FUNDRAISING PERSPECTIVES:
DONOR SEGMENTATION & MONEY FOR GOOD UK

Complied by Rob Abercrombie, Sally Bagwell and Lena Baumgartner

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FOREWORD

Our Money for Good UK research conducted last year explores the habits and attitudes of donors, as we believe it's important for the future of the charity sector to understand better what motivates them, how they give and their attitudes towards charities. The context in which NPC launched the research is not an easy one, as the charity sector has been under pressure from several quarters in the last couple of years. The financial crisis continues to bite, and our analysis indicates fundraising returns have been falling. We've also heard anecdotally that charities are seeing declining results from their established fundraising methods, and the methods themselves can also be controversial. The public do not like many of the direct marketing techniques that major charities routinely employ, and in the long run that is bad for all charities because it undermines trust. Fundraisers know this, but it isn't clear what choice they have; these methods do produce a return on investment, and the alternatives are not immediately obvious.

Recent publicity about Chief Executive pay, and attacks on charities' right to campaign are also concerning. For some members of the public, and politicians, there is discomfort about the professionalised model of charity where there are paid staff, overheads and marketing budgets. Fundraising is the most powerful communication channel for most charities, and as I have argued previously, fundraisers are sometimes complicit in public misunderstanding of charities and their role in society. For example, Comic Relief's claim that every penny raised goes to the frontline may be an appealing message for donors—but it does a disservice to charities overall, by perpetuating the myth that overheads are an avoidable evil.

And fundraisers behaviour matters a great deal. Fundraising is not a peripheral activity for charities. Nor is it an embarrassing black art we know we need but would much rather we didn't. It is central to what we do and we should be proud of the professionalism, dedication, and achievement of fundraisers. Because without them the sector would be smaller, more marginal, and have fewer assets with which to help those we exist to serve.

But that does not mean all is well, and in the current febrile context too many fundraisers are focusing on refining and optimising established techniques. While this is worthwhile, it should not be at the expense of seeking the breakthrough innovations the sector desperately needs. Working with charities ourselves, we have seen the benefits that can be gained by thinking differently—organisations like SolarAid have achieved remarkable income growth through new approaches.

Turning to the Money for Good UK research itself, it contains rich findings about donors—including that there is appetite for information about the impact of what charities do (although limited appetite to proactively seek this out). We identified seven donor segments with important differences—for example, the extent to which they're motivated by a sense of duty, by status, or by a specific cause, and whether their giving decisions are made rationally, or as is often the case, on a more emotional and ad hoc basis. Echoing findings from the US research, we found that attitude doesn't neatly relate to demographics—a point Anne Benoist makes in this publication too, using the example that a demographic approach would put Prince Charles and Mick Jagger in the same bracket despite their obvious differences.

We didn't intend Money for Good UK to remain pure research—we always aimed to provide something of practical use to fundraisers. However we think our success here has been mixed, as it's a highly organised and professional area with established working practices and high stakes if approaches are not successful. The research has found ready application amongst major donor fundraisers, where the findings have proven intuitive and straightforward to apply. Charities considering strategic decisions like whether to ask large volunteer workforces for donations have also found the research findings helpful.

What has been tougher is working out whether a generic attitudinal segmentation has value applied to mainstream fundraising, and this is more contested territory. Some argue that behavioural segmentation is the only thing that can be relied on, although most believe that attitudinal data provides a useful enhancement to it, but aren't sure how to accomplish this in practice. Others believe that charities must develop specific segmentations because attitude to cause is so important. Yet national charities including Oxfam and RNIB believe that our investment in a generic segmentation is valuable—particularly in combination with the charity's own segmentation—for developing acquisition strategies, as well as for stewardship of existing donors.

We of course understand that our Money for Good UK research is not the whole answer to the challenges faced by fundraisers and charities, but we believe it to be a useful and relevant contribution. There is a clear role for donor insight in helping to target and refine fundraising, especially when—as I heard from a major charity recently—a mail-piece to prospective donors can contain ten different messages in the hope that at least one of them will grab the donors attention.

A final aside, something that has surprised us during this work, has been the attitude of fundraising commentators. From some we have encountered defensive reactions to the research, which stand in stark contrast to the reception we've had from fundraisers themselves—who have been open, curious, and reflective. We are unfortunately left with the impression that the fundraising profession itself is more open to new approaches than those who claim to speak for it. I should note also that we did invite the Institute of Fundraising—who were involved as advisors during the Money for Good UK research—to contribute to this publication, but unfortunately they were unable to.

This collection of essays brings us to the end of our planned work on Money for Good UK, but we are continuing our dialogue with those charities applying the research and are interested in your views and experiences—so please do get in touch to share these or if we can help in any way. We look forward to further debates within the sector on the challenges and opportunities for fundraising and donor segmentation.

A final thank you to all the inspirational fundraisers we have met along the way, to those who have contributed to this publication, and to the funders who have supported it—in particular The Bill and Melinda Gates Foundation and Unity Trust Bank.

Rob Abercrombie

Director of Research and Consulting, NPC

Funded by:

INTRODUCTION

Money for Good UK is a significant piece of research into donor motivations and behaviour. NPC conceived Money for Good in 2011, taking inspiration from a US study into donor motivation conducted by Hope Consulting. We knew that in the UK donor attitude and motivation, particular for higher income groups, is not well researched. We wanted to see if the things that were true in the US—especially about the way donors research their donations, and their desire to understand the impact of their giving—held true over here. But above all we wanted to contribute to the body of knowledge about donors and why they give, in the hope that if charities understand their donors better, they can form stronger relationships with them, and ultimately that should lead to more money for the important causes and beneficiaries that charities serve.

The Money for Good UK research was conducted with support from The Bill and Melinda Gates Foundation, Nesta, the Pears Foundation and the Oak Foundation. The report, published in March 2013, was based on a survey of 3,000 individuals, including 1,000 high income donors (individuals with a household income over £150,000). We worked in partnership with Ipsos MORI who undertook the survey and segmentation analysis. The main research tool was an online survey (conducted in October 2012), and the research incorporated a small sample of non-donors. The data underlying the research findings is available for further analysis on request.

