United Way of the Midlands community relations study

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ABSTRACT

This study was proposed by the United Way of the Midlands to gather information about donors in an uncertain economic environment. Motivation for charitable giving encompasses altruistic and self-serving reasons. The researchers gathered qualitative data from three focus groups. The similarities and differences are presented. When the personal needs of donors are recognized and addressed, charitable giving continues. Donor disengagement is difficult to measure. Individual donors seem to be less sensitive to personal income changes and charitable giving than do corporate donors. Individual non-donors are more likely to donate useful goods and services than individual or corporate donors.

Keywords: Non-profit study, charitable giving, donating

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INTRODUCTION

The current economic situation affects people and charitable institutions in many ways. In general, the level of charitable giving is down and donations are not readily rebounding. This project was an attempt to understand donor behavior in light of an economic downturn and provide recommendations to cope with the situation. Specifically, the United Way of the Midlands provided the impetus for this study. The most recent evidence from 2009 and 2010 nonprofit campaigns from around the U.S. provided mixed results. In Pennsylvania, the Junior Achievement of Greater Reading and Lehigh Valley considered ending its services, while other organizations reduced staff, salaries, and budgets. It was noted that corporate giving was down, but Small donor giving ($20 to $50) remained steady (Kelly, 2010).

In the 2009 Texas campaigns, requests for aid rose while donations decreased. Giving did rise slightly in 2010 (Kiely, 2010; Kever, 2010). The Pullman, Idaho United Way drive for 2009 had an increase in donations, but the number of donors was less than in previous years (Mason, 2009). In addition to the slowdown in giving, charitable organizations are being scrutinized more by the general public and governments. The Federal Government included provisions for nonprofits in the Sarbanes-Oxley Act and the state of California enacted legislation similar, but much stricter. Nonprofits must now increase their reporting concerning revenues and expenses, especially administrative cost (Jackson, 2007). The general public is showing heightened interest in how nonprofits spend funds whether from fundraising efforts or other revenue sources. Non-donors are more accepting of higher administrative expenses than donors. One study found that 41 percent of the general public feels that charities should spend less than 10 percent of any revenue on administrative expenses (Aldrich, 2007; Kemper and Martin, 2010).

LITERATURE REVIEW

A review of the literature on charitable contributions yields considerable research into the underlying determinants of why people and corporations give. Much of this research is focused on the effects of donor characteristics and the role price and income have on charitable giving. The topics researched were motivation, price and income relationship and elasticity, corporate giving, individual giving, why people give, donor loss factors, and the economics of charitable giving. A review of the literature reveals that there are some identical and dissimilar reasons between individual giving and corporate charitable giving. Tax deductions play a role for many individuals and corporations involved in charitable giving. Individuals, households, CEO’s or boards of directors frequently align themselves with certain charitable causes. In addition, both corporations and individuals/households give to improve and better serve the communities in which they live or operate. Corporations also have different charitable giving motives from individuals or households since they exist for different reasons. Corporations give to increase profits or revenues, serve as good corporate citizens that may help attract and keep customers, reward employees with volunteer and related programs, and to enhance their public image and build or improve their standing in the communities in which they operate. In addition, corporations give to promote various charitable causes that may help build their brand equities.
RESEARCH QUESTIONS

Further secondary research was conducted to answer specific research questions:

1. How does The United Way (or other non-profit institutions) better engage the current major donors and why do people give?
2. What factors contribute to donor loss?
3. How do earnings affect charitable giving? What is donor elasticity of demand for charitable giving? What is the cross elasticity of demand for charitable giving?

METHODOLOGY

The method used was exploratory research obtaining information from both secondary and primary data using a purposeful sample of three separate focus group sessions. The focus group individuals came from a variety of business sectors, were adults over the age of 18, and were from a mid-sized Midwestern city. The donor focus group participants were selected by the United Way of the Midlands to represent a cross section of business professionals. The non-donor group participants selected by the researchers hold a variety of jobs. The process of bringing together a diverse group of professionals to explore different perspectives from a range of business sectors and job type adds solidity to the data (Kitzinger, 1995). The first group was comprised of senior level executives who were currently donated to the United Way. The second group consisted of mid-level and some senior level executives who are also current donors. The third focus group consisted of entry and mid-level executives who were non-donors.

