

A Much Needed Control on Current Fundraising Practice

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by PENELOPE BURK

Recently, the Ontario government's draft privacy legislation has been top of mind with charities and fundraising professionals in the province. This legislation goes several steps further than its federal counterpart in reference to fundraising. Should it become law, the legislation will require charities to obtain outright consent from individual donors and prospects before soliciting them. This is much more specific than the "opt-out" option that is common practice in fundraising today. Additionally, the draft legislation advocates no grandfathering on this issue for current and lapsed donors and also includes new restrictions on the use of public information.

There are elements of the draft legislation that are contradictory or not fully defined and charities are justified in insisting on clear definitions and explicit clarification, especially where it concerns prospects and donor acquisition. Overall, though, the legislation offers a much-needed control on current fundraising practice, a control that will be a boon to both donors and charities.

Although fundraisers are not recognizing it and legislators are not intending it, charities that move quickly to comply with the central directives of this legislation will make much more money.

Charities are objecting to the draft legislation, and in doing so they are failing to take into account that this document speaks on behalf of the vast majority of the population. It is not the pet project of a few politicians and civil servants. The third sector is conveniently forgetting its own research which shows that an amazing 89% of Canadians over the age of 14 made at least one charitable gift last year (National Survey on Giving and Volunteering, CCP, 2001), but that donor attrition (the number of donors who stop giving to a charity they once supported) is a catastrophic 90%.

Not taking it any more

Almost every citizen of Ontario has a personal stake in this legislation. Charities do themselves and their donors a disservice if they complain that the bill is unfair because the public simply doesn't understand how fundraising works. Sorry, but they understand all too well. To paraphrase an old but still great movie, "donors are irritated as hell and they're not going to take it any more."

There is a serious disconnect between charities and donors on just about everything concerned with the raising of money. Our research study on donor communication

conducted with charities and donors across Canada between 1996 and 2000 highlighted donors' frustration with over-solicitation and the fact that they seldom hear from the charities they support about their gifts at work. Meanwhile, under pressure from their employers and boards of directors to bring in more and more money every year while continuing to hold the line on fundraising cost, professional fundraisers are forced to focus relentlessly on solicitation. This serves only to exacerbate an already serious problem.

Professional fundraising associations have understandably risen to the defence of their members by voicing strong opposition to the draft legislation. But the specific objections they have chosen to articulate fail to address the serious level of frustration and dissatisfaction that is "out there" and this will not sit well with donors or legislators. Here are a few examples:

1. The draft legislation fails to recognize that charitable fundraising is different from for-profit business.

Actually, the government has recognized that fundraising is different from for-profit business, and has moved to introduce long-overdue controls on an unregulated industry.

If you are a consumer considering a purchase, you get to see the product, touch it, test drive it perhaps and take whatever reasonable measures are at your disposal to assure yourself that you are buying a dependable product before you pay for it. If you get it home and find that it doesn't work, you can return it for a full refund or replacement. If it doesn't work later, there is a warranty system in place to protect your interests. And if you buy something sight unseen or as a result of an aggressive sales pitch, you are still protected through a "sober second thought" provision of the Consumer Protection Act that allows you to get your money back if you've been subjected to undue pressure or unfounded claims.

Donors have no comparable protection scenario. Charities routinely imply in solicitation letters, telemarketing calls and canvassing scripts that donors' money will solve a particular problem or address a specific need, but they are not necessarily committed to spending donors' contributions actually on the programs or services they describe.

Ask any charity whether they value designated or undesignated gifts more highly and they will quickly say the latter. In fact, some charities have been known to conduct fundraising appeals with no strategic, measurable plan in place, feeling they have the right to raise the money first and figure out how they're going to spend it afterwards. No opportunity for tire-kicking, no warranty program and no sober second thought law protects donors. Charitable giving is definitely "buyer beware".

2. There is no problem or crisis in fundraising that this legislation is meant to solve.

Nine out of 10 donors who give to a charity's next acquisition campaign will not be giving to that same organization five campaigns later. And, at the average number of fundraising solicitations each year, that means a loss of 90% of a charity's donors in about 18 months. If any other business lost 90% of its customers, let alone in 18 months, it would consider itself to be in crisis. Fundraising is experiencing a visible crisis in attrition, exacerbated by an invisible crisis, which is the failure of charities realize that fundraising is in crisis.

3. We cannot possibly call everyone on our mailing list because the task would be too large. (The draft legislation includes an “opt-in” clause that will force charities to ask existing, past and prospective donors for their permission to solicit before they do so.)

