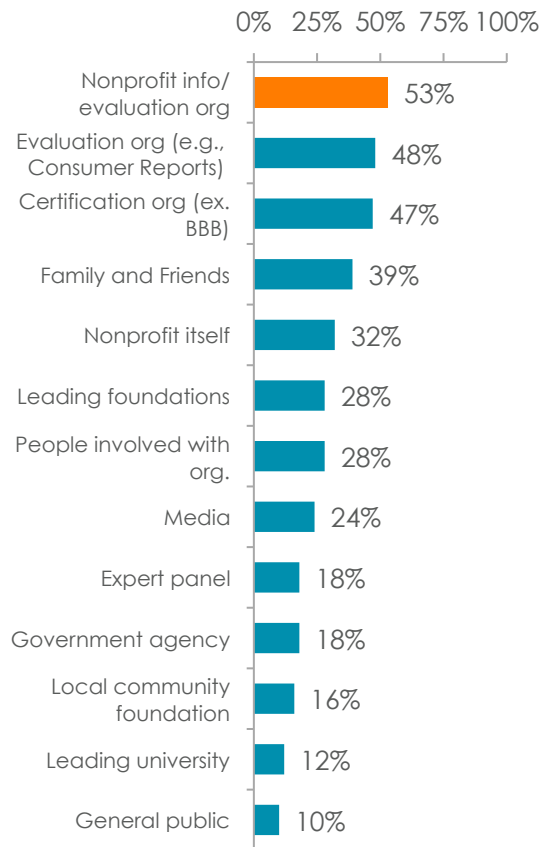


Question: “Information could be provided in different ways. Which of the following are most appealing?” %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale. Note: Images were provided for each of these categories



