



A wealth of opportunity

how the affluent decide the level
of their donations to charity

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Introduction

A depressing statistic on charitable giving in the UK is that while the poorest 10% of the population donate 3% of their household expenditure to charity, on average, the richest 20% give just 0.7%¹.

Why is it that the people who can most afford to support charity are less generous than those who can least afford to do so? To explore that particular question, it is helpful to try and answer a related question. When a donor is considering making a donation to charity, what factors determine the size of that gift?

The Giving Campaign was keen to explore the higher income segment of the population with a view to understanding how they decided on the level they would give at, and what would encourage them to give more. This report documents research undertaken by NOPWorld Financial, on behalf of The Giving Campaign, exploring those issues.

Objectives

The overall research objective was to understand, through a series of depth interviews, the process by which the mass affluent (roughly defined as higher rate taxpayers) decide how much to give to charity.

Further objectives were:

- To examine how the gift is related to income and wealth.
- To gauge the extent to which charity 'ask' affects the size of the gift.
- To explore attitudes to regular giving and potential influences that would encourage movement towards more regular giving.
- To consider whether life events, such as the birth of a child, marriage, house purchasing, making a will, drawing up a budget, etc., trigger a gift to charity.

Second stage

Initially, the second stage of the research was to focus on the views of charities towards the findings from the depth interviews and on their opinions related to the level of gift and the fundraising challenges which charities face. This would allow the research to look at views from both 'sides of the fence'.

'Team talks' were set up with fundraising staff from three charities. Key objectives for this part of the research were:

- To get reactions and feedback from fundraisers on the research findings.
- With the research findings in mind – what do fundraisers see as the implications for charity?

A short programme of mini group discussions with donors and lapsed donors was added to the second phase of the research, to allow for greater interrogation of the findings and to encourage ideas for increasing giving.

¹ *A Lot of Give – Trends in Charitable Giving for the 21st Century*; Catherine Walker and Cathy Pharoah, Hodder & Stoughton, 2002



Methodology

The research method employed a two-phase programme of qualitative research. Face-to-face in-depth interviews with donors and lapsed donors comprised the initial stage. The second phase consisted of mini-groups convened with respondents already interviewed and team talks with charity fundraising teams. Phase 1 was conducted between October-November 2003 and phase 2 in January 2004.

The recruitment of donors and lapsed donors was undertaken by NOPWorld Financial and Total Research Services in four geographical locations. In this way recruiters worked with a questionnaire based on the criteria outlined below to find individuals or couples who met the specifications of the donors (or lapsed donors) we were looking to talk to. Interviews and mini-groups were conducted by members of the project team from NOPWorld Financial. The Giving Campaign recruited charity fundraising teams for phase 2 of the research.

Research conducted for The Giving Campaign in 2002² identified two main types among high earning donors. Based on behaviour and attitude, this typology was incorporated into the sample structure to ensure that a range of donors was included. Consequently the active donors sample was split equally among committed donors and ad hoc donors – a description of these donor types and the definition used for recruitment purposes in this research is shown in Table 1.

The sample was further split into high and low level donors. This was ascribed on a self-defined basis with respondents being asked at the recruitment stage if they would describe the value of the charitable gifts they made as high, medium or low.

Table 1

	Definition used
Committed donors	those individuals who have arrangements in place to implement their wish to give, be it regular donation by direct debit, charitable membership etc
Ad hoc donors	those people not giving regularly in a structured fashion but who do give on an ad hoc basis. (NB. An upper limit was imposed on the number of respondents giving only once a year to ensure a spread of behaviour across the sample)

² Giving at the office – A summary of NOP research into perceptions and understanding of Payroll Giving amongst high earners, August 2002



Key findings

Initially it appeared that the process of deciding how much to give was arbitrary and almost whimsical, superficial and rather bland.

However, as the interviews progressed, donors were encouraged to question this lack of thought on deciding how much to give, and subsequently gave more consideration to the decision-making process. The key findings were:

1. The giving decision

Deciding how much to give is intimately linked with choosing to give in the first place. Deciding how much to give is tied into the primary drivers affecting the desire and implementation of giving itself.

The level of gift chosen is often defined as 'what felt comfortable' and 'what I could afford'. Donors struggle to account for their chosen level beyond these relatively superficial explanations and at times the process seems hidden from their own awareness. However the exploration of the giving decision reveals the dynamic that shapes the level of gift – from initial impetus through to practical implementation.

2. Donor considerations

The process is shaped by a number of key factors which serve to power, express and mediate the desire to give. The key factors at play, perhaps predictably, are:

- The desire to 'do good' and 'make a difference'.
- The identification of a charitable cause/organisation that the donor feels affinity with and is confident will make a difference.
- The financial considerations of the donor at that point in time.

