

Charitable Innovations

Braden Kelley – Business Strategy Innovation

"ENHANCING INNOVATION,
EFFICIENCY, AND PROFITABILITY
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"We must maximize our innovation leverage at every level of society. A stable society demands that businesses, governments, and charities work together to create an efficient paradigm that injects hope into the populace."

Braden Kelley
Business Strategy Innovation

Related Quotes:



"We make a living by what we get. We make a life by what we give."

Sir Winston Churchill



"Charity and personal force are the only investments worth anything."

Walt Whitman

The operational model for charities in this country is an ideal candidate for disruptive innovation. It strikes me as odd that charities, the organizations that really have the least to spend on marketing, spend such inordinate amounts of money and time on marketing to raise money. Does spending lots of money on fundraising actually work?

Let's stop for a moment and look at how AIP defines acceptable charity performance:

- Spending 60% or more of a charity's budget on programs, and spending \$35 or less to raise \$100 in public support

Groups included on AIP's Top-Rated list generally spend 75% or more of their budgets on programs, and spend \$25 or less to raise \$100 in public support.

Unfortunately, many charities don't even meet the acceptable charity performance definition:

- "It is sad that cancer charities, one of the most serious and popular giving categories, perform so poorly—half of the cancer charities that AIP rates in this Charity Rating Guide receive a D or F grade and only 37% receive an A or B."

If we look across charity organizations as a whole, it is not a stretch to imagine that the aggregate reality is probably somewhere around spending 50% or less of their budgets on programs, and spending \$50 or more to raise \$100 in public support.

What greater positive benefit could we have on society as business innovators than to help create a disruptive business model for charities? What if we could stand the traditional, and hugely inefficient, model of list rental, telemarketing, direct mail, and list saturation on its head and instead imagine something different?

There has to be a better business model that we could collectively create as a gift to society that would increase the percentage of charitable revenue that actually goes towards the charities' intended missions. If we created a new best practice that could be adopted across the industry, think about the impact we could have (equivalent of up to a doubling of monies raised).

I think we can distill the disruptive possibilities down to the following five key principles:

1. Give consumers a way to offset negative side effects with a positive action
2. Link fundraising efforts more closely to the benefit delivered
3. Reduce fundraising friction
4. Maximize existing communication channels to highlight benefits that others provide
5. Improve Efficiency

Let us now look at the disruptive possibilities each one presents:

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"You will find, as you look back on your life, that the moments that stand out are the moments when you have done things for others."

Henry Drummond



"I am only one; but still I am one. I cannot do everything, but still I can do something; I will not refuse to do the something I can do."

Helen Keller



"Make it a rule...never to lie down at night without being able to say, 'I have made one human being at least a little wiser, a little happier or a little better this day.'"

Charles Kingsley



Principle #1 - Give consumers a way to offset negative side effects with a positive action

Definition: There are everyday activities that have negative consequences (transportation, electricity, etc.) or that remind us that others are not as fortunate. This principle involves giving consumers a way to offset the negative impact of the activity.

Existing Example: Northwest Airlines partnered with The Nature Conservancy on an initiative. As customers use the nwa.com reservations system, Northwest's Carbon Emissions Calculator will estimate the amount of CO2 emissions generated by their flight and provide a suggested voluntary carbon offset contribution to The Nature Conservancy®, to remove or sequester CO2.

The Insight: Partnering here is incredibly effective because it catches the individual at a point when they know instinctively they are about to create a negative impact. Compare that to their state of mind when they receive a solicitation for a donation by mail – the individual has just returned home after a long day at work, is completely disconnected emotionally from your cause, may in fact be annoyed by your mailing, and really only wants to get out of the suit they've been wearing all day and get dinner on the table!

Example Idea: Instead of Regular Unleaded, Plus, Premium, and Diesel, pumps at a gas station could include an "Offset" choice, so that consumers choosing the "Offset" option could pay a price premium that would fund an equivalent carbon offset. One could be encouraged to fill the tank without having a negative impact on the environment.



Principle #2 - Link fundraising efforts more closely to the benefit delivered

Definition: When someone asks you for money on the street, in the mail, or on the telephone, the action is unexpected, serves as an unwanted interruption, and is a cash transaction disconnected from benefits that the charity is trying to deliver.

Example Idea: Instead of asking people at grocery checkout on the keypad if they would like to donate \$1 to the local food bank, ask people if they would like to donate four cans of tuna for a \$1 to the local food bank. The food charity could work with grocer and wholesalers/producers to donate something they are overstocked on. (a win-win for all parties involved)

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Related Quotes:



"No person was ever honored for what he received. Honor has been the reward for what he gave"

Calvin Coolidge



"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

Margaret Mead



"Down in their hearts, wise men know this truth: the only way to help yourself is to help others."

Elbert Hubbard

The Insight: Moving donation opportunities closer to "the edge" or towards the issue that the charity helps to address, will increase the chances that individuals will emotionally connect with the charity and make a donation. Bringing up the subject when the topic is already on a person's mind, and moving a step away from cash donation will also increase success.

