

The impact of new technologies on charitable giving

This article is adapted from a presentation I gave on the topic of fundraising through the internet for a conference held by the ICT Hub on 28 March 2007. NCVO Third Sector Foresight is currently researching the impact of ICT on the voluntary and community sector. For further details, visit www.ncvo-vol.org.uk/ictforesight

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This article is a think piece intended to kick-start discussion for a larger piece of work.

Introduction

The internet is changing how individuals give to organisations, and how organisations fundraise from individuals, in three ways:

1. Marketing and communications: making connections with people and spreading messages
2. The giving transaction: how money changes hands and how a gift is acknowledged
3. Information and power: the relationship between a donor and an organisation

Each of these will present opportunities and challenges for how organisations fundraise from individuals in the future.

Marketing and communications

The first element of fundraising from individuals is to promote your cause, make a connection with people and to build relationships. The internet is now a well established communications channel for most organisations, with varying levels of investment both in terms of the technical infrastructure (what the site can do) and content (what information is available, how regularly it is updated etc.)

Early websites were like online brochures, disseminating information from the centre. However, new web technologies (often termed Web 2.0), and in particular the online communities and social networks that they support, offer the potential for what is sometimes called viral marketing. The flat, non-hierarchical model of networks can be a powerful channel for spreading a message. An organisation which has a network of 'friends' online can start a 'snowball' effect, whereby the organisation's friends invite their friends to link with the organisation. These new contacts can then invite ever more people to link and contribute to the network, eventually allowing the organisation to reach people well beyond its original circle. For example, an American group, autistics.org, has made a splash on YouTube with videos in which people with autism describe their view of the world. Tens of thousands of views, supported by hundreds of comments and bloggers adding the films to their own websites, have enabled the message to spread way beyond the organisation's traditional constituency. This is sometimes referred to as generating a 'buzz'.

The internet facilitates the aggregation of individual interests into niche communities, allowing easy connections between people who are geographically dispersed. Marketers call this the long tail – they are interested in selling products with a limited niche appeal and the web makes this possible. The same is true for fundraising; the internet can help an

organisation to easily reach and bring together the people who may want to support a cause, however specialised this may be. An example of how this can work can be seen in the case of the Open Rights Group which was set up when an individual started a pledge on PledgeBank (www.pledgebank.com) committing to regularly donate money in order to set up a new organisation to campaign on digital rights, if a certain number of other people would also commit. The pledge was successful and a new organisation was quickly established.

The internet can also connect donors with the people and organisations that they want to support, or are supporting (for example, see www.globalgiving.com or www.kiva.org). Charities have always used 'stories' or case studies to bring to life the impact of their work, but these weren't often very engaging and there was a gap between donors and recipients. New technologies can help to close that gap; you can't engage with a brochure but you can engage with real people through new online tools.

The giving transaction

ICT is changing the giving transaction, making it faster, easier and more efficient to collect money and to acknowledge receipt and even (ideally) to feedback to donors at a later date. Increasing numbers of organisations have online giving facilities either through their own websites or through portal websites like www.justgiving.com. The public now have higher expectations that they will be able to give online, particularly younger donors for whom the internet is the natural mode of transaction. Organisations that do not provide online giving facilities may increasingly lose potential donors who will not make the extra effort to find out about alternative ways of making a donation.

Two opportunities for increasing online giving are distributed widget fundraising and micropayments. Widgets are bits of online information attractively displayed on a website, which draw their content from another source. Anyone can add fundraising widgets to their blog or website and they update as the fundraising progresses, allowing visitors to see exactly how much has been raised at any time, and how much more you hope to raise. This is a powerful way to distribute fundraising through your online network, using your network's own online spaces. It is now also possible to make very small payments with equally small transaction costs. Micropayments, as these small transactions are known, provide opportunities to harvest small amounts of money online by piggybacking on the payments that people are already making (e.g. adding a 10p donation when people buy products online through a particular store).

