

The 5-Ps of Fundraising: Lessons from Consumer Behavior to Non-Profit Marketing

Francisco J. Quevedo
Rutgers University, USA

Kobi Lee
Rutgers University, USA

Abstract

The Non-Profit Sector contributes almost \$1 trillion to the US economy, representing 5.4% of GDP and generating over 12 million jobs. Nonprofits have become widely recognized as playing a critical role in contemporary society. Fundraisers face increasing challenges, as more social causes compete for donors. “Marketization” seems to be an unstoppable trend, and the need for developing a comprehensive model of giving behavior has never been greater. Donations are shaped by income and information. Effective non-profit organizations rely on a network of support, fiscal levers, and proper communication to obtain funds through well-planned strategies and processes. The question is “what should NGOs say?” Surveying 615 respondents, using their alma mater, the ASPCA, St. Jude’s Hospital for Children, a local homeless shelter, and their church as references, we tested which appeal works best to communicate an NGO’s message to obtain the expected results, considering pride, pity, PR, personal interest, and pleasure as driving motives. The model reflected a predictive ability of 49.7%; all criteria were statistically significant, but the pleasure of giving was the strongest driver, an underlying motivator in the donate decision. Different social causes respond differently to alternate fundraising appeals. Determining which appeal works best is key to success. Ignoring the key drivers in the decision to donate may lead to being both ineffective and inefficient.

Introduction

The Non-Profit Sector represents 5.4% of total GDP in the US, making it bigger than the Arts & Entertainment industry, Construction, Transportation & Warehousing, Agriculture and many other sectors of the economy. Indeed, nonprofits have become widely recognized as having a critical and distinctive role in contemporary society; in the past, the sector had been treated as a residual of other economic factors and activities, but recently, and with increasing consistency, it has been thought of as an independent sector in its own right.¹ Nonetheless, research in this area has been scarce. The need for developing a comprehensive model of giving behavior has never been greater.²

The non-profit market revolves around three major players: (1) the donors, (2) charitable organizations, and (3) the government³. Corporate Social Responsibility (CSR) programs have come to play an important role and could be cited as a fourth element. Managers in charge of raising funds face the constant challenge of soliciting donations from a population who may or may not have donated before⁴ and who may not know them. The question we will attempt to answer here is what should they offer them?

We have already found that on a macro level, donating depends on disposable personal income (DPI) and information⁵, which could translate at a micro level to how deep donors' pockets are and whether they know about our social cause. We have also proven that effective non-profit organizations rely on a network of support, fiscal levers and on an effective communications strategy to exert media and public influence and to obtain funding by executing a well thought out plan and duly documented processes.⁶ In this opportunity, we set out to test through a Qualtrics survey of 615 Amazon Mechanical Turk respondents which appeals would work best to communicate the NGO's message and to obtain the expected results, working with what we called the 5-Ps of fundraising: pride, pity, PR, personal interest, and pleasure. A 6th-P could be peer references, as social norms can affect donor behavior.⁷ This variable, however, was not included in our model, since, considering the scarce flow of research on the non-profit sector,⁸ we would hope it can support future studies to improve a sorely needed model for Non-Profit Organization (NGO) and Corporate Social Responsibility (CSR) fundraising efforts.

Indeed, research has focused more on the micro than the macro view. Some hypothesize that organizations that operate on transformational approaches to fundraising have fared significantly better than those which operate on a more transactional basis.⁹ Others suggest that the Situational Theory of Publics has a direct application in fundraising.¹⁰ According to this theory, three independent variables—problem recognition, constraint