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

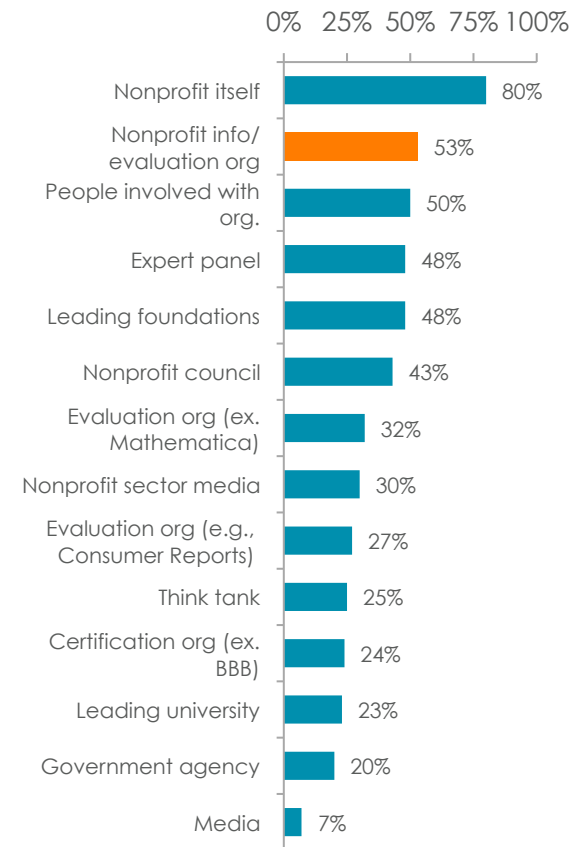
Individual Donors



Advisors



Foundations

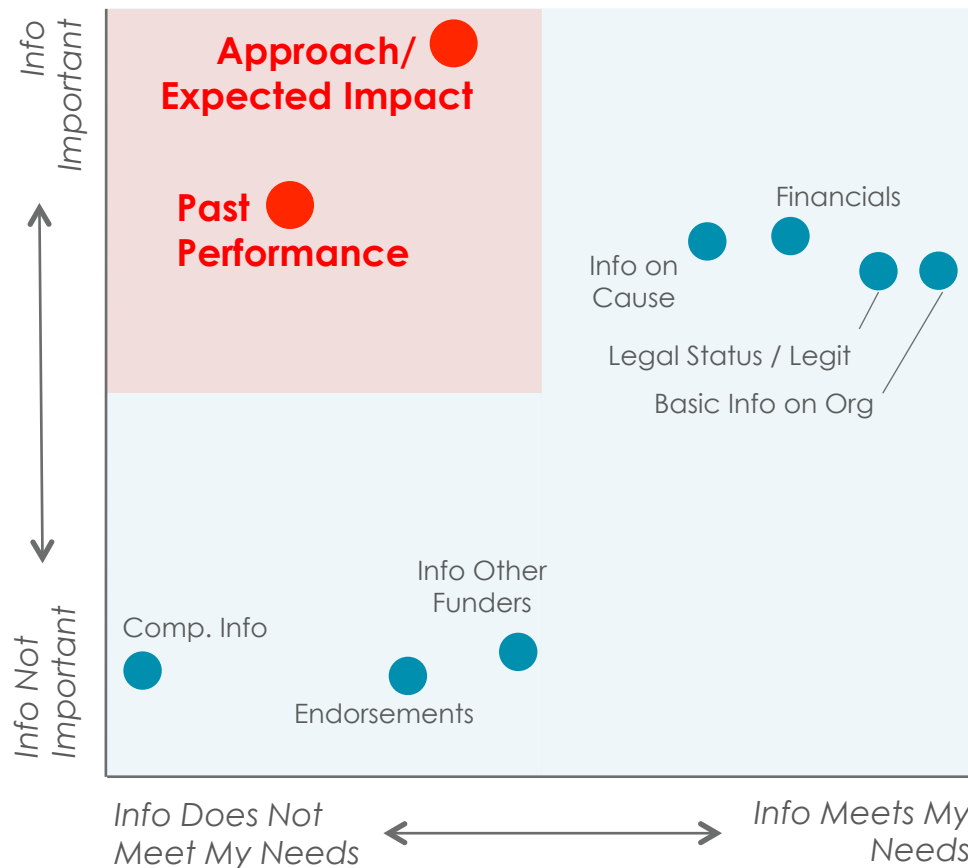


Question: "Who would you trust to provide the information that you are looking for?" %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale



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



As we dive deeper¹, we see that important nuances arise regarding each groups specific preferences

- Each group has a **significant preference for the “Consumer Reports style” ratings**
 - Ranked highest not only in stated preferences (page 18) but also in focus groups and forced ranking tests; in fact, in other tests preference even more stark
 - Ranked first both for those that research today, and in terms of what would get ‘non researchers’ to look at information
 - Preferences driven by trust (additional transparency drives trust in rating), and fact that it keeps decision personal (provides info but lets user determine how to use it)

- While the groups share broad information preferences, the **specific types of information and data that they are looking for differs**
 - Individuals and advisors look for data that helps them ensure they aren't wasting their money: how much going to OH, how donation will be used, fraud accusations, etc
 - Foundations look at specific impact and effectiveness data

- **Foundations are much more information hungry** than advisors or individuals
 - Foundations desire 2-3x the amount of information as the other groups

1. These points are elaborated in the appendix



By better meeting the group’s desire for nonprofit research, ~\$15B can be moved to HPNPs each year

| | Indiv. Donors | Advisors | Foundations |
|--------------------------------------|------------------|----------------|-----------------|
| Total Donations, 2010 | \$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**

Methodology available in full presentation



Of course, changing behaviors to get 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 \$270B 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