3. The challenges

There are a number of challenges that the gift has to pass through before it achieves the 'comfortable' level that donors thought they could arrive at.

The challenges include:

- The need of donors to be confident that their gift is making a positive difference.
- The widespread need of donors to be confident that charities are concentrating on their core mission and that funds are being spent appropriately.
- The ability of donors to feel that they can afford to give, based on their perception of their personal finances.
- The relative lack, for many donors, of external guidance and support in suggesting an appropriate level.

4. The ask

The charity 'ask' clearly has a key part to play in many people's decision over how much to give. A common assumption was that the charity 'ask' represented the charity need i.e, if the charity is asking me for £3 a month, that is how much they need from me.

5. Benchmarks for giving

Feelings were mixed towards the concept of benchmarks for giving, such as donating 1% of income to charity. They were seen as most likely to work among those who were financially secure and not currently giving at this level.



The main issues – in detail

1. Trust and confidence

There is widespread desire to contribute to the improvement of other people's lives. Donors are looking for tangible evidence that their gift is achieving the ends it was intended for. There are recurrent and deep-seated worries over the strategic direction, role and activities of charities. They can be seen as too business-like (but often not professional enough), too marketing-focused and at too great a distance from the causes for which people are giving.

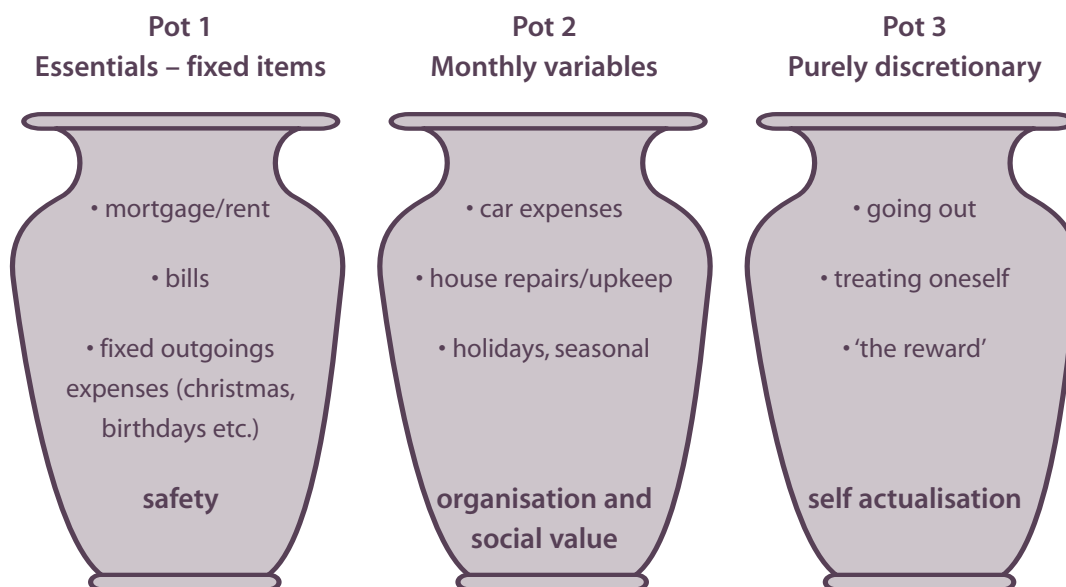
"I would rather give to somebody where I know where it (the money) is going, rather than give to those who are advertising on the television or anything like that – they say where the money is going, but is there any truth in it? How can you prove it?"

2. Financial security and perception of wealth

Charitable gifts come at the bottom of a long list of spending priorities – which means the charitable 'ask' has to work very hard to get funds from a 'pot' that is often limited, and which focuses largely on spending on the individual. This day-to-day allocation is, for some people, further restricted by concerns about family expenditure on schools, higher education, healthcare and pension provision. 'Felt' poverty was a common issue, with apparently affluent people feeling the pressure of maintaining their lifestyle, and thus not feeling they have much to give away.

"The way I feel at the moment is that the children have to come first and then the charitable giving will come out of really what is left"

The chart below shows a model for how people prioritise their finances in this way, with charitable giving most likely to come out of pot 3:



3. The level of the gift

For many donors there appears to be little structural guidance on what level is appropriate. This contrasts with the background concept of tithing that can resonate with faith-based giving, and which is further supported by the public reinforcement of giving within these faith communities.

“There is no calculation where I say I’ll give 5 or 10%, we don’t do it on that basis”

These issues seem to dictate how much the mass affluent decide to give, and may account for the relatively low giving levels amongst UK ‘mass affluent’ donors.

