

A Decade of Online Fundraising

by Michael Stein and John Kenyon

Online fundraising is 10 years old this year. Over the past decade it has evolved from a slow and shaky genesis to become a permanent fixture in the nonprofit development director's tool kit for raising money. While online fundraising was adopted relatively slowly before September 11, 2001, the public's urge to respond to the events of that terrible day appears to have been a turning point in its more widespread use. President Bush, in fact, became the impromptu pitchman for online fundraising and volunteering, when he urged Americans to donate via the Internet. This instantly demonstrated the convenience and speed of the venue; more than \$215 million was raised online in the aftermath of 9-11.¹ This, of course, occurred in the context of ordinary people's growing acceptance of the Internet as a comfortable place to transact business.

But the development of online fundraising dates back 10 years, when a handful of nonprofits began building their first Web pages. Among these were Rainforest Action Network, League of Conservation Voters, and World Wildlife Fund, who were entrepreneurial enough to devise and install printable donation forms along with credit card processing pages. Some of their bravest donors responded by making credit card gifts long before e-commerce became com-

monplace, and online fundraising was born.

Since then, thousands of nonprofits and their donors have joined these first pioneers, integrating online fundraising into their development programs. During 2004, more than \$2 billion was donated online. While this is only one percent of the total of charitable gifts in the United States during the year, for some sectors and organizations online fundraising accounts for as much as a quarter of all donations received.

Who Succeeds Online?

Who can succeed at raising money online? Many of the early, publicized success stories featured disaster relief organizations or national environmental groups. When we look a little further at the features of these groups, however, we begin to see some obvious old saws of fundraising emerge as answers to the question.

In short, there appear to be two major characteristics that might presage success. The first usually correlates to the size and sophistication of the organization, and consists of the combination of access to capital and existing donor programs already systematically handled. The second is related to the engagement of donors in more than just the act of giving—in advocacy, for instance.

In general, larger organizations

approach online fundraising differently than their smaller counterparts do. Either can be successful online, but they appear to succeed in different ways. Larger organizations, such as the World Wildlife Fund, are able to deploy considerable financial and human resources to test and implement groundbreaking methods and tools for building online relationships with their donor community. Meanwhile, the five-person Ruckus Society, an Oakland, California-based organization that trains people about nonviolent social protest, has raised \$170,000 online in two years by combining affordable Internet tools with innovative fundraising campaigns, such as distributing the War Profiteer Playing Cards in exchange for donations.

It is worth noting that many nonprofits (large and small) that experience consistent success with online giving have some combination of the following attributes:

- Senior level buy-in, so that the organization's leadership is supporting the effort.
- Appropriate budgeting, so that online efforts can be properly staffed and technology resources can be acquired.
- Commitment to internal cooperation, particularly between departments.

- A clear and disciplined fundraising plan that has a track record with annual fund-level giving and organizational supporters who give small gifts year after year.
- A clear and focused brand, along with being a marketing-centered organization that is committed to using all available communication channels to build the mission.
- Being a membership organization with a regional or national audience.

Comments Vinay Bhagat, founder and chief strategy officer at Convio: “Many different size and types of organizations can succeed online. At Convio, 30% of our customers have budgets under \$1 million. But we are fundamentally looking for organizations with over 5,000 constituent relationships. We’ve seen successes with grassroots, advocacy organizations, groups that have a ‘commons,’ such as the Jewish National Fund, public broadcasters, and groups with tribute appeals.”

Larger Nonprofits Do Well . . .

Despite the fact that larger organizations may have something of a built in advantage, they also have their own set of challenges. These challenges often are the product of an organizational complexity that unnecessarily separates related functions; for instance, member communications, publishing, and data management. In the same vein, it’s not unusual for larger organizations to be segmented along fundraising-advocacy lines. The development department may be sending out print and e-mail appeals, while the advocacy department is sending out requests for action and community involvement. It would also not be unusual for these two groups to maintain separate databases. The Internet has brought new ways of thinking about this schism. Larger organizations that are successful at online fundraising and stakeholder engagement tend to think more holistically about their efforts and spend the

time to get internal groups working together towards a common goal.