In-depth focus groups were conducted gaining knowledge about donor engagement, donor loss, branding, earnings, charitable giving, donor elasticity, and cross elasticity of demand. A focus group is designed to promote self-disclosure among participants (Krueger & Casey, 2000). The communication between research participants generates data for analysis (Kitzinger, 1995). Focus groups are a form of group interview. The viability of conducting a focus group study can be affirmed through a qualitative exploratory method designed to ask participants how and why questions which provides for more in-depth analysis (Trochim, 2001; Yin, 2005). Such studies are designed for when the researcher has very little control over events or the focus is on a contemporary phenomenon (Yin, 2005). Focus group research is scientific in nature because it is a process of disciplined inquiry which is systematic and verifiable (Krueger & Casey, 2000). It is not scientific research that is designed to control and predict, but rather is the type that provides understanding and insight through two guiding principles: researcher neutrality and systematic procedures (Krueger & Casey, 2000). The research team consisted of three individuals with differing backgrounds to ensure that the results presented reflected multiple perspectives collecting all participants’ views (Krueger & Casey, 2000).

An additional advantage to conducting in-depth interviews is that the interviewers are considered experts in the field and this was understood by the respondents (Zikmund, 2003). An in-depth interview allows more freedom of expression without the interviewer directing responses which would ultimately bias the data (Yin, 2005). The questioning allows for greater insight, and illumination (Feinber, Kinnear, & Taylor, 2008; Shank, 2006). This study
focused on what an experience with the brand meant for the participants (Schram, 2006). In this method of inquiry, the researchers sought to convey meaning that is fundamental to the experience, no matter which individual had the experience (Creswell, 2008; Yin, 2005). Throughout the study, the researchers used accepted systematic procedures for data collection, data handling, and data analysis (Krueger & Casey, 2000). Field notes and electronic recordings captured the comments, which were then transcribed and reviewed and used in the analysis process (Belisle, 1998). The researchers used accepted systematic steps in the analysis to identify key points and then compared results to other groups to identify patterns (Belisle, 1998). For each point identified in the results, the researchers established a trail of evidence that can be verified (Krueger & Casey, 2000). Since careful analysis was conducted the researchers are confident that the findings are an accurate reflection of what the focus group participants conveyed (Morgan, 1997).

**FINDINGS**

In 2006, the MSR group conducted a random consumer telephone survey with 407 adults, age 18 and older, in the Greater Omaha, NE and Council Bluffs, IA area for The United Way of the Midlands. Although the survey was conducted for gathering quantitative data, qualitative responses were collected but not analyzed. The most frequent responses that answer the qualitative questions of how and why were noted. Answering the question of what promoted the donation, participants responded overwhelmingly that believing in cause was directly related to the fact that people deserved the funds, it was a good cause, the interests matched the mission/objectives, they were taking care of others, there was a need, and they felt strongly about the cause. The value a consumer receives in giving is tied to strong emotional feelings as evidenced in the verbal responses given. A marketing strategy that is designed around these factors would be significant. When responding why the participants gave, the largest group of participants answered that they were either contacted by telephone for the donation or received a request in the mail. Although, these methods are simple in nature, they were the most effective which is good knowledge to have when creating a direct marketing strategy. The focus group study revealed that donors and non-donors, especially younger generations were seeking other ways to give that would be considered technology enhanced such at texting (Hammill, 2011).

From the MSR data, when respondents were asked what promoted the donation, the largest two responses were “I believed in the cause” and “The charity asked me”. In the focus group study conducted five years later, respondents still responded to a belief in the cause. Even when prompted if income decreased significantly, participants would still donate the same amount based on a belief in the cause. This has significant implications for designing marketing messages built on believing in a cause and strategies for requesting a donation.

