

The state of mobile fundraising

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There are generally two camps in the mobile fundraising business – those who hail mobile fundraising as the glorious future of raising millions . . . and those who turn their noses up at the channel in a not-worth-my-time-because-it-ain't-proven sort of expression.

The reality today is that both these camps are right – just neither of them completely so.

So, I'd like to take a bit of time to capture here **the current state of mobile fundraising**. If you are in the mobile fundraising business, or have an opinion about mobile fundraising, I'd love to hear from you – [comment on our blog](#) or send me an email at draley@masterworks.com.

One caveat before we get started – this post focuses solely on the category of mobile fundraising via texting, sometimes referred to as text giving or Text2Give. This post is **NOT** about the broader category we call **mobile engagement** – broadcast texting, non-fundraising mobile apps, mobile websites, text polls and so on.

A fledgling channel . . . still.

Despite the fact that the people in the business of mobile fundraising act like the channel has been around forever, the reality is that most companies in the industry have been around less than 18 months. In fact, the granddaddy of mobile fundraising that started it all, the [Mobile Giving Foundation](#), has only been in existence since 2007.

Because the text giving industry is still young, the landscape is constantly shifting. Various players (who you'll learn about next) are trying to figure out the best ways to make things work, make money and figure out their roles long term.

The players are *many*.

Without going into too much detail, there are currently at least six parties involved in the simple act of giving one \$5 or \$10 gift via text message:

- **The carriers** (AT&T, Sprint, Verizon, et al.).
- **The aggregator** (powers the text technology).
- **The foundation** (Mobile Giving Foundation or "MGF," mGive). A nonprofit entity that has brokered relationships with the carriers. The foundation essentially receives the donation from the donor, and then turns around and "grants" that money to the nonprofit who solicited the gift.

- **The Application Service Provider or ASP** (MobileCause, MPower and so on). The ASP is a for-profit organization that works directly with the nonprofit doing the fundraising, reselling what the foundation has brokered, and typically layering on services for the nonprofit (reporting, text broadcast services, etc.).
- **The nonprofit organization** (that's you!).
- **The donor** (who texted the gift in the first place).

That's a lot of parties. It can be a complicated process, saved usually by having a good ASP or fundraising counsel that deals with all of the complexity.

Cultural adoption is going to take time.

Convio recently released an excellent study on the multichannel preferences and charitable habits of different generations called [The Next Generation of American Giving](#). The findings on text giving were clear:

- **Prime giving generations aren't using text giving.** Just four percent of boomers and two percent of matures have given a gift via text. Furthermore,
- **Most donors do not view text/sms as an appropriate channel for solicitation.** On a list of appropriateness of solicitation channels, text/sms solicitation came in dead last. Donors actually considered telemarketing nearly *twice* as appropriate as text solicitation (15 percent vs. 8 percent).
- **Younger generations (X and Y) are much more open and excited about the idea of text giving,** but even they still place it as dead last on the scale of appropriateness as a solicitation channel.

While we believe older generations (boomers in particular) will warm up to text giving over time, as technology and adoption improves, it will be *years* before mobile fundraising will have a chance to surpass any of the traditional channels such as direct mail, phone, email and web.

And, if it is going to take years for mobile fundraising to solidify itself as a fundraising channel, we feel confident in saying that the underlying technology (text/SMS) will likely become obsolete in the face of newer technologies.

Text giving isn't the only mobile fundraising option.

In an immature industry, text giving is the most mature form of mobile fundraising – and what most of us are familiar with (think Red Cross and Haiti, \$10 gifts). **But even now there are other, perhaps less known, methods for mobile giving:**

- **Secure website donation page.** Perhaps the most overlooked method – if you've got a secure donation page on your website and the donor has a web-enabled phone, you may very well *technically* have mobile fundraising capabilities (albeit probably not a very usable or donor-friendly site on a tiny mobile screen).