Summary of MFG2 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

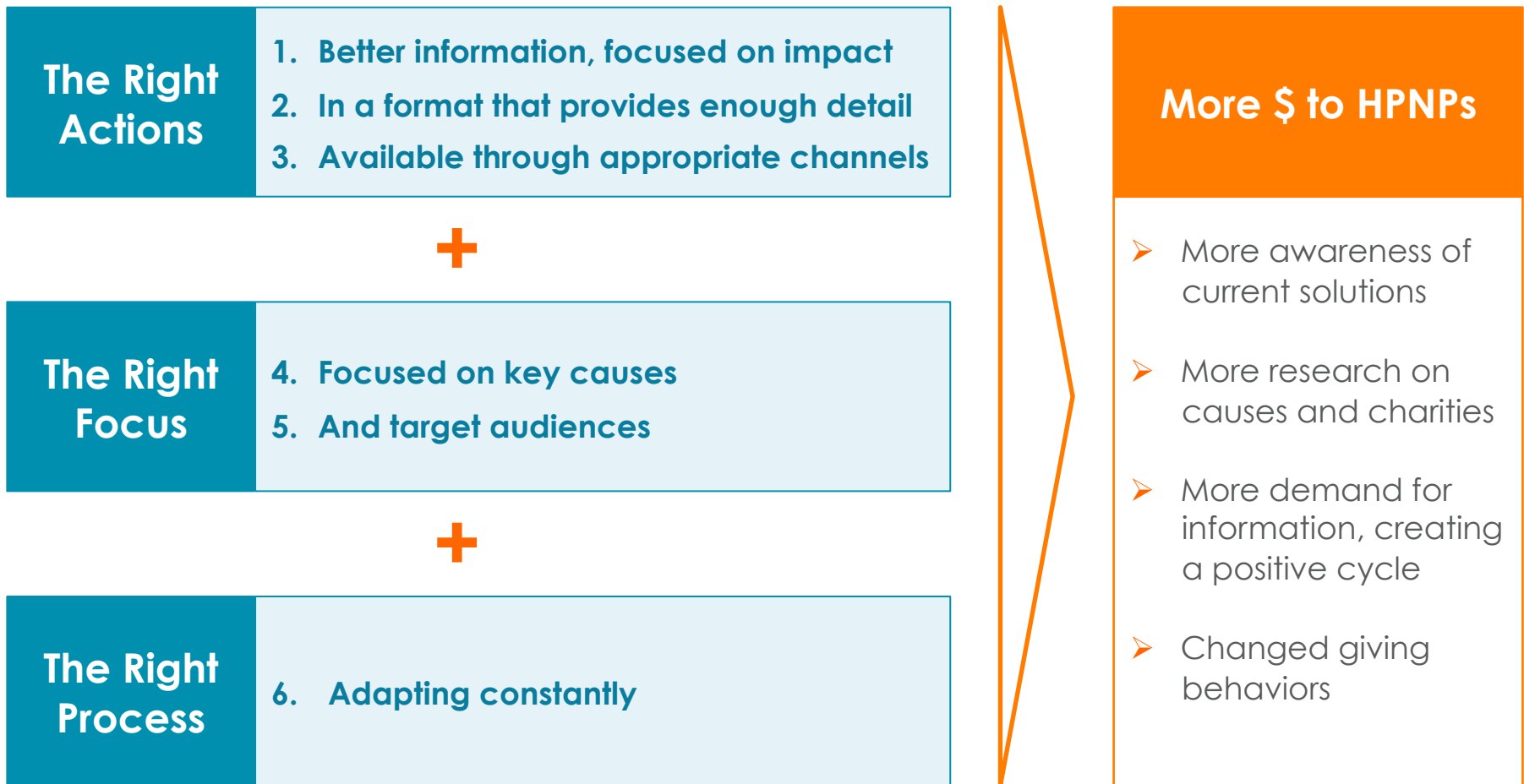
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Emerging implications – How we can move \$ to HPNPs





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

The full report contains specific recommendation for different audiences



Next Steps: Market Testing

- The next phase is to test some of these findings in live environments
- Market testing will allow us to build on the qualitative and quantitative findings to dive deeper and test other drives of behavior, including “less rational” approaches to decision making
- Ultimately, the market tests will provide us with:
 - Actual data on how people behave, which will ensure that our findings are not in any way biased
 - Proof in the results, which will encourage more organizations to adopt the findings, and will lend important credibility for dissemination
 - Examples of how testing and trialing can be done – and done easily – encouraging this productive behavior in the future within the sector



