

Cultivating A New Generation of Nonprofit Donors

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TABLE OF CONTENTS

Executive Summary.....	3
Key Learnings.....	4
Recommendations.....	5
Market Demographics	
Generation X Demographics.....	6
Generation X Attitudes & Behaviors.....	6-7
Generation Y Demographics.....	7
Generation Y Attitudes & Behaviors.....	7-8
18-30 Year Old College Students Profile.....	8
Generation X & Y Marketing Trends.....	9
What Are They Spending Their Money On?.....	10-11
Where Are They Going Online?.....	12-13
Nonprofit Trends and Strategies	
Volunteerism.....	14
Successful Youth Recruitment Campaigns.....	14-15
How to Attract Young Volunteers.....	16
Benefits of Targeting Family Units vs. Individuals.....	16
Leveraging Technology Trends.....	17
Online Strategy.....	17-18
“Must Haves” for an Effective Fund Raising Website.....	19
Sources.....	20

Executive Summary

A 2001 United Way study found that “Gen Xers want to be involved in philanthropic activities but feel disconnected with communities, or turned off by cultural images of some of the long-standing charities”.

Therefore, it is essential for nonprofits to develop personalized individual relationships with donors, based on understanding of why and how they give. One way to achieve this is to actively engage the potential donor in the nonprofit, involving them in projects about which they feel most strongly. Once the volunteer has made a personal commitment to the cause, they are more likely to actively maintain their involvement and pledge not only their time and talents, but show their financial commitment as well.

Research shows that young people who develop a relationship with a nonprofit give more time and money, more frequently, and become better donors later in life. These young volunteers then become beacons among their peers, relaying their positive experiences and nurturing the next generation of community philanthropists.

This blossoming generation is larger, more racially and ethnically diverse, more market savvy, and more technologically literate than any prior generation. The way in which young people are willing to donate differs dramatically from the traditional methods of giving which we’ve come to know. It is critical for nonprofits to tap into creative new approaches to effectively reach this audience.

Technological advances can be an enabler and are critical for nonprofits to delve into this younger, socially conscious future generation of donors. The level of their support and commitment to nonprofits will have a lasting impact on the vitality of these organizations and the communities in which they serve.

As Derek White, EVP Alloy and GM Media and Marketing Companies, points out, *“You’re talking about highly intelligent, financially empowered consumers who are preparing to launch into the marketplace with well-paying jobs and long careers. Marketers who can successfully reach these young adults with a quality product, positive message, and clear value proposition, may enjoy decades of loyal purchasing and millions of dollars worth of free, word-of-mouth marketing.”*

Key Learnings

Attitudinal Shifts

Attitudinal shifts in the marketplace have dramatically changed the landscape of today's market as compared to when our parents were coming of age, both as consumers and nonprofit supporters. These attitudes precede behavior and drive messaging, product development, solution development, and merchandising opportunities. "Success" is now defined by the intangibles, the non-materials of life. Consumers' brand loyalty has receded, favoring unfamiliar brands which they've researched, versus long-standing familiar brands. Shoppers are more interested in a fair and reasonable deal with greater value, versus the lowest price. They believe in the democratization of luxury - feeling affluency isn't just for the wealthy, and like to treat themselves to small luxuries, regardless of their economic situation. Anxiety is on the rise while public trust is on the decline. Americans have been bombarded by the dot com bust, Columbine shooting, 9/11, Iraq war, Enron, and Catholic Church scandals. How a consumer defines oneself and makes buying decisions is rooted in multicultural thought patterns and origins.¹

Demographics

The television drives homogeneity, while the Internet drives diversity. Today's youth have never been more diverse in its racial and ethnic backgrounds, and buying preferences. Successful marketers are incorporating these cultural backgrounds and preferences in their messaging with a straight forward, no-nonsense approach. A quarter of these youth are being raised in single-parent households and three quarters have working mothers. These young consumers have more discretionary income than prior generations and like to spend it on leisure and entertainment products and activities at unprecedented levels. Technology is woven throughout their daily lives and plays an integral role in how they communicate.