- **Secure mobile-based website donation page.** This is basically the above method of having a secure donation page, but formatted specifically for the conventions required by mobile smart phones (small screens, etc.).
- **Text to pledge** (aka Text2Call, Text2Donate). This is a clever method for getting around many of the challenges of text giving. The donor sends a text message including the gift amount they'd like to pledge or give (theoretically any amount). Then, instead of completing the transaction via text message, they receive a call back, where the donor completes the transaction by entering their credit card information on the phone. This is a bit of a clunky process because it takes away some of the convenience factor of text giving. Organizations that are offering it are still trying to figure out fair pricing for the service as well.
- **Apps** (iPhone, Droid, etc.). You can always develop a giving app for your organization – though we generally don't recommend it for a few reasons. First, it costs a lot to develop an app (could be \$50k+). Second, apps only work on the phones you develop them for – so if you develop an iPhone app, all your donors using BlackBerry phones are out of luck, and so are your donors using Android-based phones. Third, no one has proven that they can raise a ton of money using an app, so you're almost certain to spend far more than you can bring in through a mobile app.
- **Third party apps** (PayPal, uGive, etc.). Rather than developing your own app, there is an emerging category of third party apps on which you can be listed. Donors can then make secure gifts to your organization through those apps. The issue here is, that a donor has to first download the third party app, then find your organization, then give a gift – a time-consuming process if they are only interested in supporting your organization. In the future, as organizations like PayPal get a large install-base, this might be a very attractive option (if your donor already has the app, it could be really easy to give a gift).
- **Credit card point of purchase.** This is one of the newest technologies, and works a bit differently. Basically, you (the nonprofit) would have people on the ground, equipped with credit card scanners connected to phones. Donors could then walk up to a volunteer, hand the volunteer their credit card and gift amount. Their card is charged immediately and the donor is sent a receipt via email. We haven't heard of anyone using this technology for fundraising.

The hurdles are high, very high.

There are three huge barriers within the text giving industry that we believe will need to be addressed before it will be able to realize its full potential as a fundraising channel:

1. **Limited gift amounts and frequencies.** Currently, text giving is limited to \$5 or \$10 amounts. That's it. If the donor wants to give more, they do have the option to text in multiple times. Additionally, set-and-forget recurring or pledge giving is not possible – so don't think about that lower-level pledge program just yet.

So, there are certainly short-term revenue concerns when donors have average gifts of \$60 or \$100 in other channels. We also want to see research done on the Long-Term Value (LTV) of donors acquired via text giving, because in other channels we've found that donors who give a first gift of less than \$20, never give enough to break even on the cost of acquisition, let alone the costs of ongoing cultivation. We believe text-acquired donors may be different, but it will take LTV research to prove that.

2. **Lack of data (and therefore ownership of the donor).** When a person texts to give in response to your fundraising promotion, **they do NOT become your donor**. This is a *critical* point – probably the most critical point of all. Legally, they become a donor to the foundation (MGF, mGive), and then the foundation turns around and disperses the funds to you. What this means, then, is that you get very limited data about the donor – specifically cell phone number, gift amount, cell phone carrier and state.

This means you've got a multiple-step process to truly connect with a donor. After they are motivated to give via text, you need to make sure they choose to explicitly opt-in to future text communication, after which you need to have a strategy to encourage the donor to share other data with you via text – email address, name, physical address, etc.

The alternative would be to simply look at text giving as a one-time occurrence from an anonymous donor. But, we believe this view does not reflect good stewardship of limited fundraising dollars.

3. **Slow processing times.** The current process goes something like this . . . the donor texts in to give, and confirms that gift within a few minutes. About 30 days later, they receive their mobile bill with the \$5 or \$10 amount included. 30 days after that, they pay their cell phone bill. A few days after that, the carriers release the funds to the foundation. And **finally**, days after the foundation receives the funds, they release them to the nonprofit. That means, when all is said and done, that \$5 gift in the moment *could take 90+ days* to even get to the nonprofit, let alone be put into action by the nonprofit.

The importance of promotion (the real cost).