The result was a wealth of insight on donor views and behaviour, preferred causes, volunteering, levels of loyalty, and feelings about duty to give. The research also investigated the information donors used when selecting charities to support, in addition to exploring donors' likelihood of giving more. Central to the research, and drawing on this wealth of information, is a segmentation of donors into seven donor types who have different motivations for giving, and want to engage with charities in differing ways. The report includes profiles of each of these donor types, comparing how the different segments rank in their reactions to different factors. The research also found that donors would be willing to give more if charities were better at communicating with them—up to £655m more per year in total—and to switch up to £1.7bn of their existing donations to these charities.

Figure 1: Money for Good UK donor segmentation

Engaged champion *"I give time and get my friends involved"*	**Benefactor** *"I give to lead by example"*	**Loyal supporter** *"I give because I care about the cause"*	**Faith-based donor** *"I give for my community"*
Thoughtful philanthropist *"I give to make an impact"*	**Good citizen** *"I give because it's the right thing to do"*	**Ad hoc giver** *"I give because I'm asked"*	

We were eager for the Money for Good UK research to be of practical use to charities, and looked to work with charities to use and test the findings. Following the launch of the report, and through conversations with a range of fundraising professionals, we were frequently asked how the research could be put into practice. In response, we worked again with Ipsos MORI to develop a tool which would help charities match donors to the segments. In December 2013 we launched the *Know your donors* segmentation tool which allocates individuals to the Money for

Good UK segments based on 13 simple questions. The main tool will allocate any person into one of the seven segments, and there are seven shorter individual segment tools useful for organisations focusing on a particular segment.

Yet this tool clearly isn't the whole solution for making use of the insights which Money for Good UK provides. The fundraising approaches taken by charities are many and varied, and the charities we've been working with see its relevance to their work differently. We have spoken about Money for Good UK with a variety of audiences, and heard a fascinating range of responses including views about how it could be implemented. Rather than lose these insights, we decided to publish this paper to reflect on how the research can be used and to help those who want to engage with it in the future. We commissioned essays from some of the organisations and individuals who have been most engaged with the research to date, and here present their views. The essays focus on the question of attitudinal segmentation, and incorporate some broader themes from donor insight.

The publication is divided into three parts. In the first, segmentation experts discuss their views on attitudinal segmentation: John Kelly (Wood for Trees) provides a comparison of the pros and cons of different segmentation approaches, while Anne Benoist (Kantar Media) shares reflections on attitudinal segmentation for charities. In the second section, charities share their responses from the frontline, including Mark Langdon (RNIB) explaining how the charity has decided to put the segmentation to the test, and Santanu Chakrabarti (Oxfam) reflecting on whether generic giving research can supplement insight from the charity's donor database. Richard Turner (SolarAid) shares the three big messages he took from the research, and explains how these relate to the approach the charity is taking to its fundraising, and Eliza Tomlinson (Samaritans) explains how the findings have been relevant to their major donor fundraising. In the last section, sector experts take a wider view and share their responses to the research, with Dr Beth Breeze (Centre for Philanthropy, University of Kent) warning that segmentations can never be neat predictors of behaviour, and Joe Saxton (nfpSynergy) sharing tips for charities developing their own attitudinal segmentations. Rhodri Davies (CAF) outlines some of the challenges of putting attitudinal segmentation into practice, and Michael Sanders (Behavioural Insights Team) advocates for research built on revealed behaviour rather than stated preferences.

Our aim for this publication is twofold. We think that attitudinal segmentation is an important issue in the future of fundraising, and hope that by sharing these responses to the research we can prompt further debate in the sector about where its future lies. We also hope that the publication is useful for those charities who find the original research interesting and are looking for ways to implement it. We are aware that Money for Good UK is not a perfect tool for donor insight and doesn't offer charities the whole solution to the challenge of attitudinal segmentation, but this paper provides a summary of the opportunities and challenges attitudinal segmentation offers.

SECTION 1: REFLECTIONS FROM SPECIALISTS

The role of attitudinal segmentation

Approaches to segmentation

Jon Kelly, Director of Analysis at Wood for Trees, discusses the why and how of segmentation, including the pros and cons of various segmentation approaches.
www.woodfortrees.net **@woodfortreesltd**

'Segmentation isn't about building one tool or one set of segments. It's about building a multi-dimensional range of segmentation tools that can be mixed and matched to address a specific business challenge.'

Experian: Six Steps to Effective Segmentation

Why segment?

Segmentation can be many things to many people. A segmentation can act as a decision framework in a whole range of fundraising contexts including supporter journey planning, creative development, campaign targeting, post campaign analysis, and reporting on supporter movements through time.

Within any organisation there may be a number of different areas in which a segmentation could be valuable, but they are likely to reflect different purposes and may require a different type of segmentation structure. For a segmentation to be truly effective, it's important to identify and focus on the relevant issues.

In our view, the segmentation process should start at the top (for example top-level segmentation based on strategic communication planning) which could feed down to detailed specific segmentation tools for the more tactical decision-making elements.

How to segment?

Segmentations can be built on different foundations of data. They can be created through complex statistical techniques or by applying more practical 'common sense' groupings. Segmentation types include:

- Attitudinal / Motivational / Loyalty: core values, needs and reasons that supporters choose the charity.
- Geo-demographic: using where people live, their age, culture, household composition, behaviour, employment, finances, media consumption and lifestyle extrapolations.
- Behavioural: data collected relating to supporters' interactions with the charity.
- Selection: for targeting specific campaigns, segmenting supporters into groups that are more likely to respond to a particular ask.
- Channel preference: the channels, privacy and relationship people prefer.

Pros and cons

Behavioural or transactional segmentations are often the most practical and beneficial solution for all charities, large and small, to understand their supporter behaviour and to target appeals. Many charities could be getting much more value out of this information which they already hold. A good behavioural segmentation does not need to be complicated. It can start with the basics of how supporters currently engage with the charity.

This approach is relatively easy to understand and action. Communication plans can be set out for each supporter type to ensure that all supporters are getting the right kind of journey for their current engagement level and are also being given opportunities to engage in other ways. It can identify pockets of disengaged or lapsed supporters for reactivation activity.