During the focus group sessions, some common reasons why the participants’ donated to charities surfaced; this data were compared to a report titled The Secret to Getting People to Give: 15 Reasons Why People Donate. The Focus group findings indicate that The United Way of the Midlands is represented in 10 out of the 15 reasons why people give. Respondents were not guided and reasons for giving were expressed freely without being prompted. Using this method allows the participants’ to voice what is important to them. The reasons for giving follow: Someone I know asked me to give, and I wanted to help them; I felt emotionally moved by someone's story; I want to feel I'm not powerless in the face of
need and can help; I want to feel I'm changing someone's life; I feel a sense of closeness to a community or group; I want to memorialize someone; I want to have a good image for myself/my company; I feel fortunate (or guilty) and want to give something back to others; I give for religious reasons; I want to be seen as a leader/role model (Ruby & Andresen, 2008). The five reasons not given in focus groups follow: I need a tax deduction; I was raised to give to charity; I want to be hip and supporting this charity (i.e., wearing a yellow wrist band is in style); I want to leave a legacy that perpetuates me, my ideals, or my cause (Ruby & Andresen, 2008). The reasons such as being raised to give to a charity, being hip, feeling connected to others through a social network, and leaving a legacy could be explored and integrated into an overall branding strategy. A follow up quantitative survey ranking the reasons in area of importance could be pursued which would provide additional insights into the importance of each item.

**Donor Engagement**

Donor engagement can be defined as an on-going relationship between a charitable organization and its donors whether they be individuals or other organizations, mainly corporations. It is incumbent upon nonprofits to maintain current relationships and cultivate new relationships. Individual committed donors are those who give on a year-to-year basis and the regular involvement of these donors becomes a key asset for a charity. One study divided these individual committed donors into two types: Single Gift donors (SG) who give once per year and Multiple Gift Donors who contribute more than once in any given year. SG donors had a noted lack of response to repeated solicitations and are most probably have internal reasons for giving. It is a waste of charity resources to try to get these donors to give more than their obligatory once. In contrast, MG donors give for both internal and external reasons and respond to repeated solicitations (Shen and Tsai, 2010).

Another set of engaged and committed donors are based on what personal needs are satisfied by participating in philanthropic giving. Community driven donors see charitable contributions as a sacrifice. Their needs are basic survival, family and friend relationships, as well as career and money. They give because they have had needs before or know someone who has a need. Peer driven donors are concerned with being accepted by their social group. Their needs focus on success, material goods, and peer respect. They give because it makes them look good. Self driven donors are more confident and have nothing to prove to anyone. These donors are very discriminating about the organization with which they choose to support (Clayton, 2009).

Another way to consider engaged donors is through the four Cs of customer loyalty: captive, convenience-seekers, contented, and committed. Captives have no choice when it come to purchases and are not relevant for this study. However, the three other types can be examined. Convenience-seekers are those looking for the easiest path to donate. These donors fit well with corporate United Way drives where donations are automatically deducted from paychecks and the drive is a yearly occurrence. Contented donors are similar to convenience-seekers in that they are happy and content with their current giving. They are not prone to expand their giving, but are steady givers nonetheless. Committed donors have a very positive attitude toward the organization to which they donate and can be counted on to provide positive word-of-mouth communication (Rawley, 2005). Engaged businesses have two reasons for charitable giving: a belief in the cause (altruistic donors) and to gain a
business advantage (self-interest donors) (Wymer and Samu, 2009). The self-interest businesses may not be as committed as those who are altruistic in nature. The altruistic donors may see other charities as more needy and shift their contributions.

**Donor Disengagement**

Donor disengagement (attrition) occurs when a previously committed donor ceases giving. This is difficult to measure because of the many ways in which various nonprofit organizations track this information (Fleming and Tappin, 2009). Donor attrition happens in a number of ways. Donors under the age of 24 are the most likely to cease giving. Poor administration of the funds is given as a reason. This reflects back to the finding that donors are less likely than non-donors to accept high administrative expenses and other inadequate management. Inconsistent or poor communications with donors is another reason for not continuing to support a cause. Repeated solicitation often turns donors off. This refers back to Single Gift donors who are unresponsive to this practice. Loss of these donors may be attributed to overly aggressive solicitation. In general, the attrition rate found in the first three months of a campaign sets the pattern for the complete campaign. Improving the quality of donors at recruitment, timely thanking of the donors, improved communication, and reinforcing the positive action of the donation would help in donor retention (Fleming and Tappin, 2009).