There have been many very appropriate references to the pioneering breakthrough in text-based mobile fundraising that the Red Cross saw as a result of the Haiti earthquake. No doubt this was a *critically important* moment in the short history of mobile fundraising – a time during which millions of Americans were made aware of text giving, and hundreds of thousands responded. The [last numbers we've seen](#) show that the Red Cross alone saw more than \$40 million in income from text giving. An impressive figure for sure.

But it is *dangerous* to assume that nonprofits everywhere will be able to duplicate what the Red Cross did and successfully drive lots of dollars and a high ROI. The reality is that the Red

Cross received untold millions of dollars of free promotion during the crisis, from major celebrities, to television networks, to professional sports organizations. A similar campaign using *paid* media placement would likely have been considered a failure, because the cost of the promotion would far outreach the \$40 million in income.

It is important to learn from others. And there are many lessons to be learned from the Red Cross and their tremendous success raising funds for Haiti. **One lesson is that, unless you can generate *major* promotional impact with minimal (or no) cost, text giving is difficult to scale, and virtually impossible to make acceptably profitable.**

So, when you are calculating the performance of your mobile fundraising, don't forget to include the cost of promotion, staff time, etc. in addition to the out-of-pocket fees you pay directly to the various players.

There are bright spots.

Amidst the challenges and hurdles that the industry will continue to grapple with, there are some significant bright spots:

- **Text giving awareness is at an all-time high.** Thanks, in large part, to the groundwork laid by industry pioneers, the enormous response to Haiti has made millions of people aware of text-based giving.
- **Major events and promotions hold a lot of promise.** Because of the instant nature of text giving, it has proven to be especially effective at live events such as concerts. It also works well if given heavy, traditional media support (i.e., TV or radio). Again though, it is important that the cost of that support be very low (or free) for this to work.
- **Disaster and other immediate giving needs.** Another advantage of the instant nature of giving – in a disaster, mobile is a very accessible and quick channel for the donor to respond with (though again, the funds actually move through the system quite slowly).
- **Non-fundraising mobile engagement.** This is the most exciting category for mobile today. While fundraising has a long road ahead, other mobile engagement opportunities are huge, in text broadcast communications, mobile engagement apps, mobile websites, mobile-based volunteerism and so on. Stay tuned to [our blog](#) for more posts on the topic of non-fundraising mobile engagement.

So what should nonprofit organizations be doing?

What to do? That's the real question in the face of all of this talk about the state of mobile fundraising. Here are a few practical pieces of advice:

- **Make sure you're doing the basics of fundraising *before* you dive in too deeply.** Mobile fundraising is far down the ladder of areas to focus on, unless you are one of the five percent of nonprofits who have nailed the proven basics. If you are still trying to figure

out your email fundraising program – or even more importantly, your traditional media such as direct mail, phone, major donor, etc. – you’ll be far better served to pour yourself into shoring up those areas first. And, if you’re not even sure what the basics are – let us know. We’d be happy to help or at least point you in the right direction!

- **Put your toe in the water.** Thankfully, the costs to get set up are very low. So, as long as you make sure you have a fundraising strategy *behind* adding text-to-give to your lineup, we’d encourage you to start doing limited testing.
- **Make sure you have wise counsel.** As I’ve already mentioned, this is an industry in a constant state of flux. If you’re in development at a nonprofit, it’s safe to say that you shouldn’t waste your time tracking every little change – you wouldn’t get any work done if you did that! That’s where it’s important to make sure you have smart people who can help you navigate these uncharted waters. First, if you have an agency or other counsel (like Masterworks), talk to them and see if they have people on staff that understand the world of mobile fundraising. Also, you can learn A LOT from the ASPs out there – they are in the trenches every day, following and shaping the industry. Just make sure you align with an ASP that is committed to helping you figure this thing out.

In conclusion . . .

If you’ve read this far, congratulations! You hopefully know far more about mobile fundraising than you did when you first started reading.

I’d love to hear from you, whether you have a comment or question – feel free to [comment on our blog](#) or send me an email directly at draley@masterworks.com.