However this won't help explain why donors behave as they do, and within each group there will be supporters motivated by different drivers. Attitudinal and loyalty research or geo-demographic profiles can certainly help here and will give a much rounder picture of your supporters and the strengths and weaknesses of your product or proposition. It is not usually possible to apply this kind of information to the whole supporter base. Instead it might be superimposed onto an existing behavioural segmentation to get a better understanding of why certain segments behave as they do.

A combination of segmentation approaches is likely to provide the best opportunities for a charity to understand and engage appropriately with its supporters. And it's vital to remember that the value that you get out of a segmentation is dependent on firstly identifying and understanding the need, along with a commitment to leverage the outcomes to maximum effect.

Table 1 discusses the pros and cons of the different types of segmentation within the specific areas of acquisition and retention activity.

Table 1

Type	Acquisition	Retention	Pros	Cons
Attitudinal / Motivational	Helpful in understanding motivations of current supporters to inform strategy and creative for recruitment. Can be self-fulfilling and show the effect of current recruitment rather than tendency to support the charity. Gap analysis can show potential here.	Difficult to map back to whole database so individuals cannot be tagged with attitude or motivation—difficult to use for existing supporters. If mapped back, tends to be by behaviour and therefore shows all supporters with similar behaviour having the same motivation.	Rounded picture of supporters beyond their existing relationship. Helps creative development.	Costly. Difficult to map to database. Can be self-fulfilling.
Geodemographic	Gives a picture of who current supporters are to inform strategy and creative for recruitment. Can be self-fulfilling and show the affect of current recruitment rather than tendency to support the charity. Gap analysis can show potential here.	Good for understanding differences between different groups of supporters, eg, profile of cash vs regular supporters.	Rounded picture of supporters beyond their existing relationship. Helps creative development.	Postcode based— not at individual level.
Behavioural	Combined with lifetime value can help review the best types of supporters to recruit. Profiling of these segments through geo-demographic data or attitudinal data can also build up a picture of who they are to help recruitment.	Good for planning communication strategies and streams for existing pots of supporters, and for reviewing volumes and general overview of performance. Again, profiling of segments can help inform creative approach and messaging.	Simple, flexible and actionable.	One dimensional.
Selection	N/A	For specific targeting on different types of campaigns. Different models should be used for different asks.	Focused and specific.	Not always useable in other contexts.
Channel Preference	Difficult to determine on limited information.	Ideal for determining the best way to communicate an offering to individuals. Can help prioritise lower cost channels which could be more effective.	Ensures people are communicated via the correct channel.	Can pigeon hole people and ignore secondary triggers.

Why and when to look beyond demographics

Anne Benoist, Head of TGI Insights and Integration at Kantar Media, shares her views on when attitudinal segmentation can be beneficial for charities, based on experience of using TGI's customer insights databases.
www.kantarmedia.com @KMTGI_GB

Over the last two years we have seen a sharp increase in the number of segmentations that we have performed for key players in the charity sector. There seems to be an interesting collusion taking place between social research, academic sociology and commercial research. A number of prominent sociologists, eager to anchor their concepts in real data, might have triggered this shift by turning to techniques and measurements prevalent in commercial research. More pragmatically, on our side, a couple of successful projects conducted on behalf of high profile charities seem to have given confidence to the market as a whole and resulted in a rapid snowballing effect. Interestingly, the majority of the segmentations that we have conducted were attitudinal.

Does this mean that attitudinal segmentations are superior?

Not always, in our opinion. Clients from different commercial sectors have shared with us examples of attitudinal segmentations that were a complete waste of money, primarily because they proved extremely difficult to embed in the business. That said, attitudes certainly do help to discriminate within demographic groups. To highlight this when training clients, we often use the light-hearted example that Princes Charles and Mick Jagger are very similar on paper if we look at demographic characteristics alone.

Similarly, segmentations that are purely based on behaviours tend to provide insights only applicable for retail. Sometimes they are even more internally focused—ie, using criteria which make sense to the client but creating groupings which do not make sense to the consumer—and generate a disconnect between a client's offer and its consumers' needs. Attitudinal measurement is generally better at inspiring positioning and content. At the very least it should be used as set of profiling variables to bring segments to life.

Without revealing anything too confidential, we can share a couple of examples of how attitudinal segmentations have helped our clients in the charity sector. In one instance, they helped identify a new group of people whose mind-set predisposed them to act as potential ambassadors of the cause. In the second instance, they helped identify a territory that the client could really own, within an already very cluttered space.

So when should a charity consider segmenting based on attitudinal criteria?

It is likely to be successful if the interest in the cause is motivated by specific values. Generally, it is highly relevant for more niche or specific positioning. Conversely, certain causes are more universal or driven by socio-demographic variables such as age.

In conclusion, we can offer these tips for making attitudinal segmentations successful. These are based on a decade of segmentation work for large commercial companies.

1. Select attitudes that will directly impact the behaviour that you are trying to influence (eg, donation).

2. Favour attitudes that are linked to certain demographics and generic values. Over-specific attitudes won't make the segments exploitable in terms of the planning of your media strategy or your direct marketing, because these primarily use a demographic language.

3. Anticipate how you will link the segmentations to other pieces of ad hoc research as well as larger datasets used for your marketing activities, such as your donor/supporter database, TGI, geodemographic datasets etc.

Remember: segmentations, attitudinal or not, are only worthwhile if they are actionable.

SECTION 2: EXPERIENCES FROM THE FRONTLINE

Charity responses to Money for Good UK

Putting the theory into practice

Mark Langdon, Fundraising Insight Manager at RNIB, explains why the charity wants to go beyond behavioural and geodemographic data to explore the use of attitudinal segmentation, and its plans for testing the Money for Good UK segmentation.
www.rnib.org.uk @RNIB

At RNIB we are constantly trying to increase our understanding of our donors' identity. While we have techniques to do this using behavioural and geodemographic data, understanding giving motivations helps us to refine communications and ensure those communications are relevant. Attitudinal studies can lack the 'cold hard facts' of behavioural studies and as a result it is sometimes difficult to find a credible starting point to build on. The Money for Good UK research gives that starting point with its segmentation.