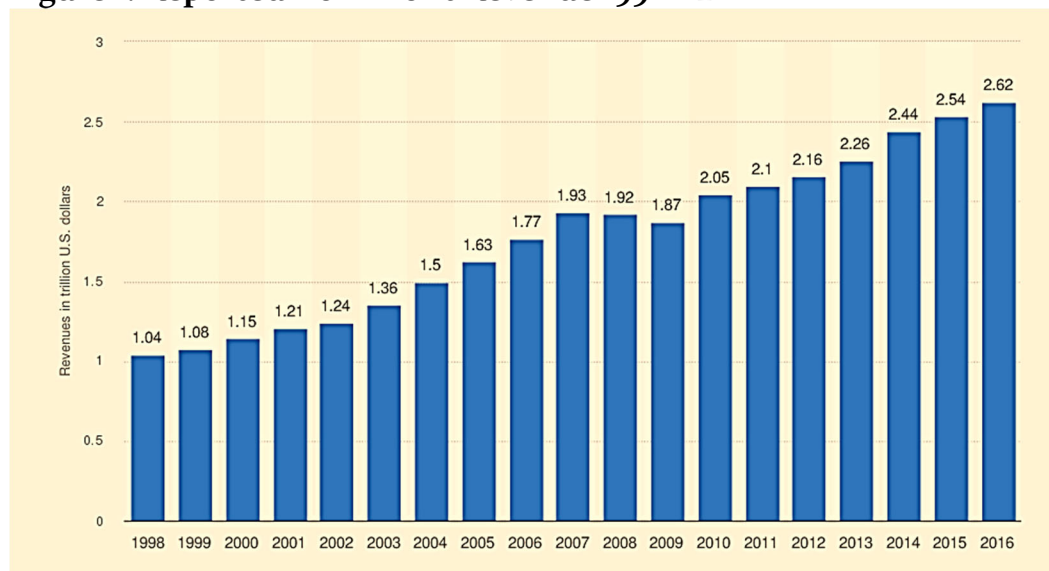
recognition, and involvement—predict two dependent variables—information seeking and information processing. This suggests that past participation predicts future support in fundraising and that increasing awareness, participation, support, and advocacy efforts is crucial to the success of any social cause.

We focused on creating and validating a model for the donate decision based on the different appeals we observed from organizations as the ASPCA, The Goodwill, colleges and universities, children’s hospitals and homeless shelters. Our findings show that the pleasure of donating underlies all criteria, although in the end pity, pride, personal interest, or public relations may be the ultimate drivers that affect the direction of the donate decision. These findings are most relevant to any NGO and CSR program which may be at a loss for arguments and that could be iterating between appeals, offering -for instance- a T-Shirt to show pride while focusing their advertising on pity for the poor living conditions of the beneficiaries of their social causes. Which one will shape the donate decision, pride or pity?! No study has focused on the five criteria considered here.

The Sector’s Statistics

As can be seen in Figure 1 below, donations have risen almost continuously.

Figure 1. Reported Non-Profit Revenue 1998 – 2016



Source: Statista, 2022

In recent years the largest source of charitable giving in the US are individuals with \$268.28 billion in donations; that is 71% of total giving;

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followed by foundations (\$57.19 billion or 16%), bequests (\$28.72 billion or 9%), and corporations (\$18.46 billion or 5%). The average annual household contribution to nonprofits is \$2,974. In 2015, the majority of charitable dollars went to religion (32%), education (15%), human services (12%), grant-making foundations (11%), and health (8%).¹¹

Three major trends are visible in the non-profit sector:

1. The institutionalization of Corporate Social Responsibility (CSR) and the subsequent rise of enterprise-related foundations.
2. Improved legislation in certain countries that favors, motivates or forces CSR.
3. The development of “crowdfunding,” and new methods of fundraising.

Fundraising Practices and Research around the World

The literature on the topic of NGO and non-profit management is extensive,^{12,39} confirming that the field has a rich knowledge base that can ground the theory and orient further research. NGO's have come of age. Indeed, NGOs offer tremendous promise, most often mandated by their founders and funders; they are assumed by policy makers to be the best way of working on certain specific social problems.¹³

Indeed, the nonprofit sector has become widely recognized by researchers as having a critical and distinctive role in contemporary society; in the past, they say, it had been treated as a residual of other economic activities, but recently, and with increasing consistency, it has been thought of as an independent sector in its own right.¹⁴ Fiscal incentives abound. Some countries, like Venezuela, have even enacted legislation that taxes corporate earnings to fund the development of sports. They finance construction of sports complexes, sporting events, and national team competitions, both nationally and internationally.¹⁵