Next Steps: Examples of Market Tests

| Category of Test | Tests that Will Be Run |
|--|--|
| What is the best way to <i>present information</i> to donors, advisors and foundation grant-makers? | 1. Vary how information is presented (depth, look, feel) to GuideStar users (donors, advisors, and foundations) |
| What <i>package</i> for evaluation drives the greatest change in behavior? | 2. Test simple (4-star) vs. detailed ('Consumer Reports') ratings on Charity Navigator's current top 10 lists 3. Test simple vs. detailed ratings using Charity Navigator's upcoming "CN 2.0" methodology |
| Does <i>highlighting</i> effective organizations drive donations? | 4. Highlight top performing nonprofits on Network For Good's homepage, and track donor response |
| Does the <i>channel</i> where information is provided influence behavior? | 5. Use email campaigns to see if information can be credibly provided by the nonprofit itself. Push positive impact information from 3 rd party to 50% of email list |
| How much do "<i>non-rational</i>" forces influence behavior, such as social norms and messaging? | 6. Test various types of messages (gain/loss, social norms, etc) on Network for Good, tied to test 4 above |

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



For more information, please contact:

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Director, Hope Consulting

Email: greg@hopeconsulting.us

APPENDIX

A. Detail on the Donor Segments

B. Additional Detail on MFG2

C. Hope Consulting Overview

APPENDIX: DETAIL ON THE DONOR SEGMENTS



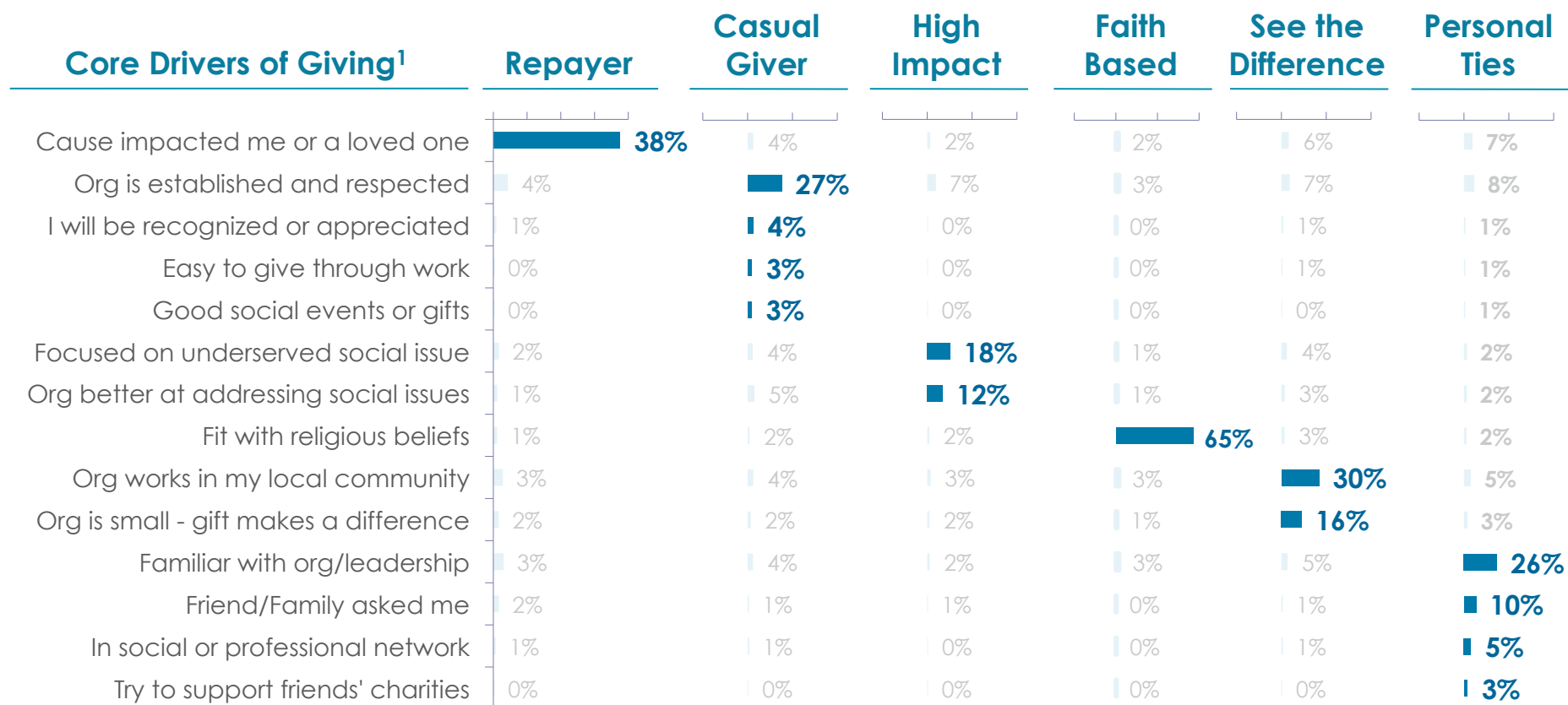
Repayer has the largest number of donors;
Personal Ties has the largest amount of donations