The initial research provided an interesting thesis and RNIB are keen to discover if the segments described can be used to enhance donor engagement. For RNIB the next step is to discover how the *Know your donors* tool classifies our donors into the Money for Good UK segments. We plan to do this through a simple online questionnaire, distributed to a section of our donor database. This will help is several ways.

Initially, it will allow us to compare the proportion of different donor types in our own database to the proportion of donors in the original research. What we find about the donors will give us new information which could feed into our messaging and strategy. If we find that a majority of our donors are *Engaged champions* that would imply one approach; quite a different approach if our supporters are disproportionately *Good citizens.* Of course we won't know if these results are matched across our supporter database, but it gives us a starting point.

Secondly, for the donors who complete the survey, we will be able to marry up this new attitudinal information to our existing information on their historical donation behaviour. As a result we will be able to illustrate and give more depth to the behavioural segments already in use.

Thirdly, it will also give a framework by which we can test some of the Money for Good UK findings, and see whether donors in different segments really do seek and respond to different information when making decisions about giving. We could test this by using different creative copy to verify the report findings. It will be impractical to run seven different treatments, but we would be able to select one or two priority segments based on the overall donor profile.

The returns we receive from this third test will tell us whether it is a worthwhile investment to allocate donors across the database into segments through ongoing data collection. This is the acid test: the Money for Good UK research needs to make the case for substantial investment in this attitudinal segmentation.

A challenge for this work is obtaining large enough sample sizes from which to draw statistically significant conclusions. As more charities become involved in this work, we should share knowledge to add to the robustness of the findings.

Inside-out and outside-in approaches

Santanu Chakrabarti, Head of Insights at Oxfam GB, identifies the benefits of combining supporter insight (known as inside-out approaches) with external or generic insight (outside-in) to understanding how the charity's supporters sit within a wider donor market.
www.oxfam.org.uk @oxfamgb

NPC's Money for Good UK research, if used well, should be a great resource for the charity sector. It particularly stands out in two areas: its very large sample size and general robustness of the data and methodology; and even more importantly within that, in its conscious targeting of high income donors. It is also really important in being an outside-in segmentation, as opposed to many segmentations that exist within particular charities, which start off in current databases, and therefore are inside-out. Any inside-out segmentation will, by default, end up mirroring to a large extent the composition of the existing database—and that in itself is neither good nor bad, but can become problematic when the environment or context for the charity/organisation changes fairly quickly.

However, there are two fundamental challenges that need to be met to make this more usable and implementable within organisations (even with the existence of the *Know Your Donor* tool): a) the easier one, perhaps, but a huge challenge nonetheless is how do you get sufficient numbers of your own donors to answer the 13 questions required for first level segmentation and b) how does the segmentation change when you introduce the brand or organisation into the mix. We know, for example, that when people are asked about issues such as trust/reputation of whole sectors, the numbers wildly diverge from when they are asked the same questions about specific organisations in those sectors. For example, 68% of the British public say that banks have a poor reputation but when asked the same question with respect to individual banks, the highest proportion that rated an individual bank as having a poor reputation was just 51%. Conversely, we have also seen that while the charity sector still enjoys a remarkable level of trust, when the question is asked about specific charities, the numbers show a significant drop. Certain charities have greater 'baggage' than others, as do certain causes (and overseas development is one of them). So the application of the Money for Good UK research has to be really thoughtful and nuanced.

Oxfam has recently started a process of segmentation, an inside-out approach which is largely based on behavioural data, with external profiling data from CACI married to that. We are in the process of further matching that to motivations, attitudes, and other related social-psychological data. So in some time we should be able to figure out whether the Oxfam segments are similar or not to the Money for Good UK segments; either way, that process of comparing and contrasting the two segmentations will be invaluable for us. Strategically, it might well be the case that we can use aspects of the Money for Good UK segmentation to target donors who are very different from our current pool, even as we use our own segmentation to deepen relationships among our current group.

One of the things I would like to see is how the Money for Good UK segmentation maps onto other segmentations / consumer classification tools / marketing or media surveys that are in common use—especially for media planning and audience targeting purposes. Given the increasing media spend of charities, if the Money for Good UK segmentation 'talks' to MOSAIC, ACORN, or TGI data, for example, then more targeted, well optimised, and impactful communications could be a reality. This is even more important since all of these external profiling tools don't pay as much attention to charitable behaviour as they do, naturally, to consumer behaviour, and so while often applicable, do often break down when trying to understand charitable behaviour.

Which is why I say, more power to Money for Good UK and to NPC for doing this commendable piece of work.

Beyond return on investment

Richard Turner, Chief Fundraiser at SolarAid, outlines the approach SolarAid is taking to communicating with its donors which is based on relationships and supporter networks, and engages supporters through impact-based messaging.
www.solar-aid.org @ifundraiser

Money for Good UK has three major take-outs for me.

The first was staggering but not surprising. When donors were asked what led them to directly make a donation the top two reasons given by high income donors were their friends, family or colleagues either sponsoring them or recommending them. After already being a donor to a charity, these were the top two reasons for everyone else.

That's amazing. Stop and think for a moment—half the donors, and 80% of the high income donors interviewed, were led to give as a result of being asked or recommended by someone they know. How can you not think this will have a profound effect on your marketing strategy?

At SolarAid we are launching an online platform that will encourage donors to engage their network. Old style marketing is about getting a response. New style marketing is about inspiring people so they will engage their networks about you. And of course everyone now is a marketing channel.

The second take-out was the uplifting effect that communicating *impact* has on levels of giving. It's all too easy to focus on what we do and not the impact we have. This blinding insight hit us recently. After filming what we do in Zambia the team went out for a walk around the community. Out of the darkness came the solar lights as people returned for the market. They saw a woman sewing by solar light. It was impact personified. Of course this is what we should be filming and showing donors! We need to make it easy. Donors don't have time to 'research'. If your impact is a click away on your website, it is a click too far.