Increasing the level of giving

The research identified two key initiatives that would encourage higher giving levels among the mass affluent:

1. The need for the charitable sector to address donor concerns in terms of providing greater financial accountability, communicating more tangibly the achievements in relation to their core mission, that tighter regulation is enforced to eliminate fraud and inappropriate activities, and that consolidation of charities with similar/identical aims is embraced.

“You get the letter, you get the little gift with it, the pen or something like this – all this has got to be paid for”

2. The further development of tax-effective measures to benefit charities. In addition to increased levels of tax advantage, donors want more promotion of tax-effective schemes such as the CAF Account and Payroll Giving, and these schemes should be made as easy as possible to access and use.

“With Payroll Giving, you don’t get the money so you don’t miss it”

The limited sample appearing in Phase 2 of the donor research indicates the significant potential of Payroll Giving to provide additional space in people’s lives and finances for charitable gifts. There are also indications that current accounts that contribute to charitable giving would appeal to many people.



What can charities do?

If charities are going to raise more money from the mass affluent, there are a number of factors they will need to consider:

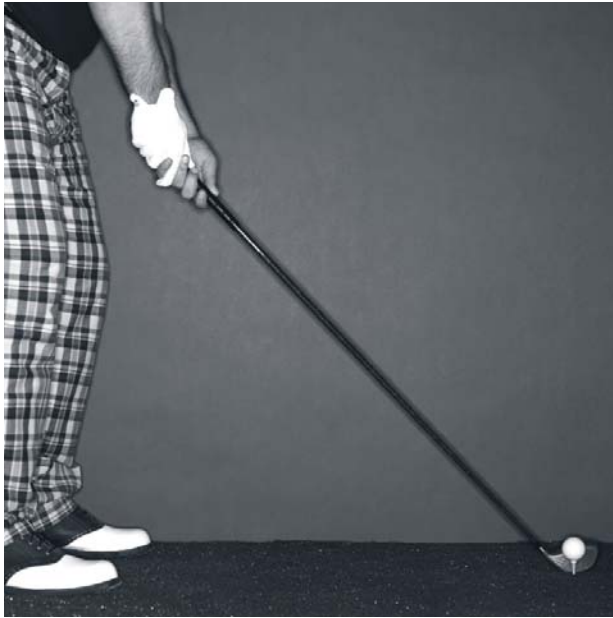
- The 'felt poverty' present within this affluent donor group. In other words, those who seem by all measures to be very well-off, do not always see themselves as such.
- The effect that lifestyle has on how much people give and what causes them to give.
- The potential impact of macro economic changes, such as the cost of education and pension provision, on giving patterns.
- The internal processing that donors exercise over their finances (the 'pot' model).

"Donors are more than disembodied wallets"

It was apparent in talking to the charities involved in this research that a gap exists in the relative positioning and targeting of the mass affluent in fundraising strategies. This is in contrast to the efforts being made to fundraise from high value donors.

In an ideal world, relationships with these donors would be nurtured in a bespoke manner that is currently reserved for high value donors, but this simply isn't practical. However steps can be taken to better understand these donors through the use of the information held about them. It is important for fundraisers to appreciate their supporters as people rather than numbers of 'disembodied wallets' as one fundraiser put it.

The mass affluent group of this study represent an opportunity for charities to increase fundraising levels. If charities can learn more about the giving habits of this group, recognise and influence the process they go through to arrive at their level of giving, and support and promote the initiatives such as Payroll Giving and giving accounts recognised by this group as having the potential to increase levels of giving, then they will benefit in the long term.



There has never been a better time to give

The Giving Campaign has been established to encourage a stronger culture of giving in the UK and increase the amount of money given to charity. We are supported by and work closely alongside UK charities and many other bodies, including the Government.

Previous reports available from The Giving Campaign include:

1. **Advice worth giving?** – A summary of a MORI survey on the role of financial advisers and related professionals in providing client advice in charitable giving, October 2001
2. **Giving Nation** – A summary of an NOP survey examining attitudes to charity and giving by secondary school pupils and teachers, June 2002
3. **The Future of Giving?** – A study of the potential market for planned giving products in the UK, July 2002
4. **Giving at the office** – A summary of NOP research into perceptions and understanding of Payroll Giving amongst high earners, August 2002
5. **A giving relationship** – A summary of MORI research into recruiting and developing high value supporters, May 2003
6. **Charity financial products** – A new approach to giving, September 2003

Further copies of this report are available from The Giving Campaign and the full research report can be downloaded from our website.

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