

GOING ONCE, GOING TWICE

IN A TOUGH ECONOMY, NEW PERSPECTIVES
ARE REDEFINING THE ART OF THE FUNDRAISER

OF ALL OF THE NAIL-BITING and breath-holding associated with the stress of the steadily eroding national and global economies, nonprofit organizations have had reason to do more than their fair share. In a sector that depends largely on funding from government grants, private donations and fundraising campaigns, nonprofits anticipate that, when financial times are tight, budgets for charitable giving are often much, much tighter. A recent report by the Alliance for Nonprofit Excellence confirms those fears: about half of the organizations surveyed said they would end their budget year with a deficit, and almost a third have no cash reserves.

Unfortunately, the immediate future shows little sign of relief; the report also indicates that 60 percent of respondents have experienced an increased demand for their services, while 73 percent reported decreased revenue. Without a secure inflow of funding, organizations across the board have been eliminating services, cutting staff levels or folding altogether, leaving those in need of services with few alternatives. A case of tragic irony, nonprofits need financial help most in times when the help is in short supply.

All of this has led to major event adjustments: smaller budgets, bigger challenges and increased pressure on nonprofit planners, many of whom are scrambling to reevaluate the traditional methods with which they engage donors and manage the fundraising portions of special events. In a down economy, all bets are off; once reliable donors are rethinking their giving allowances, and



traditionally successful fundraising vehicles, such as live and silent auctions, are no longer generating the profits they once could.

But necessity, they say, is the mother of invention, and event planners, an inherently adaptive and resilient group, are increasingly turning to new strategies to bring in the bucks. In fact, some organizations are raising more money than ever, against all odds, and the willingness of

their planners to adopt a new way of thinking is fueling that fire. Are traditional fundraising events falling to the wayside? Recent research into the psychological processes of charitable spending suggests that they should, and a few cool technologies are adding to the growing arsenal of tactics available to leverage these findings, keeping fundraising, and nonprofits, very much alive.

THE AUCTION MENTALITY

Silent and live auctions have long been a go-to means of raising money at events. The formula is straightforward: the winner simultaneously gains a coveted item while donating money to support an organization. Popping up at golf tournaments, benefit luncheons and fundraising galas, auctions have become an event element attendees have come to expect and, executed properly, can result in large profits in short order as bidders fight it out over sports tickets, vacation packages and gift certificates for services. But what is it about the auction atmosphere that so often drives bids far above the actual value of the items?

Deepak Malhotra, assistant professor at Harvard Business School says, simply, it is the concept of “competitive arousal.” Also known as “auction fever,” the phenomenon consists of a few basic stimuli that increase a bidder’s drive to win: rivalry, social pressures, time pressures and hype. These elements combine in a perfect ratio during a live auction; the public arena in which the competition goes down, the pressure to win in front of peers, the auctioneer egging on the fight.



The auction format also creates the feeling of commitment to an item. Says Malhorta, if the bidders “have invested a lot of time, effort or money in trying to acquire the item, they may continue to bid past their initially set limit.” With the potential addition of alcohol to the mix at, say, a gala dinner, relaxing bidders’ judgments and internal financial restrictions, the possibility for prices to skyrocket increases. All of these elements add up to big bucks for nonprofits, and a successful fundraising event.

That is, when the economy isn’t in the crapper. Unfortunately, an economic recession throws a big stick in the spokes of that “auction fever” mentality planners count on. Suddenly, the pressure to be, or appear, fiscally conservative outweighs the pressure to win at any cost. Even those that can still afford to bid high of big ticket items are exercising restraint, in an effort to avoid flaunting an implied wealth during a time that so many have lost so much. Such was the case at the recent Auction Napa Valley, which last year raised \$10.3 million by auctioning rare wines and vineyard packages. Says Wade Welch, a Houston attorney who attended the event, “If we weren’t in a recession, I would bid five times as much as I would otherwise. And it would be less of an economic decision and more of an emotional one.” This year, the event raised \$4.3 million, less than half of the 2008 total.

“People are hesitant to seem flashy,” says Ray Hansen, ceo of IML, a leading producer of audience response systems used to facilitate silent auctions and direct pledges. “When people are hurting, they are not going to give to your charity just because they’re going to get something back.”

THE ART OF ANONYMITY

IML has seen the results of this trend reversal first-hand. Its audience response systems, which allow event attendees to bid on

**28 MILLION+ DEAD
15 MILLION+ ORPHANED**

KEEP A CHILD ALIVE

**DONATE \$5 NOW
WITH YOUR MOBILE PHONE**

DONATE \$5 NOW

KEEP A CHILD ALIVE is a registered nonprofit in the United States. All funds donated go to support the organization's mission to provide life-saving medicine, support, and other resources to help children and families who are affected by HIV/AIDS. For more information, visit www.keepachildalive.org.

silent auction items or make direct pledges from a handheld device without having to leave their seats, have become increasingly popular since the technology launched in mid-2008. Hansen believes this has a lot to do with a sense of comfort and anonymity the devices provide.

Jon Carson, ceo of cMarket/bidding for good, could not agree more. cMarket provides an online platform for planners to run fundraising auctions, and Carson sees a trend in a need for bidders to maintain a low profile when bidding high on items. “Ninety percent of our bidders register names that are anonymous,” Carson says. The traditional silent auction was once thought to be a solution for the public bidding wars of the live auction that some may be shy to engage in, but also have the potential to become less anonymous than intended. “If you’re in the heat of the race, in the final minute, in many cases you almost have to grab the pen out of someone’s hand. That’s a small percentage of the population that will be that aggressive,” says Carson.