The final take-out is using the segmentation model NPC has developed to think strategically. I don't think it's a segmentation model to replace what organisations have painstakingly put in place—but it could help apply a perspective on your own model looking in from the outside. For example, the report's *Engaged Champion*s are equivalent to what we call *Amplifiers*—people we empower to advocate on our behalf. The report gives us more understanding into this critical group.

Money for Good UK was missing one key thing for me: individuals are not just donors—they are gatekeepers. You don't know who they know. The social capital your donors have with their friends and contacts will always be greater than the social capital your charity will ever have with them—you need to leverage this. So it's not just about the ROI you get from directly targeting them.

Dan Corry concedes in the foreword of the original Money for Good UK report that there will always be the case for needs-driven fundraising that provide response. I would contend this report puts the case for the opposite. If you want people to engage their networks and use their 'social capital', not just their money capital, you need to inspire them, you need to demonstrate your impact, and you need to view fundraising as holistic where all the parts connect rather than the ROI silo mentality that pervades.

It's working for us. Much of SolarAid's recent growth in fundraised income, growing by 100% in the last year, has been achieved by encouraging individuals to spread our story and advocate on our behalf. In this connected world we find you just don't know who they know. And the way we inspire them and the people and institutions they open doors to? By talking impact.

The major donor perspective

Eliza Tomlinson, Philanthropy Manager at Samaritans, reflects on the potential for using Money for Good UK insights when communicating with major donors, using the segmentation to frame conversations to meet donors' interests.
www.samaritans.org @samaritans

I was invited to a roundtable event to discuss the Money for Good UK research results and potential applications last year. It quickly became obvious that the research was aimed at individual giving, but the idea of segmentation still really interested me. I began to use the donor profiles, such as *Loyal donor* and *Engaged champion,* to consider how individual major donors might like to engage with the charity.

Shortly after the roundtable discussion I met with one of our highest value supporters. She is a personal giver who had recently attended an event to celebrate 60 years of Samaritans. She had previously recommended the charity to a Trust contact and was keen to be closely involved with our work. A clear *Benefactor*. With this in mind we discussed the possibility of linking with her company and for her to even become a Trustee—strengthening the relationship through closer involvement.

One issue with the practical application of this research is that *people* give. No (relatively) easy segmentation such as postcodes or age will ever be enough to understand all the millions of people who give to charity each year. A *Thoughtful philanthropist*, for example, may quite well be living next door to me on a similar income and with similar tastes. We could seem the same but I am very much an *Ad hoc giver*! The other issue with catering to at least seven different segments is the time and resource needed to first identify the segments and then personalise multiple communications every year. I can understand why individual giving teams may be wary of investing in this work.

With major donor fundraising however, the segmentation should be relatively easy to use. Most communications are personalised in a major donor programme and each person will likely have a specific longer term plan prepared for them. Using the research as a guide you may be able to identify groups of donors who like to be communicated with in a specific way—for example an *Engaged Champion* might be well placed to join a fundraising board.

Finally, it is worth remembering that a group of prestigious donors felt that a closer look at donor motivations and the role of segmentation in fundraising was worthwhile (the Money for Good UK research was jointly funded by the Pears Foundation, Oak Foundation, NESTA and Gates Foundation). If they believe in this concept, then it is definitely worthy of wider discussion.

SECTION 3:
THE BIRDS-EYE VIEW

Sector experts share their responses to Money for Good UK

Donor segmentation: useful heuristic or grossly reductionist?

Dr Beth Breeze, Centre for Philanthropy at the University of Kent, explores whether donor segmentation provides a useful simplification in complex circumstances—but warns that in practice people can't be expected to behave in neat, predictable ways.
www.kent.ac.uk/sspssr/philanthropy **@UKCPhilanthropy**

Are you upper class, middle class or working class? This question sparks strong views and heated debates about the nature of class and social mobility, but rarely results in questioning the reductionist act of splitting the whole population into three 'types'. This is because we understand the class system is a simplified heuristic (or 'rule of thumb') that helps us grasp the complex reality manifested in different amounts of inherited and earned wealth, social status, education, consumption of power, and so on.

Given the normative use of typologies in daily life—such as the broad political 'types' of capitalism, liberalism and socialism that mask such huge internal variation, or the simple urban/rural dichotomy that fails to capture the lived reality of many communities—then why do so many people react badly to segmenting donors by type?

A university colleague once dismissed typologies as *'the last refuge of academic scoundrels'*. Tell that to Max Weber, one of the discipline's founders, who pioneered the concept of using 'ideal-types' in sociological analysis. Weber viewed typologies as a basic building block of social scientific enquiry and employed them extensively in his writing. However, he warned against confusing reality with ideal types, and today students are taught to view typologies as, *'conceptual models that help us to understand the real world… analytical devices that are constructed by social scientists in order to understand the more complex reality that exists'.*[1]

So what does this mean for the Money for Good UK research, which identifies seven donor types based on motivations and attitudes? A key problem for fundraisers is allocating donors and potential donors into a segment. People don't walk around wearing convenient labels so they can be treated differently as an *Ad hoc giver*, *Faith-based donor* or *Good citizen*. And people change over time—they might start out only giving when asked (ad hoc) but over time decide it is the right thing to do (good citizen).

Another problem is the degree of reductionism involved in creating a typology—there's a thin line between it being a useful tool or simply a bundle of grossly simplified caricatures. But philanthropy is arguably a complex reality in need of the clarity that reductionism can bring. Philanthropy has been described as a 'circus tent term' because it contains so many disparate acts.[2] The word 'philanthropy' is so over-stretched as to have lost its meaning—simply saying 'X is a philanthropist' conveys no information about why, how much and to what s/he gives. Any help in differentiating between types of philanthropists is surely useful?

So we can agree that all typologies are reductionist, but the solution is to understand them as 'thinking tools' rather than as a precise guide to reality. They are useful for describing and analysing complex situations and can bring some clarity to the huge variety within the donor pool—allowing comparisons to be made and enabling conclusions to be drawn about how to attract and retain different types of donors.