A better understanding of non-profit dynamics and of the factors that affect fundraising efficiency is essential to charity managers, policy makers, and private donors, research has focused more on the micro than the macro view.¹⁶ Regrettably, predictive modeling research has concentrated on big-donor analytics,¹⁷ the micro view, has been aimed largely at the identification of potential donors. Sure enough, to be competitive with rivals, charitable organizations must rely on carefully formulated promotional programs, but there is a need for research to identify their prevalence and effectiveness.¹⁸ More than 55% of all NGOs appeal to selfless consumer motives (i.e., altruism), which is appropriate. However, an important experiment revealed that appealing to more selfless vs. less selfless (i.e., reputation) motives results in consumers having a more favorable attitude toward the charitable

organization. So, there is more to donating than just the desire to help, and there is more to fundraising than just asking for money. Consumer involvement, for instance, is found to have an important effect on the decision to donate; more (vs. less) selfless appeals promote a more positive attitude among consumers with low, but not for those with high involvement with a charitable cause (e.g., animal welfare). This paper will delve into this matter in search for a proper combination of appeals that will make fundraising more effective and efficient.

Research has found that psychological involvement with charities affects the impact of the facial expression on donation intentions; seeing a picture of a sad vs. a happy person increased intentions to give among participants with lower levels of psychological involvement, whereas the reverse was true for highly involved participants,¹⁹ hence the importance for NGOs and CSR executives to understand the nature and behavioral context of their operations. Some models combine what they call the internal and external influences on donor behavior,²⁰ pointing in the direction of our study and our prior research projects. Donor behavior has been disaggregated by some into two components: donation choice and donation amount. Donor-related appeals have a greater effect on choice, while organization-related appeals have a greater effect on the amount pledged or donated. This could lead one to conclude that presenting both types of appeals in a solicitation is ideal.²¹

On an individual level, the vast majority of donors are enthusiastic and positive about the organizations they give to, and about charities in general.²² Some authors say that people give money to feel the “glow” associated with being the kind of person who helps a worthy cause.²³ Others have studied emotions like pride and pity in charitable appeals, focusing on sex and gender as potential emotional collateral variables.²⁴ Utility-based models that focus on the effects of lifetime, recency, seasonality, and appeals also show that fundraising attempts should emphasize commitment rather than amount.²⁵ Sectorial research focused on the educational sector’s 75% success rate studied how different appeals affect fundraising; sophistication of the appeal has a positive effect on fundraising and the amount donated. Providing information on the state of a project has a positive effect on donations, corroborating reinforcement models of donor behavior; individuals share a burden when supporting charitable causes and donate at least as much as the minimum donated.^{26,42} At the strategic level, The Merit Axis Model links the mission of the organization, the money raised, and merit as a standard for non-profit management.²⁷ Pride, pleasure, and personal interest have been linked to the legacy effect in the college and universities context, pointing to relational fundraising and the application of CRM to non-profit marketing.²⁸ A unified conceptual, behavioral, and econometric framework for optimal