Technology

The youth of Generations X and Y have demonstrated clear preferences for specific entertainment and communication technologies. They spend an average of 5.5 hours per day engaged on media outside of school...internet, TV, DVD, iPod, cell phones with digital cameras, and instant messaging.² They are accustomed to multitasking with multiple technological devices. They are always engaged, always plugged in. This clearly wired generation puts the challenge of reaching this group into new context. Nonprofits need to diverge from traditional methods of mass marketing and incorporate technology into their communication strategy to effectively reach this vital audience.

RECOMMENDATIONS

1. Spark word-of-mouth endorsements... viral marketing vs. mass marketing
2. Use more realistic pitches, more subtle, more local ads
3. Present clear value propositions
4. Be sincere
5. Let them stumble onto nonprofit in unexpected places
6. Encourage grassroots campaigns... create a "buzz" about your organization
7. Go where they are – don't try to pick a trend and let them come to you
8. Have a presence in the entertainment and leisure arenas
9. Acknowledge the cultural differences
10. Don't talk down to them - youth have high awareness level
11. Exploit contests and promotions
12. Include Volunteerism to expand depth and breadth of potential donors
13. Leverage technology as cornerstone to reach new audience
14. Have strong online presence and incorporate into overall marketing strategy

MARKET DEMOGRAPHICS

Generation	Year Born	Current Age	U.S. Population	% of U.S. Population	Approximate Annual Spending
Matures	1900-1945	61-106	57.8 million	20.5%	\$20 trillion
Boomers	1946-1965	41-60	82.8 million	29.4%	\$900 billion
Generation X	1966-1979	27-40	58.9 million	20.9%	\$125 billion
Generation Y	1980-1999	7-26	80.5 million	28.6%	\$105-\$170 billion (their own money plus parents')

Generation X Demographics³

- Aged 27-40, also called Echo Boomers or Millennium Generation
- Grew up during Cold War, nuclear threats, Corporate America downsizing, uncertainty in world
- Many raised in two households, divorced parents
- Many from so-called broken homes, more loyal to friends than family; despite this, considered fun-loving people who live for today
- First generation to have computers in school, tech savvy
- Grew up watching TV, very visually oriented, enjoy interactive presentation and experiences that integrate actions and multiple senses
- Generation Xers respond to those who dare to stand out
- Famous Xers include: Kurt Cobain, Michael J. Fox, Brook Shields, Leonardo DiCaprio, Tiger Woods, Shania Twain, Kid Rock

Generation X Attitudes & Behaviors

- Unwilling to sacrifice personal lives for career advancement
- Impatient, bored easily, used to many choices, not tolerant as consumers; value opportunities for excitement and change
- More skeptical of advertisers and marketers than any other generation; they read the fine print
- Focused on getting true value and quality; comparison shoppers; wary of being duped
- Marketers labeled them as “under-achievers” “embittered” “apathetic”; reputation as outsiders

Generation Y Demographics⁴

- Aged 7-26; multicultural - more racially & ethnically diverse than any prior generation; 1/3 not Caucasian – primarily African American and Hispanic
- 1 out of 4 raised in single-parent household; 3 out of 4 have working moms
- Very technologically literate, grew up with PCs in preschool; accustomed to multi-tasking with multiple technological devices
- Used to overly-regimented schedules of play dates, music lessons, soccer practice; accustomed to structured activities with objectives
- Involved in family purchases from groceries to cars; given greater financial responsibility
- 2001: 37% of college seniors have 3+ credit cards; 49% have 1-2 credit cards
- 1 in 9 high school seniors has credit card co-signed by parent
- Violent crimes among teens is down, alcohol and drug use at all-time low, teen pregnancy is down
- Income source: 75% college students maintain jobs, earning average of \$645/month; 20% work on campus, 42% work over breaks; parents contribute another \$154/month
- College students spend more than \$13,000 per year, 19% of which is discretionary (\$211/month)

Generation Y Attitudes & Behaviors⁵

- More socially conscious than any generation since World War II; 50% say they trust Government, vast majority trust their parents
- Believe in giving, participating in nonprofits, donation of time and resources
- Have \$50 - \$100 per week in discretionary income
- Spend an average of 5.5 hours per day on engaged media outside of school - internet, TV, DVD, iPod, cell phones with digital cameras, and instant messaging.
- Always engaged, always plugged in
- Early Adopters of new technologies and products
- Twice as likely than general population to influence the opinions of others in areas of life such as what products to use, what entertainment to see, which politicians to vote for, and where to eat