Ann Crowley, the Membership Director of Human Rights Campaign, one of the most successful nonprofits at raising money and mobilizing supporters online, addresses coordination: “Not having a designated person assigned to help coordinate our e-efforts, it became clear to us that we didn’t have a uniform message coming out of HRC with regards to all of the online communications. We realized that we were e-mailing our supporters without helping and coaching each other internally about what was actually working, so we decided to form an internal e-team to

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take a global look at communications via e-mail, actions, and donations. We looked at the whole thing and said, ‘Let’s do this in a controlled manner.’”

Smaller Nonprofits Can Too

Ken Weber of Network for Good observes, “The Internet has reinforced the dichotomy of the philanthropic sector. The largest charities have benefited the most. They’ve had the most resources to invest in online technology and programs, and equally important, the most to commit to offline efforts to drive donors to their Web sites.” He also notes, “It has also created opportunities for smaller charities to reach larger and more geographically dispersed populations in ways that were either cost prohibitive or not possible previously.”

In other words, agency size is not the ultimate determining factor for success, but smaller organizations that are suc-

cessful rely more on their imagination and creativity to create successful Internet campaigns—not to mention a greater sense of intimacy.

Chip Giller, founder and editor of *Grist Magazine*, an online magazine and a small nonprofit based in Seattle, sees both sides of the coin: “It’s an advantage to be smaller because our readers have an intimate relationship with us. We try to put a human face on the organization and our readers react positively to that.” On the other hand, Giller can see ways of retaining that sense of community even at a larger size. “If we were larger, we would have more opportunities to explore list segmentation, to include offline appeals with our online appeals, to look at the data and astutely approach readers in more sophisticated ways.” *Grist Magazine* has also famously made use of humor in its online fundraising efforts during the past three years.

Aiding in the efforts of smaller organizations is the availability of good, affordable software and technical support for the purpose. Jennifer Sachs, the Development Director of Bluewater Network, has had good success with online fundraising in spite of having just 15 employees. With consulting assistance early on from Donordigital, they’ve developed practices that have allowed them to grow their e-mail list from 1,700 to over 20,000 names: “Online fundraising may seem daunting, but it’s not. We’re a small organization, but we seem large online without spending the dollars. We can’t do the glossy magazine ads or a mailing to 100,000 people, but we can reach a lot of people and look exciting online.”

This social stratification has played itself out with regard to the technology providers. While larger online vendors such as Kintera, Convio, and GetActive Software, which offer integrated tools, have positioned and priced themselves to serve the larger nonprofits, a number of vendors are specifically focused at the small and mid-size nonprofits.

Network for Good, JustGive.org, and Groundspring.org were specifically founded to serve smaller groups, and their service offerings, pricing, and educational resources cater to those needs. Radcliffe Goddard, the Director of Sales at Groundspring.org, explains: “We see our role as the entry point for many smaller nonprofits that are getting started, can’t afford the bigger services, and need training to get up to speed. We want to keep the barriers low to getting people involved.” Comments Ken Weber with Network for Good: “Our goal is to accelerate adoption of entry-level online fundraising tools and practices by nonprofits. In three years we have signed up more than 4,000 customers, and we’re now making an investment in more advanced tools and training.”

What Works Today

Here is a review of the online fundraising techniques that are currently working:

The Giving Experience. Heavily influenced by practices in e-commerce and online shopping, nonprofits have worked hard to refine the online giving experience. This experience should ideally include presenting an appealing Web site, encouraging involvement, asking for e-mail addresses, providing a variety of ways to contribute including one-time or recurring gifts, inviting tribute gifts, making it easy to give, and providing on-screen and e-mail receipts for donations. The giving experience should reassure and encourage the donor that they have good and complete information about where their money is going.

Multi-Channel Marketing and Communications. Online fundraising and online content development work most effectively when they are closely connected to the entire marketing, communications, and outreach process within a nonprofit. Connecting to current stories in the news, fine tuning the timing of Web content with e-mail out-

reach, coordinating online communications with print media efforts, and coordinating e-mail and Web content with direct mail have all had positive effects on response rates.

Comments Ann Crowley of Human Rights Campaign: “So much of our success has been us capitalizing on our issues being in the news and us responding immediately by communicating with our members. For instance in February 2004, right after President Bush’s press conference on the Defense of Marriage amendment, we sent out e-mail appeals to everyone on our list. We raised over \$600,000 online from two e-mail appeals.”

List Building and Segmentation.