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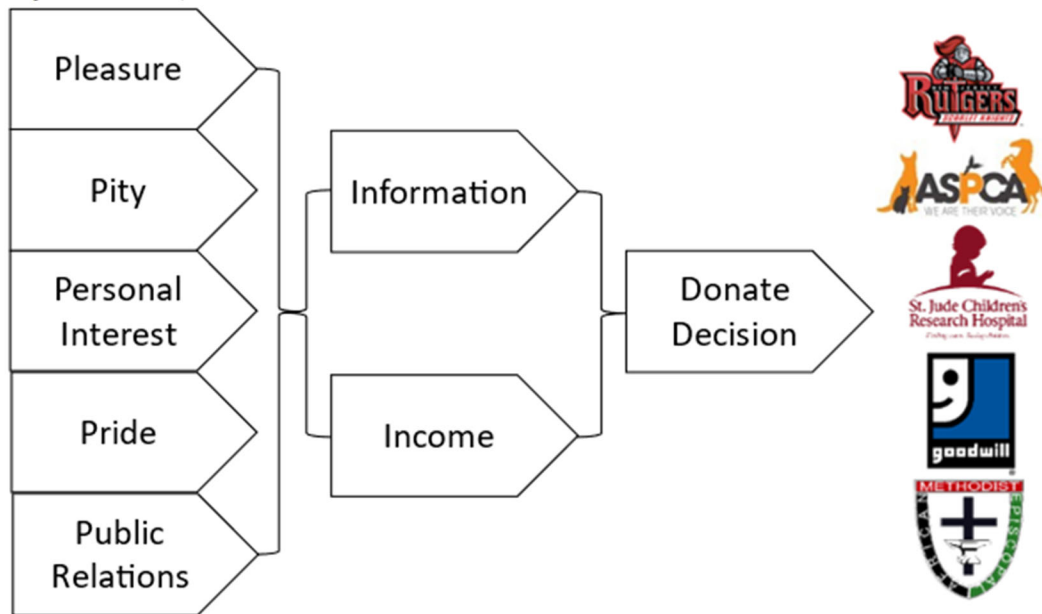
fundraising can combine approaches from Economics, Marketing, Psychology, and Sociology,²⁹ which is our intention here, as the need for developing a comprehensive model of giving behavior has never been greater.

Although the marketization of non-profit activities, given by the introduction of marketing practices like sales of POP and different goods and services, competing for consulting contracts, donor relations management, (the philanthropic version of CRM), and social entrepreneurship³⁰ has drawn criticism, fierce competition for funds and a tighter economy have given rise to innovative fundraising methods like web-based crowdfunding and what is called Cause Related Marketing (CRAM).³¹

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Considering the different theories cited above, through a Qualtrics survey which proved to be highly reliable according to the appropriate statistical indicator, reaching 615 Amazon Mechanical Turk respondents, and using their alma mater (shown in Figure 2 below as Rutgers University for illustration purposes, but left open in the questionnaire so subjects could refer to their own colleges), the ASPCA, St. Jude's Hospital for Children, a local homeless shelter and organization (shown below as the Goodwill Organization for illustration purposes, but also left open in the questionnaire so subjects could refer to their own communities), plus their local church as references, we set out to test the five proposed underlying reasons for donating: Pride, pity, PR, personal interest, and pure pleasure; considering the variables of our previous study, namely, income and information, for their possible collateral effects this time around. Stated as a hypothesis, if you wish, for the purpose of research, we proposed that *pride, pity, PR, personal interest, and the mere pleasure of giving will determine people's decisions to donate, and that the donors' financial situation and how much they know about a particular social cause will have a collateral influence on their decisions*, as proven on a macro level.⁵

Figure 2. Key Drivers in the Decision to Donate



Statistical analyses reflected a strong predictive ability (49.7%) and confirmed the hypothesis. Multinomial Logistic Regression was used, considering the heavy use of Likert scales, nominal and ordinal scales.³² All of the 5-Ps (pride, pity, PR, personal interest, and pleasure), showed to be statistically significant, being the pleasure of giving the strongest criterion, a fact that leads us to consider it the underlying motivator in the decision to donate as other research has shown; the inclusion of household income and the respondent’s awareness of each social cause increased the predictive ability of the model by two points, reflecting the collateral effect of these variables. Simply put, people donate because donating to a worthy cause makes them feel good, their budget will affect how much they give, and whether or not they know about a particular cause will determine who receives their support, being driven by pride, pity, PR and/or personal interest, according to each particular cause.

Managerial Implications for Non-Profit Marketing, NGOs and CSR Programs

NGO and CSR managers run the risk of being either ineffective or inefficient, or both, if their fundraising appeals are misguided. It seems more than evident -for example- that noble social causes like the ASPCA cannot appeal to donors by focusing on the PR value of their donations, but certainly a combination of pity, personal interest and the sheer pleasure of giving to the little creatures pictured in their ads would shape the decision to donate,

while the donors' budgets dictates how much. Any non-profit marketing organization should align the proper fundraising appeal or appeals with its social cause and target if it hopes to be both effective and efficient. Determining which appeal works best is the key,³³ and this requires some research, perhaps in the form of in-depth interviews and focus groups among the audience to build an appropriate construct, followed up by a confirmatory survey to test the model. If statistical analyses show that pride, for instance, has no bearing on the donate decision, giving away POP material may be a waste of limited resources that could be put to better use.