Generation Y Attitudes & Behaviors (cont'd)

- Most expect to have careers and already think about home ownership; at 18, many have 5-year plans and are already looking at balancing work/family relationships
- They aren't interested in long-term investments; spend \$3 billion annually on movies, DVDs, music, and video game purchase and rentals.
- Music sales= \$474 million, Theater Tickets=\$658 million, Games= \$341 million
- Watching movies at home and in dorms account for \$600 million to buy and another \$326 million to rent DVDs.
- In-theater viewing is especially high; a college student goes to more than 10 movies per year, spending on average \$70 annually on movie tickets; compared to \$32 for general population, including children.

18 - 30 year old College Students (combination of X and Y) as of 4/02

- 93% have internet access
- 92% own a computer; 13% plan to buy one in next year
- 69% own a cell phone; 18% plan to buy one in next year
- 15% among buyers of new gadgets / technology devices (Early Adopters)
- 53% likely to buy new gadget after seeing others use it
- 32% tend to wait to buy new product
- 80% have a vehicle for personal use
- 29% use car owned by parent or relative; 17% planned to buy one by end of '02

Postponing Marriage	Men, aged 20-24	Men, aged 25-29	Women, aged 20-24	Women, aged 25-29
1970	55% unmarried	19% unmarried	36% unmarried	11% unmarried
2000	84% unmarried	52% unmarried	73% unmarried	39% unmarried

Staying single⁶

1970 - 40.3% households were married with kids

2000 – 24.1% households were married with kids

Having children later in life

Having children < 25 years old: 24% decline

Having children > 35 years old: 160% increase

Generation X & Y Marketing Trends

- Respond to humor, irony, unvarnished truth vs. the celebrity, image-building campaigns that worked with the Boomers
- Successful ad campaigns: Sprite ad using “Image is nothing. Obey your thirst.” Arizona Jeans ad attempting to speak the language of the Yers. Tagline reads: “Just Show Me the Jeans.”
- Rely heavily on peer-to-peer recommendations... viral marketing
- Innate distrust for marketers; effective marketers need to be sincere, deliver on promises
- Internet is medium of choice vs. network TV was for Boomers
- If a company can't communicate via email, attitude is “What's wrong with you?”

Successful X & Y Marketing Campaigns:

1. Universal Studios, Coca Cola, and McDonald's have used “Street Teams” where teams of young people are sent to places where young people hang out such as clubs, parks, malls, and they talk to them about everything from fashion to finance...helps to pinpoint emerging trends
2. Grassroots campaigns using “Wild Postings” where posters are put up on street corners and construction sites such as the underground rock bands have always done; creating a “buzz” about their product
3. Sponsor community events, hand out coupons and t-shirts at concerts and ball games
4. Golden Books Publisher handing out chapters of its latest teen book at movie theatres
5. Coca Cola mailed gift cards for fast food and movies to teens, but started with stand-out athletes in local high schools first before they followed on with larger markets in malls
6. Toyota Scion sponsoring street basketball/ break-dance festivals, with cars on display to test drive

WHAT ARE THEY SPENDING THEIR MONEY ON?

According to the Spring 2002 360 Youth/Harris Interactive College Explorer Study⁷, college students spend an average of \$287 a month on discretionary items (spending on anything other than tuition, room/board, rent/mortgage, books/school fees).

Including weekend days, college students average 11 hours per day of unscheduled time (when they're not sleeping, working, studying or attending class). It is not surprising then, that spending on entertainment and leisure activities, represents a significant portion of discretionary spending.