List building has become the mantra of successful online fundraising efforts. Carried over from decades of successful direct mail fundraising, list building has been updated to meet the demands of the digital medium. Building e-mail lists at online and offline opportunities is now a core goal of many nonprofits, and vendor tools play an important role in managing that process. Technology plays a unique role with lists with regard to list sourcing, segmentation, and reporting. Software tools allow nonprofits to send highly targeted and personalized e-mail messages and appeals. For nonprofits of all sizes, list management is both a technological challenge and a cultural learning process.

Comments Chip Giller of Grist Magazine: “We’ve grown more sophisticated. We segment our lists—past donors, never heard from us via e-mail, have heard but not given—and we tailor messages to segments of our readers. It’s more competitive to fundraise online now. We have had to press ourselves to remain really creative and unusual in our approaches.”

Advocacy as Social Networking.

MoveOn.org and the campaign of Howard Dean have provided inspiring

public demonstrations of how online tools can play a central role in civil society, raise money, and mobilize people. Both have reshaped the understanding of the link between online fundraising and constituent relationship management. The most fundamental reshaping is that online fundraising is not an isolated activity—it is intimately tied to all the other parts of the constituent relationship.

MoveOn.org has taken the art of e-mail communication to a new height, figuring out ways to mobilize millions of Americans to sign petitions, donate money, and get involved. More important, they have been able to bridge the online-offline gap, encouraging people to organize house parties, hold bake sales, and attend rallies. And as incredible as it may seem, MoveOn.org has 10 staff members. Comments Tom Subak, a partner with The e Organization, an Internet consulting firm that serves nonprofits and political campaigns: “MoveOn.org has revolutionized political activism, first and foremost, and, yes, they have done a darn good job raising money along the way.”

Like the Dean for America effort, MoveOn.org has changed the rules of engagement for how institutions interact with their constituents. The Internet paradigm makes that change possible. The Internet doesn’t just allow institutions to communicate with their constituents, and vice versa, it also enables communication between constituents themselves. This actualizes itself either as Dean supporters organizing their own meetings in cafes, or MoveOn.org members organizing their own house parties and bake sales. For MoveOn.org, this has meant hundreds of thousands of dollars raised for progressive causes or to protest the war in Iraq. For the MoveOn PAC, it has meant hundreds of thousands of dollars raised for Democratic candidates across the country.

Comments Sheeraz Haji, the co-founder and chief executive officer at

GetActive Software: “There is no debate that engaging people from an advocacy perspective is something that the Internet has fundamentally changed. Groups such as AFL-CIO, NARAL Pro-Choice America, and MoveOn.org have very effectively used the Internet to engage people to do things in support of their mission. We’re not asking people to give,

we’re asking people to change the world, like stopping the war in Iraq. One of the things you’re doing is giving money, but it’s also about all the other things too.”

Tell a Friend. This social networking effort also actualizes itself in another area of fundraising, namely the “tell-a-

friend” effect. Tell-a-friend is the process by which one individual that supports a cause asks friends, family, and coworkers to support the cause too by making a financial contribution or taking an action. This fundraising technique is particularly effective for walkathon-type events, where participants are responsible for raising money themselves.

A Conversation with Eli Pariser:

The *Nonprofit Quarterly*'s editor in chief, Ruth McCambridge, recently conducted an interview with Eli Pariser, executive director of MoveOn PAC (www.moveonpac.org) about MoveOn's very successful approach to citizen engagement and fundraising. Although MoveOn now uses some advanced technology to support its operations, readers should note that just like many small organizations, it started with a single email and commitment to serve member interests and facilitate their involvement in issues of concern to them. In this model, online fundraising is just one of many pieces that comprise member involvement.

Ruth: Can you explain what MoveOn has done in online fundraising over the past two years?

Eli: Just about 99.9% of our fundraising has occurred online and it's been remarkable. We have three separate organizations—the total raised by all those organizations over the last two years is more than \$60 million, and that comes from over 500,000 individual contributors. So an enormous grassroots base of concerned citizens has been able to translate their passion into money to support the causes that they believe in. Our basic theory has been that you engage people on the things that they're passionate about and they will be happy to put their money and their time where their mouths are. But this is definitely not something that you can do disingenuously—it's not something where you trick people into giving you money by pretending to engage them on issues. The way that you get that passion and the trust which is necessary for online organizing and for online fundraising is by serving people.

Ruth: And how do you determine that you are truly serving people—that you really have their pulse?

Eli: We listen very carefully. We listen to where our members are and what they care about and try to follow their lead in many cases by adopting the issues that our members are most excited about. Not only is that where we find the most energy, but it's the best way of getting new people in and expanding our base.