Example Idea: Buy One Give One - Charities working together with grocery stores, drug stores, etc. could run special periodic or even weekly promotions that allow customers to buy one product for themselves and give another one to a charity (food, toiletries, clothing, etc.). These sales would allow people to consume and do good at the same time. This would be bigger than the somewhat famous [TOMS shoes](#).



Principle #3 - Reduce fundraising friction

Definition: There is a huge cost to fundraising (probably 50% or more of the amount raised on average). Reducing the friction in fundraising (making it cheaper to give), would give charities more money to use for programs.

Existing Example: Navy and Marine Corps Relief spend an astonishingly small \$2 to \$3 to raise \$100. Why? Many enlisted personnel have received help at some point in their careers, so people see the value first hand and give back. Most of their donations come from fellow military personnel via automatic payroll deductions, but also 35% of their donations are unsolicited.

The Insight: If charities make donating easier and more accessible, more people will give. Also, by encouraging contributing members to set up a gift annuity, the charity can eliminate unnecessary fundraising outreach and instead focus on delivering increased value to existing donors and attracting new donors.

Example Idea: Charities could partner with mobile phone carriers to set up donate by text or other mobile donation methods. These could be for one-time donations or for recurring donations added to subscribers' monthly plans.

Example Idea: Charities could partner with major payroll service providers to help facilitate setup of automatic payroll deductions. The donor provides their employer name and their social security number and the amount. The charity checks the employer against an approved employer list and the payroll provider has the donor confirm the request using contact information on file.

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Related Quotes:



"You cannot hope to build a better world without improving individuals. We all must work for our own improvement, and at the same time share a general responsibility for all humanity."

Marie Curie



"The bread in your cupboard belongs to the hungry man; the coat hanging unused in your closet belongs to the man who needs it; the shoes rotting in your closet belong to the man who has none; the money which you hoard in the bank belongs to the poor. You do wrong to everyone you could help, but fail to help."

St. Basil the Great



"You must be the change you wish to see in the world."

Mahatma Gandhi

Example Idea: Lobby your country's legislative body to change the charitable donation rules to allow charitable payroll deductions to be automatically tax-free (and thus deducted pre-tax). This would help improve the quality of life in our society and allow charities by allowing charities to be more efficient through reduced fundraising friction. This would increase charitable giving and potentially decrease tax return processing costs enough to offset any lost revenue.



Principle #4 - Maximize existing communication channels to highlight benefits that others provide

Definition: Charities should be about creating positive change around their mission, not just raising money for their own programs. As a result, charities should use their magazines, mailings, and other member contact to highlight the ways in which members can contribute to the higher-level mission in a personal, local way.

The Insight: Many charities focus on their achievements to try and win individual donations. Encouraging loyal, annuity giving requires a different approach. This tactic involves an approach similar to Apple's approach to its Apple Stores. If you seek to create community and unexpected value rather than selling, sales (or in this case donations) will follow as a result of increased loyalty and commitment to the cause. Not only that, but you will provide donating members with more impactful stories to tell to non-members that could better result in conversion.

Example Idea: To further their mission, environmental charities could partner with local utilities to highlight their 100% green energy options for consumers. Poverty charities could highlight social entrepreneurs whose ventures benefit the poor.



Principle #5 - Improve Efficiency

Definition: As the relatively recent saying goes - "A barrel of oil saved is a barrel of oil found." By becoming more efficient, charities need to raise less money and what they do raise goes farther.

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Related Quotes:



"Kindness is the language which the deaf can hear and the blind can see."

Mark Twain



"Never look down on anybody unless you're helping him up."

Jesse Jackson



"One of the serious obstacles to the improvement of our race is indiscriminate charity."

Andrew Carnegie

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Existing Example: Southwestern Vermont Health Care is [using Six Sigma](#) to improve performance. Six Sigma is a business methodology focused on improving quality of services by driving out waste (defined as defects, unnecessary costs, and inefficient use of time) contained in our work processes.

The Insight: Many charitable organizations are too small to hire experts to cover every business function. As a result many individuals cover multiple roles to the best of their ability. Also, charities often have to hire less experienced people to cover roles because of their small budgets. There are numerous opportunities for increased efficiency as a result.

Example Idea: Strategic partnerships with other charities that facilitate shared office space and shared services

Example Idea: Better data analysis and list pulling to prevent wasting money mailing unproductive names



If charities explore and effectively embrace a disruptive discovery process and a commitment to development and implementation around one or more of these five principles, they should be able to achieve improvements in their efficiency and effectiveness.

I would love to hear other people's perspectives and see people add to the charitable disruption conversation in order to allow us to collectively create positive disruptive innovations in charity fundraising and operations.

If you would like to help evolve these ideas, please [post a comment](#) with your thoughts, additions, or refinements, or join our [Continuous Innovation](#) group on LinkedIn and contribute to the discussion there.

What do you think?

Braden Kelley ([@innovate](#) on Twitter)

References:

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