Alex Durant, founder of Durant Consulting and a fundraising auction specialist, used cMarket/bidding for good to auction larger, high-priced items at the recent Food Network South Beach Wine and Food Festival for exactly that reason. "Users can place absentee bids anonymously, online, from the comfort of their own homes," says Durant. "And a lot of the time, the absentee bids end up winning." She explains that online auctions allow those who want to support a nonprofit organization by bidding on a high-ticket item, and can afford it, to do so without fear of judgment or public scrutiny. For the festival, the high-priced items auctioned online went for higher than their estimated values, and Durant believes it resulted in a more successful fundraising effort than an in-event silent or live auction would have.

TAKE THE WORK OUT OF DONATING

For Durant, providing that ease of use is a big factor in utilizing the online auction format, because it also allows event attendees to really have fun without the pressure of participating in the auction element at the same time. "Guests can relax, and completely enjoy the event," she says. Carson agrees: "If the event is meant to build community fabric, so that donors feel a greater part of the community and they feel more connected, you want socialization; you don't want peering over clipboards. It's better for the organization in reaching the strategic goal."

Ease of use is one of the main factors that drove Elizabeth Santiso, vp at Keep a Child Alive, to research new technologies to incorporate into the organization's fundraising efforts. And when Santiso was told by a colleague about a new way to take donations through cell phone texts, she was intrigued.

mGive, a mobile donation provider, turned out to be a fundraising miracle, when it facilitated the collection of over \$400,000 for Keep a Child Alive in the course of one night. Of course, having Alicia Keys make the donation request live on an episode of American Idol didn't hurt. But Santiso maintains that the technology is, "just a natural course of action as far as donations go, because texting now is so popular." The process is simple: donors text a certain word to an assigned five-digit number, and by doing so agree to donate a set amount to the organization's campaign. For Keep a Child Alive, which provides healthcare and housing to children with HIV/AIDS in Africa and India, the amount was just \$5, but donors could choose to donate more if they'd like.

Why does it work? "It's so easy," says Tony Aiello, mGive's cofounder and senior vp. "It only takes a few seconds to send a text message." Donors do not have to enter a credit card or bank account information, either; the donation is simply added to their cell phone bill.

A user-friendly design is what Hansen attributes to a huge increase in direct pledges during events as a result of using IML's handheld devices. At the Robin Hood Foundation's May fundraising gala, planners saw a 70% participation rate when attendees were asked to make a direct pledge using the devices, a jump from previous participation of less than 10%. The event raised \$72.6 million for the New York City organization, eliminating the silent and live auctions completely. "It's a simple equation," says Hansen, "You present the need and while the need is heavy on peoples' hearts, you ask them to give. What many devices do is facilitate that in a quick and easy way, as opposed to asking 'Hey, when you get

back home, would you make this donation?'"

QUANTITY, NOT QUALITY

Given the economic recession's effects on charitable donations, and following President Barack Obama's successful grassroots fundraising campaign, many nonprofits are making a move towards generating smaller donations, but much more of them. Using mGive's mobile giving technology, Teleton MexAmerica, a nonprofit that builds rehabilitation centers throughout Mexico, raised an incremental \$125,000 in \$5 donations during a one-day telethon, and gained over 15,000 new donors.

Keep a Child Alive received \$5 donations from over 90,000 individual donors following the Keys appearance on American Idol. "With this particular texting campaign, it works best reaching out to mass audiences at once," says Santiso. All of those donors are then added to the organization's database via email, making the contact information alone invaluable.

cMarket/bidding for good applies that perspective to its auctions as well. The service maintains a bidder portal of about 130,000 registered bidders who drive up to 40 percent of bidding activity. "One of the benefits of being online," says Carson, "Is that you are open 24/7 to that group; bidders that might someday become donors."

Of using audience response systems, Mark Bezos, svp-development and communications at Robin Hood, says: "We were blown away by the number of people who responded this year. Not only did the technology help us increase the night's overall revenue, but it was easy and fun for everyone to get involved. Whether they were able to donate \$10,000 or \$10, each person was able to make a contribution."

Perhaps most beneficial to nonprofits is the ability for these technologies to reach a far larger potential donor base than ever before possible, and in some cases, a new demographic. Says Santiso of the cell phone donation technology: "I think it is the new way of donating in America, and it's a brilliant way to reach out to a younger, broader audience as well, and I think that's key."

Certainly, appealing to younger donors by allowing them to donate via the platform they use most is a huge advantage. Alicia Keys promoted the Keep a Child Alive campaign throughout her nationwide tour, asking concertgoers (who now raise glowing cell phones in the air, instead of lighters) to use those phones to donate to the cause, raising \$45,000. The campaign also gained publicity when mentioned on an awards show on cable station BET, which aired multiple times. "Every single time it showed on TV, we got in another \$4,000 or \$8,000," Santiso crows.

The technology also allows Keep a Child Alive to send text alerts to those who have donated, keeping folks updated as to where their money is going and what new initiatives the organization is embarking upon, plus opportunities for continued engagement. Similarly, Durant likes the fact that bidders on cMarket's online auction can forward item listings to friends and coworkers that might be interested in bidding, via email. Recipients can create an account in the system, and the organization has just gained another potential donor. "It gives the communication tools directly to the constituencies," Durant says. "It really helps to spread the word about the cause, and that's what fundraising is really all about." ☞

—Rachel Gary