Ruth: And how did you build your lists?

Eli: Entirely by word of mouth—by people sending messages to their friends and neighbors who send their messages on, and it happened organically over the course of six years. We have gone from one e-mail in the beginning to 2.9 million members now.

Ruth: And how do you determine that someone is a member?

Eli: We consider everyone who's on our list to be a member, and I think that's one of the interesting things about the dynamics we have with our membership. The typical dynamic is you send in 25 bucks and get a membership to the Sierra Club, for instance. We turned that on its head and established that anyone who wants to be a member can come and join and then if you feel well served and if you feel like we're offering you a compelling opportunity to make an impact through giving something, then you give.

Ruth: How do you view the relationship between giving and volunteering? Do you think that those are inextricably linked?

Eli: Well, to put it simply, I think that the more people do, the more they do. What we found interesting is that people who gave money also felt more compelled to get involved, giving some of their time also. The standard way of looking at this is that people have finite resources. I think that the pool of resources and energy and time the people are willing to bring to issues that they really

Kintera, a provider of software as a service to nonprofit organizations, was among the first to recognize the potential of “tell a friend,” and have patented a tool called Friends Asking Friends® and built it into their standard toolset. Other providers offer similar tools. A recent study by Kintera examined the effectiveness of tell-a-friend fundraising,

and showed that while nonprofit campaigns using Kintera doubled their online fundraising from April 2003 to May 2004, volunteer fundraising using their Friends Asking Friends tool during the same period increased fourfold.²

Closing the Learning Loop

Access to precise metrics such as Web

page views and e-mail click-through rates provide vital data on what worked as a result of which message. Data mining and creating a learning loop has become an important aspect of online fundraising success. Each organization has a unique set of supporters that will require differing approaches. Testing and tailoring techniques for online

Online Fundraising and Engagement

care about is much deeper than it appears, and the way that you get at that is by asking people to step up—and to do so together. Also, I think it adds an important aspect when you do something with hundreds of thousands of other people. It has a whole different feel to it.

Ruth: What turning point surprises have there been along the way for you in developing this massive combination of human and financial resources?

Eli: Well, our first experience with this was when we were trying to raise \$60,000 to put an ad in the *New York Times* in our campaign to stop the Iraq war. We sent out a message saying we got \$30,000 and we needed a match. Overnight about \$400,000 came in—at first we thought it was an error in our database—and it was people giving \$10 or \$15—a lot of people. That was when we began to realize that people are really looking for opportunities to amplify their voices and their opinions, and when you offer them something like an ad that they can fund right now as a way of doing that, that’s a very powerful thing. We tend to do our fundraising around concrete opportunities—it’s not a “Help us fund MoveOn for the next five years” message. It’s, “We want to put this ad on the air tomorrow, can you help us?”

Ruth: How has the management of these lists been? Has it been difficult?

Eli: I guess we think that “managing a list” is a narrow way of thinking about what we do. We try to think about who is there as a pool of people who are interested in getting engaged if it makes sense as an opportunity and is impactful and clear enough.

Ruth: There are a lot of our readers who are wondering what part online fundraising might play in their organization. Is there any-

thing that you would say to people about the things they might look at in their own organizations before they even seriously consider trying to engage people in giving online?

Eli: Well I think that you have to approach it in a more holistic way than from the point of view of getting people to give online. You have to approach it from the point of view of developing a program to engage people online with what the organization is fundamentally about, and from that fundraising follows. It definitely flows in that direction.

Ruth: Any other words of wisdom that you want to give other organizations in the nonprofit sector about your online strategies?

Eli: Sure. Just as a last comment, the thing that we found is the best way to actually do this work is to hire someone who truly gets it. The phrase we use is a “geek organizer”—someone who understands both how to get people involved in things and also how the technology works. A typical mistake that organizations make is they try to implement an online strategy with existing staff and existing structures and it just almost always fails. So finding and empowering the kind of the people who really have a passion for this particular kind of work has been the key to our success.

Ruth: And would you typify who those people are and where you can find them?

Eli: Well they’re often young, entrepreneurial people who have figured out unusual projects in the past. We look for people who have just done interesting things on the Web related to online organizing, because the depth of technical skill is really important. Also, you want people who don’t mind getting their hands dirty. This combination is not an easy thing to come by, but when you get it, it’s golden.

fundraising to particular audiences is a key aspect to success.