"If you are going to reach college students, theaters are one place you have to be", says Derek White, EVP Alloy and GM Media and Marketing Companies

Participation/Spending by College Students on Entertainment and Leisure Activities		
	Projected Yearly Spending (in millions)*	% Students Participating in Last Year
Vacation Travel	\$4,607	61%
Purchase Videos/DVDs (not including equipment)	\$2,754	70%
Purchase Music, CDs, Tapes, etc.	\$2,746	76%
Purchase Video Games (not including equipment)	\$2,284	37%
Purchase reading material (not for use in school)	\$1,009	83%
Going to Movies	\$887	91%
Attending Music Concerts	\$791	49%
Going to Amusement Park	\$456	41%
<i>*Projections based on Spring 2002 360 Youth/Harris Interactive College Explorer Study; this represents a partial list of categories for entertainment and leisure activities.</i>		

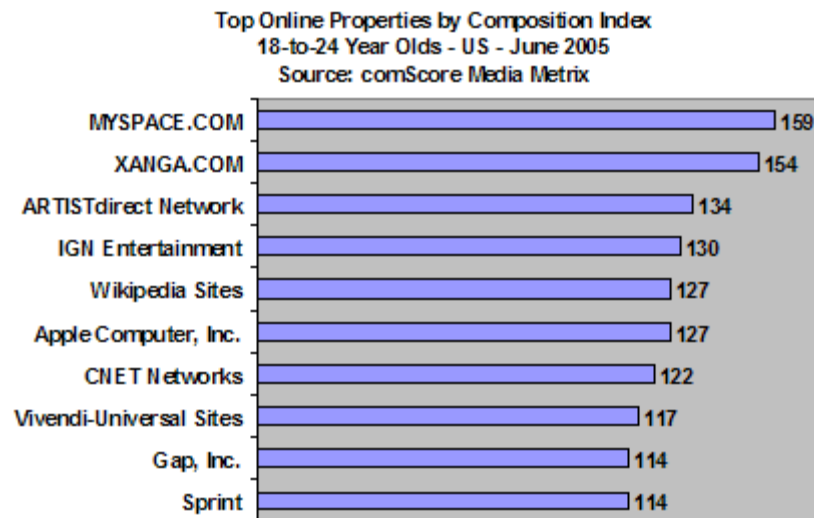
WHAT ARE THEY SPENDING THEIR MONEY ON? (cont'd)

A good portion of the college student's discretionary spending is spent on beverages and snack foods, with total spending on those categories projected at \$11.4 billion per year.

Spending by College Students on Beverages and Snack Foods	
	Projected Yearly Spending (in millions)*
Soda	\$3,129
Bottled Juice/ Fruit Drinks/ Lemonade	\$1,445
Bottle Water, all types	\$1,421
Coffee, prepared and not prepared	\$998
Chip Snacks	\$630
Sports Drinks	\$429
Packaged Baked Goods (e.g., cookies, cupcakes, brownies)	\$423
Granola/Nutrition Bars	\$329
Candy Bars	\$328
<i>*Projections based on Spring 2002 360 Youth/Harris Interactive College Explorer Study; this represents a partial list of categories for beverages and snack foods.</i>	

WHERE ARE THEY GOING ONLINE?

The following are the top 10 online properties based upon Composition Index among 18- to 24-year-olds.⁸ Note that "Composition Index" refers to the propensity of a specific segment to visit a category or property compared to the average internet user. (For example, an index of 159 can also be read as "59 percent more likely than average.")



Today's youth are always engaged, always plugged in.

Among the properties on the above ranking, CNET Networks commands the largest audience, with 4.8 million unique visitors within this age bracket in June 2005. CNET's strength in drawing this particular audience is fueled largely by its offerings in software downloads, gaming and its Webshots online photography service. IGN Entertainment, with 1.5 million visitors of age 18 to 24, similarly benefits from a variety of gaming and entertainment content.

The dramatic growth of **blogs** is increasingly capturing marketers' attention, and this is certainly true among 18- to 24-year-olds.

Music appeals to these consumers in many forms, as demonstrated in the above chart. This can be found in the popularity of downloading services -- such as Apple iTunes -- to the websites of popular artists, such as those found on Vivendi-Universal Sites. These two properties respectively drew 2.8 million and 1.2 million unique visitors within the 18 to 24 segment in June 2005.

WHERE ARE THEY GOING ONLINE? (cont'd)

Instant messaging tools offer inexpensive, efficient ways to communicate with friends and acquaintances both near and far. As 18- to 24-year-olds begin to move about, head off to college, travel, or relocate for other new endeavors, the need for these means of communication increase dramatically. In June 2005, 59 percent of online 18- to 24-year-olds used at least one instant messenger, a proportion that is 23 percent greater than the overall population.