However, when thinking about new channels for giving, we need to be careful not to be too PC-centric. Too much emphasis may have been placed on the PC as the personal communications hub, with more thought needed on how we communicate and transact via the mobile phone. As phones effectively become computers, the development of m-commerce (and perhaps m-giving) will become increasingly important.

A question many people ask is whether online giving will increase the overall amount given. Some argue that the web provides new opportunities to fundraise from individuals, because of the ability to 'click to give'. In other words, just the ease with which the public can now give is enough to increase giving. There are also new innovations, from text message giving to purchasing virtual yaks in Second Life, that some suggest could have a significant impact. However, online fundraising has been with us for some time and levels of giving have remained stable. It may be interesting to look at what happened with retail. Some predicted that new online shops would replace high street shops but with some exceptions (e.g. amazon), this just hasn't happened. The emphasis now is on 'bricks and clicks' – in other words, successful businesses are combining a high street presence with sophisticated online

websites. This suggests that the internet is unlikely to grow the market for charitable giving or to dramatically increase levels of giving, but that levels of online giving will increase at the expense of other methods.

Within the overall amount given, the internet may impact on where money goes. On the whole, people will still want to give to the same organisations – national brand names, local community organisations, or organisations they have some sort of connection with – but the internet does help to level the playing field to some degree. A professional looking website is now relatively inexpensive and there are free ways of spreading a message through the internet (e.g. through the social networks mentioned above). This may mean that some organisations can use the internet to increase the levels of money they raise from individuals, although the total amount given to charity is unlikely to change dramatically.

Information and power

Perhaps the most interesting aspect of the internet's impact on charitable giving is in how the internet is changing the relationship between a donor and an organisation. This is seen in how the public find out about charities and decide who to support, and what they expect from charities in terms of feedback and information.

The internet increases expectations of accountability – the amount and quality of the information that donors demand before giving, and that they expect to receive after giving. The access to information that ICT facilitates is empowering citizens. For example, 8 out of 10 people going to buy a car from a showroom have apparently already used the internet to decide what to buy. This puts them in control of negotiations as they know what they want, and what other retailers are offering. Likewise, it has never been so easy to find out about and compare the activities and impact of charities. Informed with increasing information from online websites such as Guidestar and Intelligent Giving, the ability of donors to research their cause will invert the current power relationship with charities.

As a result, organisations will have to spend more time and resources on reporting and providing more personalised reports to donors. Providing just a pdf of an annual review on a website will no longer satisfy many donors. Some have questioned whether this shift of power towards donors could spell the end of unrestricted income from donations. Increasingly donors will want to know (and perhaps choose) where their money is going and what impact it will have. New organisations like kiva.org are facilitating these choices and effectively cutting out the middle man between donors and grass roots projects.

Another factor which may increasingly influence how donors select organisations to support is recommendations. In online environments, recommendations are particularly important with trends showing that people are more and more inclined to trust the opinions of those in their networks and other peers (a common example is the rating system on sites such as amazon). Future incarnations of Guidestar or Intelligent Giving may allow donors and other stakeholders to rate and comment on organisations. These collaborative approaches to rating personal experiences (as a volunteer or donor) might increasingly drive perception of the sector, rather than branding or advertising. If these information portals also allowed payments directly to organisations then such online communities could become even more powerful. This could be the basis for more effective, direct investment by supporters but will put more pressure on organisations to clearly demonstrate and communicate the impact of their work.

Loyalty to particular organisations may also be shifting. It seems to be true that younger people in particular are loyal to causes in the way that previous generations were loyal to

organisations. Therefore it may become more difficult to sustain a relationship with a donor, although one solution could be to integrate financial support with forms of activism and campaigning support.

Conclusion

In the field of ICT and the VCS, online fundraising is an area which has received more attention than any other. There are undoubtedly innovations and new channels for giving, some of these are gimmicks and are some genuine new opportunities for growth, though it remains to be seen whether any of them will have an impact on the overall amount given by the public. However, it is important not to focus our attention solely on the giving transaction. What will have the biggest impact on organisations is likely to be ways in which the internet can help to spread a message, and the way in which online information is empowering citizens and rebalancing power between donors and organisations.