| | % 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



Each segment has different core drivers for giving

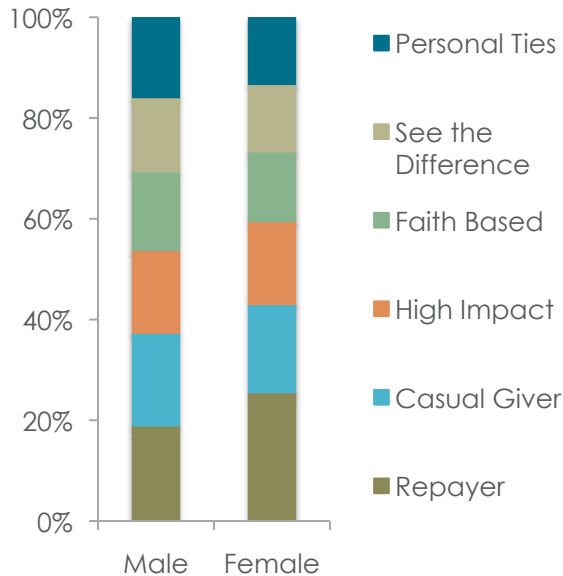


1. The segments were derived by grouping individuals who had similar priorities across these "Core Drivers" of giving. We tested for multiple segmentations (from 3-9 groupings) and found this breakout of six segments to be the most robust. The %'s represent the relative importance of each variable to 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).

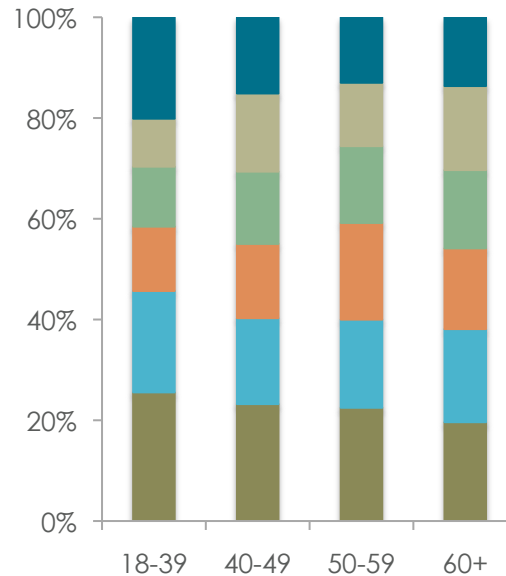


The segments don't vary significantly by demographics; age, income, gender are poor predictors of behavior

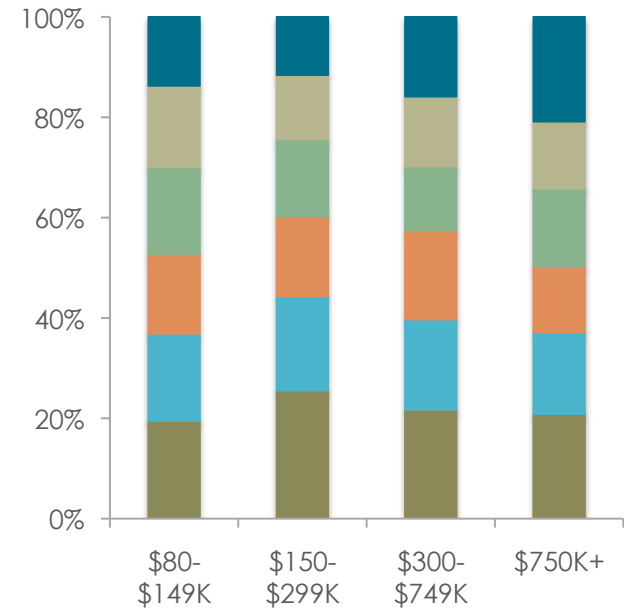
Segment mix is similar across gender...