The success of the Money for Good UK typology should therefore rely on passing three tests: Is philanthropy a 'complex area' of social life that requires greater clarity? Does the typology lead to a more 'precise understanding' of donors? Are the seven types it identifies heuristically useful? These are the right criteria for judging the usefulness or otherwise of this piece of work: we need to avoid a knee-jerk reaction against the legitimacy of typologies per se.

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[1] Fulcher, J. and Scott, J. (2003) Sociology. OUP Oxford.

[2] Payton, R. and Moody, M. (2008) *Understanding Philanthropy, Its Meaning and Mission*. Philanthropic and Nonprofit Studies

Attitudinal segmentation is idiosyncratic to every charity

Joe Saxton, Driver of Ideas at nfpSynergy, argues that attitudinal segmentation is idiosyncratic to every cause, and it's important to recognise the different giving relationships individuals have with different charities.
www.nfpsynergy.net @SaxtonJoe

Most charities segment their supporters by the easy stuff. For donors, this means how recently they've given, how frequently they've given and how much they've given. For many charities this works well, but for some it is a segmentation strategy that limits the ability to understand the dynamics of their supporter base.

These kinds of charities want to build the more complex dynamics of attitude into their segmentation mix. This may be because they believe that attitude plays a particularly important role in their supporters' motivations. It may be because the charity wants to extract every last ounce of money or commitment from a database.

The Money for Good UK research made a valiant attempt to understand the dynamics of giving by carrying out an attitudinal segmentation cluster analysis on the UK population. This produced a number of segments in relation to giving patterns—but I think the Money for Good UK research failed to go far enough. At nfpSynergy we learnt the hard way that doing a generic segmentation based on attitudes to giving and charity alone is not enough. Four years ago we did our own donor and volunteer segmentation analysis. Our clients murmured 'interesting' and 'insightful' but did nothing with it.

The reason is simple. Doing a segmentation analysis based on giving patterns alone misses out what makes charities different. It implies that people could support any charity—that cause, engagement, and individual charity brand are not important. Charities are not cut from some cookie cutter mould. The public engage with overseas charities completing differently from local charities, and with cancer charities differently to homeless charities. We have learnt this lesson through other projects too, such as research on volunteering. Survey data indicated that the public should be keen on volunteering in certain ways, however in focus groups, when asked about the volunteering ideas, some participants would say 'I might volunteer but not for that charity' and 'I think of that charity as doing something different'. The cause of the charity and the image of the charity has an influence. Giving and volunteering can't be shoe-horned into generic descriptions.

So how can attitudinal segmentation be made to work?

- **Do specific research.** Attitudinal segmentation needs original research to understand the relationship between a specific charity, its cause, and its supporters (and detractors).

- **Use one (brilliant) database.** To make segmentation work, the right messages need to go to the right people, time after time. There needs to be one database which takes into account all the different ways that people support and think about a charity. And that database needs to store all the relevant information and then segment people accordingly. Many charities still struggle to have one database for all their supporters.

- **Prepare for the long haul**. Doing research is the easy part of attitudinal segmentation. Integrating that segmentation with the database, and sending out tailored communications over a period of years is the hard task. Indeed just identifying which segment a supporter belongs to is no easy job.

- **Develop new products**. There is no point identifying distinct segments and then sending them the same material as before. Segments need products that respond to their need in order to create results.

Attitudinal segmentation is the triathlon of donor insight and supporter development: it requires teams across a charity to work together; it requires a breadth of skills; it requires perseverance and organisational focus. However, we have seen clients in the environmental, overseas, children's and medical arenas derive considerable benefits— indeed competitive advantage—from using attitudes as part of their segmentation strategy. The benefits of attitudinal segmentation can be game-changing for an organisation, but the road to them is paved with hard work and good management.

Challenges of putting attitudinal segmentation into practice

Rhodri Davies, Policy Manager at the Charities Aid Foundation (CAF), explores a range of challenges in implementing attitudinal segmentation, from understanding actual behaviour to ensuring the charity's database can accommodate the information.
www.cafonline.org @Rhodri_H_Davies

CAF is an organisation that exists in large part to help people give more effectively to charity. As such, we are always trying to get a better understanding of the attitudes and motivations of donors. NPC's Money for Good UK research is a valuable effort to segment the donor market, however it has faced many of the same challenges that we and others have found when trying to translate the findings of attitudinal research into practical actions.

The primary challenge facing all attempts to segment donors using attitudinal information is that it relies on stated behaviour, rather than actual behaviour. This has been countered to some extent in the Money for Good UK research through the use of trade-off questioning techniques such as max-diff and factor analysis across the data, but it remains a difficulty. The problem is not, of course, unique to attitudinal analyses of charitable giving, but it is particularly acute in this case because we are asking people to make rational decisions about something that many would argue has an inescapably irrational or emotional element.

The other standard problem facing anyone trying to segment based on attitudes, particularly when it comes to charitable giving, is that people often exhibit a range of different attitudes in different situations. For instance, many wealthy philanthropists who take a deliberately strategic approach to their main giving are also generous ad-hoc givers who respond to fundraising requests and might also give to some organisations for emotional reasons. This doesn't mean that the segmentation is not useful, only that, as with any model, we have to be aware of the limits of its applicability.

If we put aside these general concerns, and assume that we have a successful segmentation of donors, then there are two key challenges we must face in implementing them. The first is whether our segmentation is fine-grained enough to be of use. In particular, if the aim is to provide charities with a means of more effectively engaging with donors, then we need to know that the way in which we have segmented them, and the information we have on their attributes, tell charities something that is of use to them.

The difficulty for a study like Money for Good UK is that in trying to achieve a universal segmentation that can work for all charities, there is always going to be a loss in terms of utility to one specific charity. Many large charities will have conducted their own segmentation exercises based on their specific needs and donor base, and this will inevitably be of more use to them. However, for the vast majority of charities that aren't able to commission or conduct a segmentation themselves, Money for Good UK and the accompanying segmentation tool are useful resources that can enable them to get some of the benefits of donor insight.