NONPROFIT TRENDS & STRATEGIES

Volunteerism

Today's youth has a strong affinity for supporting what they consider good causes. In a 2000 survey of online users age 12-17 done by Cone/Roper, 91% of teens valued companies and products that support good causes, and 89% of teens would be likely to switch brands to one associated with a good cause. In a post-9/11 world, they have become acutely aware of the social and political impact they can have on a local and global scale. They want to "give back" and become active in their communities. This has opened up a new channel – referred to as volunteerism - in which to reach an otherwise untapped market of potential donors. Once people get an up close look at nonprofit's accomplishments they are more likely to make a financial donation. In addition, volunteering with a nonprofit yields an intrinsic value to our youth.

Volunteerism trends include:

- Volunteers come to better understand a nonprofit's mission and how it operates... building public trust.
- People are more likely to give if they know what the nonprofit did with the money – volunteering gives them first-hand experiences.
- Youth may be more likely to volunteer as a way of obtaining employment skills and because community service is a required prerequisite to graduation from high school in many school districts.
- Many college and post-college students find themselves as strangers in cities far from home and yearn to make connections with their new community and their peers – volunteering offers them that social opportunity to make new personal connections; they have a desire for "community"

Successful Youth Recruitment campaigns include:

1. Elks Club– dramatic decline in membership, opened up to women; now attracting younger (under 40) men and women for social events and membership; Manhattan club becomes an "oasis" for young professionals to network and socialize, membership soars
2. Lions Club International – decline in membership, recently began targeting Family Memberships vs. traditional individual, typically male memberships

Successful Youth Recruitment campaigns (cont'd)

3. United Way of Central Iowa's Emerging Leaders Initiative⁹ – rise in under-40 volunteers and donors; young volunteer makes financial commitment and are cultivated as one of tomorrow's leaders:

“United Way of Central Iowa realizes the value of young professionals and last year created the Emerging Leaders Initiative (ELI). Our focus: Creating the next generation of community philanthropists. United Way will do that with a comprehensive strategy that builds upon the leaders of the past and present, to create leaders who will be successful in the future. ELI will be built firmly on the following six pillars:

- Community insight. Providing data, information and the real stories about what is going on in the community.

- Volunteerism. Providing meaningful opportunities for young professionals to lend their time, talent and experiences to young people who need positive role models.

- Philanthropy. Cultivating young professionals to be aware of opportunities to become active community investors.

- Training. In leadership, governance and community engagement.

- Investment and quality assurance. Providing ELI members with the opportunity to allocate and closely monitor their philanthropic investments.

- Networking. Providing positive experience for young professionals to network with one another, other professionals in the community and senior-level executives and community leaders.”

How to Attract Young Volunteers

- Have active community service projects and actually do hands-on projects
- Have current volunteers who are motivated, enthusiastic and not burned out, to lead the effort
- Young volunteers attract young volunteers. Keep a balance of younger & older.
- Ensure members represent a range of ages, careers and backgrounds that represent the demographics of the community
- Have family social events (see benefits listed below)
- Networking opportunities are very important for young business leaders and professionals – provide opportunities for youth to network with seasoned volunteers and community leaders
- Involve young volunteers in the operation of the charity and offer leadership opportunities that enhance their resume – Project Leader, Committee Chairperson, Event Organizer, etc.
- Use alternative methods to reach audience – leverage technology (see list on next page)

Benefits of Targeting Family Units vs. Individuals

In addition to attracting the young, single supporters, some nonprofit organizations are targeting entire families as a way of reaching a new base of supporters. Benefits of having a family unit involved in volunteering include:

- Increased volunteer pool by attracting younger members
- Infusion of new, enthusiastic volunteers, different service activities and fresh direction for your nonprofit
- Adult family members benefit by being exposed to the importance and joys of volunteering at a young age
- The family benefits by spending more time together and sharing the volunteer experience
- The community benefits by having more volunteers involved in activities to help meet community needs
- Nonprofit benefits by the legacy of volunteerism being created through family-centered nonprofit organizations, helping them grow well into the future

Leveraging Technology Trends

Technological advances open a new avenue with which to reach this younger audience. Successful marketers need to go to places where their target audience works and plays, and communicate how they are accustomed to communicating...via technology:

- SMS (Short Messaging Service)¹⁰ – people opt-in for SMS service on their cell phones and receive information and requests for donations via text messaging; especially useful when crises arise, i.e. Tsunami, Hurricane Katrina. They can make immediate direct donations via their credit card or bank... i.e. can call back a certain number and donate \$1.
- Generation Y accounted for 40% of all internet blogs (May '05) - have current young volunteers create blogs sharing their positive personal experience with charitable organization... leverage technology to induce viral marketing.
- Create links between your website and area college websites for students looking for volunteer opportunities. Post volunteer events on area college websites, specifically those which offer networking opportunities with community and business leaders.
- Maintain email database of all volunteers – keep them posted on current projects, spotlight recent projects/volunteers, and use when need to mobilize task force for new project
- People use site as research tool prior to giving - ensure website is current; Develop an online strategy as part of the overall marketing plan

Online Strategy

Many Internet users go online to research information about the causes and nonprofit organizations they want to support, and often they take action offline as a result.¹¹

Online donors give more than those who mail in donations. A recent Easter Seals survey found that the average mail-in donation to be \$12, while the average online donation was \$55. What's even more heartening is that many of the supporters whom the Internet attracts appear to be new donors and volunteers. Nearly 60% of the Internet users in a recent survey, said they had used the Internet to engage in the work of nonprofit organizations – including advocating for a cause, conducting research on policy issues, finding a volunteer opportunity, donating, and subscribing to newsletters. Forty percent reported visiting a charity-oriented or nonprofit website.

Online Strategy (cont'd)

Most of those visitors went online to get involved:

- 40% reported having made a donation
- 35% signed an online petition
- 35% referred a friend
- 20% donated money online
- 15% signed up to volunteer

More than a fifth of the respondents who took action after visiting a nonprofit group's website said they would not otherwise have taken that action. That means the Internet is expanding support for nonprofit groups, both by engaging new audiences and by getting loyal supporters to do something new or something more.

Much of this new support comes from young people. Those ages 18 to 25 are more likely than others to make donations online. The Internet is a great way to reach out – and begin cultivating - younger supporters. Information on how donations will be spent ranked #2 with donors, yet only #7 (out of 11) with nonprofit groups – a large disparity in what donors and nonprofits expect from a website.

Youth are doing their homework when it comes to choosing which nonprofits to support. They are flocking to websites such as YouthNoise.com, which caters to young people and encourages teenagers to speak up on issues that concern them. It features debates, news, quizzes, and games designed to appeal to young people. In this way a new generation of potential supporters and activists gains access to information nonprofits groups have provided, in a format designed specifically for teenagers.

“Must Haves” for an Effective Fund Raising Website¹²

- Ensure your domain is registered and that you own it
- Active encouragement for site visitors to donate – images, how they can make a difference, examples; “Donations” feature up front
- Share breakdown of how donations are used to do good – what percent goes directly to support programs and what percent towards administration?
- Reasons for people to visit your site – why would they want to go there? Keep it up to date, interesting, useful
- Provide simple links back to your site in your e-zine; Get emotional buy-in to your organization, with use of stories, case studies, images
- Give people opportunity to find out about what they are interested in – have different sections on site; FAQs
- Showcase your achievements; have Events Calendar for ease of reference
- Encourage new members / donors / volunteers...build relationships
- Enable members to subscribe over the website
- Provide on-line payment; provide secure facility
- Be enabled to respond quickly to new need; sudden increased awareness in ways not possible with printed material
- Use an e-zine to send out communications to members, donors, interested parties at very short notice
- Draw attention to press releases etc., on your site by using e-mail
- Create “members” sections to keep information confidential to members outside of the public domain
- Provide links to sponsors, ads, banner ads or can offer sponsors a page on your site; Offer sponsors' products and services through your site
- Publish all of your organizational information on your site – such as charter, constitution and policies – let people know about you
- Show your structure and indicate how national office and branches fit in
- Be interactive with information flowing both ways; operate an Intranet or Extranet
- Provide discussion groups for members
- Monitor and analyze logs (visits to your site) stats reporting back to your supporters and provide campaign results
- Commercialize any part of your site if you wish to – sell merchandise

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