...age...



...and income



Responses to other questions in the survey did not vary much by demographics – most importantly, **high net worth individuals responded similarly to everyone else**



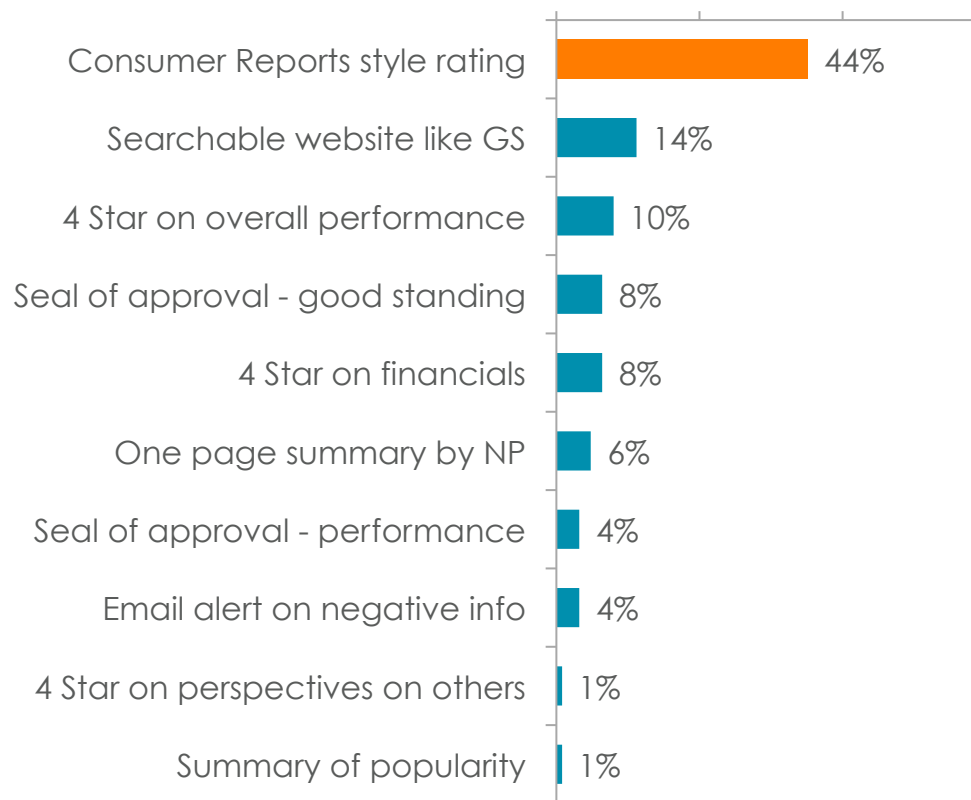
Detailed ratings #1 in every test

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:
 - **Trust.** Donors don't trust simple ratings: *"What is the vested interest of the evaluator?"*
 - **Personal.** User determines which is the best option: *"Give me info, but don't tell me what to do"*
 - **Transparency.** Provides transparency into the process of the ratings; leads to trust

"Forced Ranking" Format and Information Preferences for Individuals and Advisors¹