The second challenge is that, even if we have a useful donor segmentation, it might not be possible to use it in practice due to the limitations of a charity's customer relationship management (CRM) system. A lot of charities have legacy CRM systems which are simply not designed to incorporate attitudinal information alongside the more basic demographic information they are collecting. The obvious conclusion is that these CRM systems need to be overhauled, but given that this will involve significant investment on the charity's part, a clear case needs to be made that using an attitudinal segmentation (rather than one based purely on 'known' factors, such as demographics, geographical location or past behaviours) will lead to more effective fundraising.

One approach that CAF has found useful, and which has been well-received by many charities and fundraisers, is to use insights from behavioural economics or 'nudge theory'. The benefit of these behavioural insights is that they can often offer extremely practical and low-cost ways in which fundraising can be made more effective simply by changing the way in which you present people with information or ask them to donate. These behavioural insights are not a replacement for attitudinal insights, but rather can be used alongside them to build up a rounded picture of the way donors think and act that can inform more effective fundraising.

Stated preference versus revealed behaviours

Michael Sanders, Principal Advisor and Head of Research at the Behavioural Insights Team, recognises the potential of Money for Good UK to democratise segmentation, but expands on the challenges of building a fundraising strategy based on stated preference, rather than observed behaviour.
www.behaviouralinsights.co.uk @B_I_Tweets

NPC has always led the way in supporting impactful charities, encouraging charities to measure their impact, and helping donors and philanthropists to seek out impactful charities to donate to. The Money for Good UK research is clearly in keeping with this commitment and offers potentially valuable insights for charities.

Attitudinal and characteristic driven segmentation might allow charities to target messages where they are most likely to be beneficial, or to focus particular campaigns and promotions on donors who are likely to be most receptive. Particularly attractive to charities is likely to be the prospect of feeding their own data through the tool to produce a segmentation of their donor base. Given the undoubted value of using data to inform fundraising, perhaps the biggest social benefit of this tool is to democratise segmentation, allowing even smaller charities to get some benefit that they might otherwise be unable to afford.

It is impossible, however, to be entirely unequivocal in supporting this methodology: stated preference measures, like the surveys on which the stratification is based, are only so useful. When asked hypothetical questions about their actions, individuals can be wrong about their future behaviour surprisingly often. For example, many people state that they care about the impact of their giving—that they want to do the maximum possible good with their donation—however studies by George Loewenstein and others have shown that when actually confronted with the decision in real life, people's actions do not match up to their statements, and they are more likely to donate when given information about a single, identifiable victim than about charities impact.[3] When asked in surveys, people are determined that they are not influenced by the behaviour of their neighbours, friends, and other people more generally. Most people probably don't need a peer-reviewed study to tell them that people are actually influenced by social norms and social pressure, but if they do, there are many.[4,5]

In the longer term, for many charities behavioural segmentation—based on the way donors behave and respond—can ultimately provide a better way of investigating donor typologies and their commitment level to a given charity. Craig Landry and co-authors, in an experiment on donors to an American university, are able to use responses to conditional and unconditional gifts in the first stage of a fundraising campaign to predict responses in later stages.[6] Although at its early stages, this technique of using field experiments embedded into normal fundraising campaigns has huge promise. Using experiments doesn't need to be costly, either. Our paper, Test, Learn, Adapt, shows how these methods can be easily applied, and our charitable giving report shows how they can be applied to fundraising. At the same time, academics, such as those at Bristol's Centre for Market and Public Organisation or the University of Chicago's Science of Philanthropy Initiative, are often enthusiastic to help with this kind of research in exchange for being able to publish their findings.

So, to summarise, Money for Good UK represents a useful tool and an important step in the right direction. Most important of all is its potential power to democratise donor segmentation for smaller charities. Despite this, it is important to be mindful of its limitations, and particularly the gap between stated preferences and real world behaviour.

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[3] Small, Deborah A., George Loewenstein and Paul Slovic (2007) 'Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims'. *Organizational Behavior and Human Decision Processes,* 102, no. 2: 143-153.

[4] Hallsworth, M., List, J. A., Metcalfe, R. D. and Vlaev, I. (2014) 'The Behavioralist As Tax Collector: Using Natural Field Experiments to Enhance Tax Compliance' (No. w20007). National Bureau of Economic Research.

[5] Cialdini, R. B. (1993) *Influence: The psychology of persuasion.* New York, Morrow.

[6] Landry, Craig E., Andreas Lange, John A. List, Michael K. Price and Nicholas G. Rupp (2012) 'Using Donor Gifts to Drive Fundraising: Theory and Evidence from a Natural Field Experiment'.

CONCLUSIONS

Donors are among charities' most important assets, therefore understanding donors better, tailoring messages to suit their interests, and building stronger relationships with supporters is important. And yet almost a third of the public feel charities put them under too much pressure to donate and we hear anecdotes of charities cramming multiple messages into each 'ask' because they are unsure what donors will respond to.

Fundraising itself is an expensive function and the attitudinal segmentation presented in the Money for Good UK research, while developed through a robust research methodology, is untested, so the likely return from implementing it is unknown. Yet we believe charities need to engage with innovative ideas to succeed and should try and move away from some of the more established approaches—especially those which pursue short-term returns at the expense of building longer-term relationships.

The preceding essays reveal a number of common themes around the challenges of implementing an attitudinal segmentation. These themes include:

- The cost and impracticality of gathering attitudinal data from donors: data which may be quite personal, and which only the most engaged donors are likely to provide. It may simply not be worth the investment of time and funds to collect this information.

- The relative merits of a framework based on self-reported attitudes compared to behaviour-based research using revealed preferences. Undoubtedly the best guide to future behaviour is prior behaviour, however this approach does not give any information about the opportunity to change behaviour by working with donors in a more targeted way which matches their preferences.

- Generic segmentations can never provide the whole of the answer: charities also need to understand how different donors respond to their organisation specifically.

Despite these challenges, many charities—both those featured in this publication and others we've talked to—have found much that is interesting in the Money for Good UK research, and have identified a number of ways in which it can influence their fundraising practice.

Fundraising strategy

A number of charities feel that the Money for Good UK research has helped frame thinking about their fundraising strategy—by confirming existing views about their donors, or simply by emphasising the importance of differentiating between donor types. For these charities, the research is one among a range of insights which inform their approach.