Although deep pockets may donate more, small donations may come from someone who feels pleasure in helping, and that may be anyone guided by pride or pity, as long as they are aware of the different options open to donate. The lack of proper social marketing communications will simply displace an otherwise noble and most deserving cause from the donor's evoked set, as other fundraisers make more noise and present stronger appeals. Different donor levels should be appealed to through a properly designed integrated marketing communications strategy.

Furthermore, CSR programs and NGOs should consider as well that donors may follow their nose or their hearts in selecting the worthiest cause for their donations;³⁴ if misaligned, their messages could run the risk of triggering an intuitive blockage or an emotional rejection on the part of their audience. For instance, if a college is not focused on the pride of their team, but merely on funding needs, its fundraising efforts may seem to be self-serving and could be blocked out from consideration. Indeed, rational, intuitive, sensory, and emotional criteria have been shown to affect choice; pride and pity are certainly emotions, PR and personal interest are surely rational criteria, and pleasure is surely a sensation. Careful attention must be paid to the design of the message so that it carries the proper combination and balance of criteria without the wrongful logical, intuitive and ethical implications.³⁵

Conclusions and Recommendations

Different social causes will elicit different intuitive and emotional reactions from potential donors. Fundraisers should align their appeal according to the most natural reaction elicited by their social cause.^{36,41} The question is: "Which appeal will best trigger donations, will it be the pride of seeing your alma mater win a NCAA championship or will it be the pity for the little animals in the dog shelter; will it be the opportunity to get your picture taken with the champs as their biggest supporter or will your intentions to send your daughter to a particular college weigh in your decision; will it be in the end the sheer pleasure of giving with or without any

combination of some or all of the other criteria that leads you to donate how much?” Fundraising intelligence should search for the appropriate answers.

Furthermore, to be up-to-date, key trends in social media usage must be identified to target the appropriate audience through the right channel.³⁷ There is an age divide between Instagram and Facebook. The young stream while the older generations still watch the news when sipping on their coffee every morning. Considering there is nothing more dangerous than mixing a cocktail of ignorance with initiative, when in doubt, find out!

Limitations

No model which limits the number of variables considered will achieve a perfect predictive ability. In our case, we limited the criteria to the 5-Ps of fundraising, pride, pity, PR, personal interest and pleasure. As a more complete conceptual model would include more donating criteria,³⁸ a sixth “P,” peer pressure, which measures how donors consider social references in making their decisions, could be included in further studies of this nature. Multiple perspectives could also improve the analysis, as different causes will most certainly represent different donation scenarios³⁹ that affect the balance of criteria. Certainly, it is time to bring science into non-profit marketing.^{40,42}

Authors

*Francisco J. Quevedo is an Assistant Professor of Professional Practice with the Marketing Department at Rutgers Business School. He is a University of Massachusetts, Amherst 1978 graduate and got his doctorate, his MBA, and CAGSB at Pace University, New York. He was an Adjunct at NYU and Pace before coming to Rutgers in 2020. He worked corporate between 1983 and 1988, and taught college between 1988 and 1991; he then went on to develop his family's businesses in insurance, tourism, entertainment, and agriculture for over 30 years until returning to academia in 2016. He has done consulting for Fortune 100 firms, NGOs, and government agencies around the world. His research focuses on brand management and non-profit marketing, having been published eight times since 2019.
email: francisco.quevedo@rutgers.edu*

*Kobi Lee holds a 2022 BS in Marketing from Rutgers University. He was a student mentor at Heroes and Cool Kids and a Teaching Assistant at St. Andrew Kim Korean School
email: kobi@studiopav.com*

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