Many organizations claim that they couldn't possibly contact everyone in their databases because they have so many names on file. They have so many names because their databases include donors who are giving currently and those who gave once or more in the past but are not giving now. (The latter group is generally much larger than the former.) Most charities feel they cannot risk eliminating lapsed donors' names from their databases because some of them might give in the future – although they don't know which ones. They don't know which ones will give in the future because they don't talk to these people to find that out. Charities too often don't talk to their donors and former donors because they don't have the resources (financial or human) to do that. They don't have the money because a disproportionate amount of the fundraising budget is spent on people who do not give. Too few people give in every solicitation and so solicitations increase which causes more donors to stop giving.....and around and around we go.

4. Charities will incur a significant cost in complying with this proposed legislation if they are forced to communicate with their donors, an expense that will have to come out of budgets that currently support programs and services.

This is simply wrong. Because charities seldom engage in two-way conversation with the people who support them, they really know very little about how their donors think. They assume donors will grab at any opportunity to say they don't want to be solicited when, in fact, donors (whether current or lapsed) would love to hear from the charities whose work their donations support.

The Canadian Centre for Philanthropy's comprehensive national study on giving and volunteering revealed that 82% of Canadians who stop giving or give less than they could, do so for reasons that are directly tied to insufficient or uninformative communication or because of the way fundraising solicitations are conducted.

Our own research, which asked the same question from the positive point of view – i.e., “What makes you keep giving and giving more to the charities you support?” – found that meaningful communication about the end use of funds (when charities are not

asking for money) is the thing that most influences donors' future giving. We also found that only 18% of corporate donors and 12% of individual donors surveyed said they always or usually receive measurable results on their gifts at work from the charities they support. However, 94% said they would definitely or probably give again to a charity that provided them with measurable results, and 56% of them would give more. Finally, 72% said that charities they fund do not communicate with them about their gifts at work before asking for more money; and 82% of corporate donor respondents said that charities do not account for how gifts are used even when it is a requirement for future funding.

Not a doomsday scenario

Could the real reason behind the strong opposition to this proposed legislation be that charities are actually afraid to make contact with their donors? If donors finally get a forum where they can air their pent-up frustrations about fundraising methodologies, let loose a barrage of complaints about past injustices and slam down the receiver, will there be a single donor left to solicit or a single fundraising professional left working in the business? On this matter, fundraisers and their charities can rest easy. If they screw up the courage to make those calls they will probably get one of the following kinds of responses:

"I'm so glad you called me. Look, six years ago I gave your organization an in memoriam gift in tribute to the late wife of a good friend of mine. She was a great supporter of your cause but, although I'm sure you do good work, I don't intend to give to your organization in the foreseeable future. As you've been soliciting me several times a year since I made that gift, it must be costing you a lot of money to keep me on your list. Would you please remove my name? I really appreciate your calling me so that I could help you eliminate that unnecessary expense."

"I'm so glad you called me. Look, I believe in your cause and I want to continue supporting you, but not if you keep bombarding me with so many solicitations every year. Isn't there a better way? Couldn't you just send me a reminder once a year or something? (note to reader: Incidentally, here is your opportunity to mention your monthly giving program and make a ton more money while reducing expenses to almost nothing.) Thanks so much for calling. I've been wanting to clear this up for a long time but I didn't know who to call."

"I'm so glad you called me. Look, why do you keep sending me letters that ask for \$25 or \$50? I've been sending you cheques almost every time you ask and I've written short notes on the pledge forms that I send back saying how much I believe in your work, but nobody is taking the hint. I could give you a lot more than \$50 but nobody ever asks me for it."

Charities will either reduce expense, make more money or do both with every call they make. This will cover the cost of the "required" communication with money to spare for enhancing programs and services.

The professional associations that represent fundraisers are a force to be reckoned with. It is quite possible that their opposition to this document will cause such a stink that the bill will either not pass at all or be watered down to such an extent that nothing will change. But will this be a victory? What will we have won? – The right to continue to bombard donors with solicitations without ever having to ask them whether or not that's okay? – The right to continue to spend a truckload of money on acquisition only to lose 90% of acquired donors before they ever become profitable? – The right to raise a little more money each year when charities could be making so much more money by doing things differently?

If enacted, Ontario's Privacy Legislation would be the second best thing that could ever happen to the business of fundraising in the province of Ontario. The best thing would be that charities don't wait to be forced into communicating with their donors. This would make the proposed legislation completely unnecessary. ~

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