'A very useful tool that has shaped our thinking on planning fundraising events. It confirmed what we knew—we need to do different events to suit our different donor profiles.'

Bill Feeney, Director, PIP

Sharing insights

Some charities have commented that Money for Good UK is a useful resource for charities that lack the resource to undertake their own research, and presents an opportunity to increase the sector's understanding about what donors care about. Others have found it a useful tool for initiating conversations about fundraising approaches

within the organisation—with staff and with trustees. We hope that the work adds to the tools at the disposal of smaller charities who do not have a dedicated insight team to conduct sophisticated donor research.

'We're part of a network of fundraising charities, many of whom are too small to undertake their own donor research, so it's nice to be able to share work like this with them. It's in the interests of the sector to be better informed and equipped in knowing how to relate to different kinds of donors.'

Grace Cowley, Community Fundraising, CAFOD

Major donors

Where charities have individual relationships with their donors—often in the major donor space, although for smaller charities this can be for most of their donors—the segmentation profiles can act as a mental checklist for the fundraiser in assessing how to engage with the donor.

The research sample of high income donors—those with household income over £150,000—is rather lower than most definitions of 'major donor'. Nonetheless, this high income, affluent section of the population is relatively understudied in quantitative donor research, and many charities have been interested to think about ways to build relationships with this section of their donor database.

'This has helped get thinking on the right track. Initially we thought about Money for Good just in the major donor space but now thinking has expanded. We are looking at how to be more integrated to ensure all departments within Fundraising benefit from this kind of exercise.'

James D'Olley, Data Analyst, Mencap

Market understanding

For a number of the charities we have spoken to, the information about donors across the whole population provides a useful baseline against which to compare their own supporter database, in the way described by Mark Langdon at RNIB. Even before going on to the later steps of testing different messages with different donors, just knowing which segments are strongest for the charity can help in planning which messages to communicate to those supporters. Even without undertaking dedicated research, the segmentation can be useful in spotting gaps in the offers currently available to donors, and opportunities to acquire new donors.

'The segments make intuitive sense to us, and as soon as we looked at them it was obvious that we're not doing enough for 'ad hoc donors'—one of the bigger segments.'

Lee Gisbourne, Database Analysis Manager, RNLI

Segmenting the donor database

This response to the Money for Good UK research is the most resource intensive: asking donors to provide the information which would enable charities to allocate them to a segment. This could be done through an online survey, as part of a telephone campaign, or as a paper survey (perhaps included with a welcome letter, or distributed as an annual 'thank you' survey). It is unlikely that any charity will allocate all the supporters on their database, and even if they did, they are unlikely to be able to develop separate products and communications for each of the seven segments. Yet the combination of known behavioural data with insight into attitudes, motivations, and preferences of donors has the potential to be incredibly powerful.

Volunteering

A further aspect of the Money for Good UK research which generated interest in the sector—not discussed in this document—is the correlation between volunteering and giving financially to the same charity. In discussion, a number of charities explained that this caused them to question their 'hands-off' policy of not asking volunteers to donate. It would be interesting to test this further: to see if volunteers do respond well to requests to donate, and whether this varies by segment.

Our Money for Good UK research has provided many charities with useful insights and has contributed to discussions in the fundraising sector about the benefits and practicality of attitudinal segmentation.

We want to keep in contact with those who have found the Money for Good UK research useful or thought-provoking, and are also keen to discuss ideas for future projects building on this work.

You can get in touch via MoneyforGood@thinkNPC.org

A WORD FROM UNITY TRUST BANK

Peter Kelly, Business Development and Marketing Director at Unity Trust Bank, explains why he sees parallels between the Bank's accountability to its customers as a social lender, and the accountability of its charity clients to their donors.
www.unity.co.uk @unitytrustbank

The social value of banks cannot be ignored—they provide the fuel on which entire communities are built and sustained. We have all had a painful lesson in what happens when banks restrict lending: businesses stagnate, homes are not built, wages are cut or frozen and local communities suffer.

In 2013, Unity Trust Bank invested over £39m in a diverse range of third-sector organisations including registered charities, social housing providers, and community development finance institutions. This helped create over 600 bed spaces, 2,000 jobs and leveraged over £26m of additional finance.

The experience of the last six years has put a new onus on banks to be open and transparent about what they do and how they do it. This is why we committed to reporting on the social impact of our lending. As a socially motivated bank we have found that we are able to have more and more meaningful conversations with customers who feel that our values are aligned with theirs. We believe that customers—existing and potential—should be able to see who we lend to and what value this lending is creating. Indeed, our second Social Impact Report, published in May 2014, answers the questions we're increasingly being asked by our customers. It outlines who we lend to in the social economy, where we lend it, and what our lending has enabled our customers to achieve. In order to understand the social impact of our lending we want to understand the social impacts of our customers' activity.

When funding is tight, it is often charities—delivering much needed front line services to local communities—that suffer due to cuts in funding and lower disposable income from donors. For banks and charities alike the pressure for such organisations to be transparent about their social value is being brought to bear from an increasingly demanding and knowledgeable public. It will be the customers and donors who ultimately decide whether there is a disconnect between what is claimed in various annual reports and what is achieved in reality. Finding ways to report on the social impact of lending and donations can only be good for businesses and charities.

Charities are naturally competing for funds from a finite number of donors. Every pound is crucial to a charity, and the more they can evidence how funds are being used efficiently and making a real difference to the causes they support the better. Progressive research such as Money for Good UK is vital to supporting charities to rethink their fundraising activities in line with what existing and potential donors are telling them is important.

Unity Trust Bank is a specialist bank for organisations in the social economy. It provides day-to-day banking and much needed affordable finance to civil society organisations and aims to create positive social change through all its business activity. It banks and lends exclusively to organisations that have clearly demonstrable social impacts, and this is reinforced by its commitment to lend £100m to social economy organisations from January 2013 to December 2015. The Unity in the Community staff initiative gives every staff member five paid days a year to support charities or good causes.

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

www.thinkNPC.org