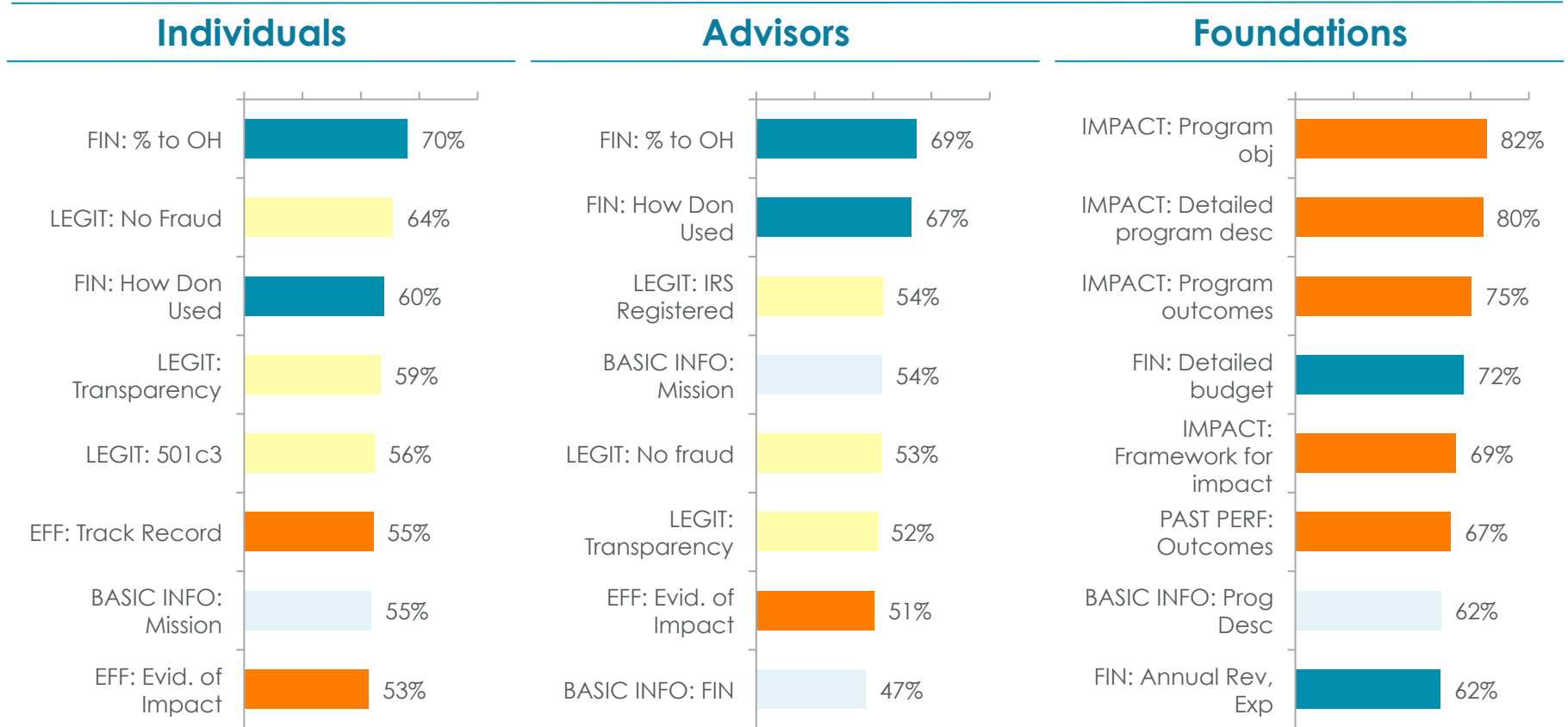


1. Tests designed to show users 8 screens, each with 4 options. User choose most and least desired of the four. Did not conduct with Foundations. Results almost exactly the same for both individuals and advisors. These 'forced tradeoff' questions shown to be more predictive of actual behavior

Specific preferences on information differ: Foundations want impact, individuals and advisors want assurance that they aren't wasting \$