The vendors have become vital in this learning loop, having developed their tools to precisely serve up data on what's working. The metrics dashboards of the vendors have become key selling points for customers and users.

Online Fundraising Vendors

For good or for bad, vendors have had a huge influence on the practices of online fundraising. This is due in large part to the fact that these vendors are providing tools that power and direct this type of fundraising. During the early years of online fundraising, in fact, the tools themselves often defined the techniques that were being used. For example, online shopping portals were touted early on as an important online fundraising technique, leading many nonprofits to devote time to promoting them, to very little effect. Almost all have gone out of business.

Over the course of the last decade, through this kind of trial and error, online fundraising vendors have standardized a core set of tools that are now in high demand among nonprofits of all sizes. These tools include e-mail messaging, donation processing, content management, advocacy, and donor management. Vendors have staked out different niches within the larger nonprofit market, with price and tool integration as prime differentiators. Telling the vendors apart and selecting the right one for your nonprofit agency has become one of the new challenges of online fundraising. While some efforts have been made to catalogue the vendors,³ there are no basic rating systems for features, and nonprofit technology consultants understandably do brisk business helping to sort out the choices.

Consultants and T. A. Programs

Nonprofit technology consultants and other technology assistance intermediaries are seen as a key layer between the

technology and practices of online fundraising and the nonprofits themselves.

Nonprofits are increasingly turning to consultants to provide the expertise they need to be successful online. Comments Ann Crowley with Human Rights Campaign: "I view our online fundraising consultants as an extension of our staff. They are not just doing the work but playing a part in getting us to the best place."

Internet consulting firms such as Donordigital, Beaconfire Consulting, and The e Organization have developed specialties in online fundraising and Internet marketing. A familiar refrain is

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that there are too few of them, their fees are high, and their waiting lists for clients are long. The vendors themselves are also rushing to fill some of this void by developing professional consulting services within their companies to serve their clients' growing needs to develop effective strategies. Other technology assistance providers such as NPower and Compumentor are playing a role among smaller organizations.

How Are Online Fundraising Practitioners Learning?

Among nonprofits that fundraise online, many mention the importance of talking with peers about what works and what doesn't under what circumstances. This happens via direct contact, but also at workshops, at conferences, and online in e-mail discussion lists and Web forums. Comments Michael Brune, the executive director at the Rainforest

Action Network: "We regularly attend workshops and we conducted informational interviews with peer organizations about what systems they have implemented and what advice they have to give. One of our strengths is a full admission that there are groups that are doing outstanding work that we can learn from. We've talked to MoveOn.org, True Majority, and Drug Policy Alliance, among others."

The workshop and conference circuit is notable as a venue for sharing. The Nonprofit Technology Enterprise Network (N-TEN), the Association of Fundraising Professionals (AFP), and the Direct Marketing Association have all been active in offering sessions on online fundraising, and have shaped the learning ecology by providing venues for sharing case studies and best practices.

An emerging phenomenon in 2004 has been the creation of staff positions related to online fundraising. As more organizations make the commitment to creating permanent positions, experienced online fundraisers will become even more ingrained in nonprofits themselves.

What Does the Future Hold?

The future of online fundraising is rich with opportunity. Large and small nonprofits continue to make investments in learning tools and techniques. They have been—and still are experimenting with ways to shape their message online, using the technology tools effectively, and measuring impact. The result is that those just starting now can benefit from third and fourth generation technology that is more fully evolved.

Vendor evolution will also continue to take place at a breakneck pace, as vendors compete with each other for market share. Their tools will continue to improve, informed by customer successes and needs. Meanwhile, newer open source technology solutions are arriving on the scene, promising more affordable and flexible tools that non-

profits can use to power their online presence.

Nonprofits are themselves the best poster children for what works with online fundraising. They are challenged every day to understand their constituencies, interact with them both in person and online, and imagine ways to engage supporters in their campaigns. The most successful have often been the most creative, willing to experiment and take risks, while also applying the fundamentals of relationship building and fundraising.

So in some ways this is a story that combines the very old with the very new. The old: its all about relationships; the new: technology allows both the very small and the very large organizations more breadth and immediacy with their donors. As with direct mail and other forms of mass donor appeal (like telephone and door-to-door solicitations), there are sure to be cycles and saturation points, but for now there is excitement in the exploration

of all that is possible with the Internet.

Endnotes

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