Attrition based on the changes within donors must also be considered. As with any type of consumer, donors are becoming more sophisticated, confident, and independent. This leads to a growing sense of mistrust, and cynicism. There is also a shift in the way donors react to mass marketing. With the advent of instant and constant communication, donors are up-to-date with what is going on in their environment and this includes the nonprofit milieu. Changing the channels of engagement would be one way to slow down donor disengagement given the high level of donor knowledge (Miller, 2009).

Nonprofits that wish to remain functional and viable need to be aware of the attitudes and behavior to the younger generations. These donors want to be inspired to give rather than donate out of a sense of duty or a sense of guilt. They want to be a part of a larger group of supporters and to have a sense of belonging to this group. Acquisition of donors is very competitive and to attract the younger crowd, the nonprofits need to inform them of what value they can add to the organization. It is value beyond monetary that the younger donors wish to give (Lawson and Ruderham, 2009).

Customer equity built up over the long run reduces donor disengagement. To build up this equity, the organization needs to provide value to the donors (Holehonnur, Raymond, Hopkins, and Fine, 2009).

**Donor Elasticity**

The influence of elasticity on how participants’ associated charitable giving with changes in income and donations of non-income such as time and food was explored with the three focus groups. Having insight into income elasticity and cross-elasticity of demand can have an important influence on The United Way of the Midlands decisions in terms of corporate, individual and the motivations of donors and non-donors. The findings from each of the three focus groups concerning elasticity are presented in Table 3.
The levels (low, medium, and high) suggest that Individual Donors are less sensitive to income and charitable giving in particular compared to corporate donors and to a lesser extent compared to individual non-donors. In short, the individual donor’s medium income elasticity indicates that this group of participants is more motivated to give should their incomes decrease than corporate and individual non-donors would be. Corporate and individual non-donors are generally more income elastic than individual donors or their earnings play a more significant role in giving.

In terms of cross elasticity of demand the individual non-donors appear more motivated than the other two groups (corporate, individual donors) to engage in charitable giving by contributing in time, food, clothing, and other non-monetary methods. Individual and corporate donors indicate relatively less cross elasticity than individual non-donors by reflecting low to medium cross elasticity. In general, the corporate and individual donor groups are less inclined to give in non-monetary ways than individual non-donors suggesting a feeling that people are just too busy to give using non-monetary ways. All three groups indicated that giving in non-monetary ways was something they would do sporadically.

Analysis of data from all three focus groups reveals that corporate, individual donors and individual non-donors demonstrate that income has a positive relationship with the amount given as noted in the Appendix Table 3. Individual donors appear less sensitive in their relationship between incomes and charitable giving compared to corporate and individual non-donors. The findings can serve as possible indicators of economic motivations for giving along with group differences.

Each group commented on how giving that was made easy, such as texting, had a positive effect and resulting in additional giving. One interesting finding in this area is that even in the non-donor group, those who initially mentioned not giving recalled that they had given via texting. The United Way purchased a Super Bowl commercial in 2008 where participants could text FIT to a number and donate. Cone, a marketing firm in Boston, noted that 13 percent of Americans texted a donation to the relief efforts in Haiti (Shaer, 2010). In comparison, 6 percent of Americans made a text message donation of some sort in the previous year (Shaer, 2010). A full 19 percent of Americans mentioned that they would rather text a donation to a nonprofit than make a donation in any other way (Shaer, 2010).

RECOMMENDATIONS

- Campaigns targeted to low and high income segments in the local population with emphasis on women donors
- Use specific campaigns targeting individuals in the highest marginal tax brackets
- In recessionary periods greater fundraising efforts should target individual donors
- Multiple solicitations of Multiple Giver donors and one reminder to Single Giver
- Identify and target self-driven donors
- Utilize direct mail and asking donors to give as both were ranked as the top two reasons why respondents gave
- Re-label donors as supporters
- Include social media as a way to engage supporters
- Let the supporters choose the communication media for information (e-mail, social network sites, direct mail, etc.) and improve communication with supporters
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