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

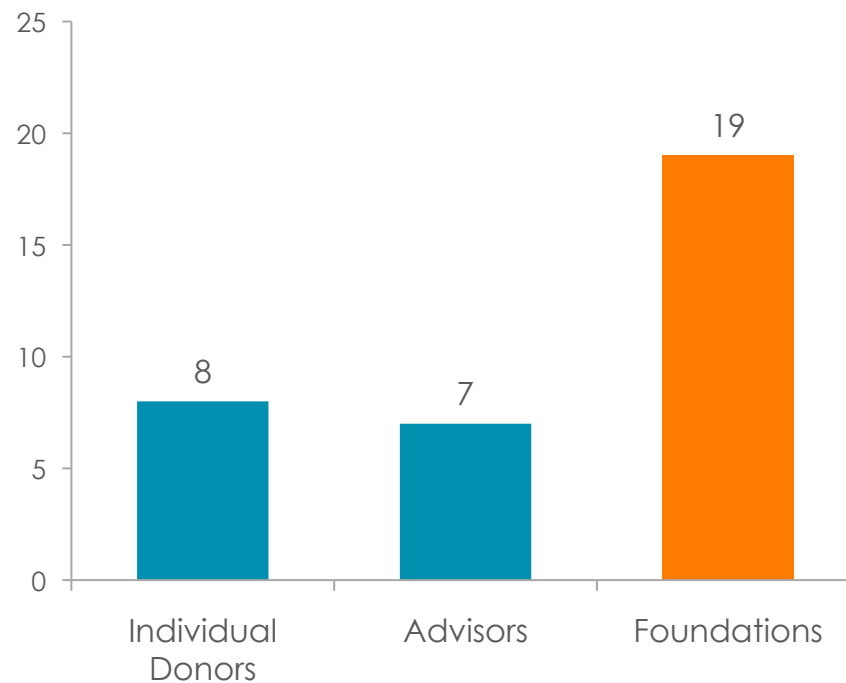


1. After asking respondents about their interest in general types of information, as seen on page 8, we asked about specific preferences within those categories. The analysis above shows the % that rated both the macro category and the sub-category as a 5 or 6 on a 1-6 scale



Foundations desire more than twice as much information as do individuals or advisors

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

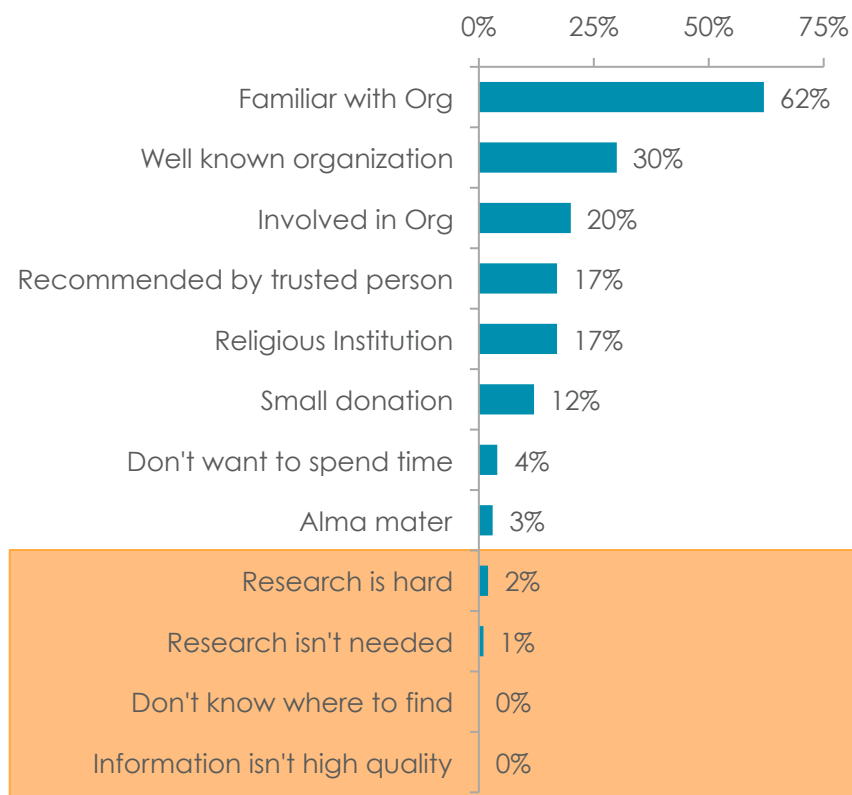


1. Refers to the total # of specific pieces of information that were desired by >50% of the respondents in a user group



Donors are not dissatisfied with research

Why People Don't Research



- Individuals do not state any problems with research or information
- In fact, in focus groups, individuals 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
- **We saw the same results for advisors and foundations as well**



Hope Consulting Overview

WHAT WE DO

We're a boutique strategy consulting firm with a focus on consumer/customer insights

We work with clients to identify and capitalize opportunities to drive profitable growth and/or social impact over time

INDICATIVE CLIENTS & FUNDERS



GUIDESTAR

