

Giving Hope A Helping Hand (Electronically)

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Let's face it, times have changed. Technology has changed the way virtually every industry conducts business.

As payments professionals, we're acutely aware of the dramatic shifts in the way money is handled. The bulky checkbook has been replaced by electronic payments. From 2004 to 2005, average monthly consumer debit card payments increased 18 percent, credit card payments decreased by 10 percent and check payments decreased 18 percent. NACHA estimates that when the results are in for 2006, ACH annual volume will exceed 16 billion payments. In general, there is increasing comfort with electronic payments. A recent study notes that 63 million Americans bank online, and 40 percent of bill payments are made online.

Charitable and faith-based organizations are embracing and benefiting from these changes, too. Some of the nation's largest charitable organizations report that online giving is growing by 50 percent or more every year. The ePhilanthropy Foundation cites exponential growth in Internet donations, from \$250 million in 2000 to more than \$4.5 billion in 2005.

Groups and Givers Benefit

Harnessing technology to accept contributions electronically can be a win-win for both charities and their donors. For organizations, e-giving results in increased dollars, not only through additional donations, but also through larger amounts being given. The Kintera/Luth Nonprofit Trend Report found that online contributors gave as much as 50 percent more than those who donated through traditional means.

E-giving offers other advantages, including financial efficiencies. The Network for Good estimates that, while it can cost as much as \$1.25 to raise a dollar from a new donor through direct mail and \$0.63 via telemarketing, the cost of raising money online can be as little as five cents.

Also, donations that are set up as recurring payments offer charitable groups the stability associated with a consistent stream of revenue. Experts believe that a one-time annual decision results in a more generous contribution, as opposed to periodic giving decisions based upon cash on hand. Faith-based organizations believe recurring e-giving provides peace of mind for their members, because they can count on a donation being made whether or not they are physically in the church. It is a convenient way for the faithful to continue to fulfill their spiritual commitment even when they are ill, on vacation or unable to attend worship services due to inclement weather.



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An online presence for contributions removes geography as a barrier, opening up the opportunity to accept payments from new contributors. And because we live in a mobile society, an online contribution portal may strengthen otherwise transient relationships with donors by providing an easy and stable way to remain connected to the organization.

E-giving Is Fast and Easy

Contributors like e-giving for several reasons. According to research conducted by The Network for Good, convenience is the number one reason donors say they give online.

The number two reason cited was that they could give quickly at times of crisis. Following an emergency or disaster, there is usually a spike in charitable contributions. E-giving makes it easy for people to donate and feel that they are part of the solution. In the wake of the Gulf Coast tragedy, 13 million Americans contributed to relief efforts online. According to the Pew Internet and American Life Project, online charitable giving increased 53 percent during September and October 2005. After the Sept. 11, 2001, terrorist attacks, the Internet became a popular channel for contributions to relief efforts. The American Red Cross reported that almost 30 percent of the total raised in the aftermath of Sept. 11th came from online gifts.

One software company that provides web-based relationship management services to large nonprofits has observed three significant trends in the evolution of donations for disaster relief:

- a large percentage of relief agency financial support is coming via the Internet;
- a vast majority of gifts to relief agencies are from new donors; and
- nonprofits of all sizes are collecting relief funds online.

Donors mention other reasons for their preference for online giving. The reduction of paper is a smart strategy for the environmentally aware. And in this day and age where privacy and security concerns are mentioned in the news on a daily basis, e-giving offers increased confidentiality.

ACH Offers Opportunities

Charities without an Internet presence can still leverage the benefits of electronic payments. Some organizations' constituencies may not respond to online appeals, preferring more traditional methods of giving. For groups like these, and for organizations that receive the bulk of their contributions via check, ACH offers impressive cost savings and administrative efficiencies. For example, not-for-profits can utilize BOC (beginning in March) and ARC to reduce the time, cost and labor required to process checks, freeing up important resources that can instead be dedicated to higher causes.

Stewardship requirements for most major not-for-profit organizations include reporting on the percentage per contributed dollar allocated for administrative expenses. Accepting credit card payments for contributions are more costly than ACH payments due to interchange fees which add to administrative costs and reduce the amount available for funding charitable efforts. ACH is an attractive option for organizations striving to reduce their administrative costs.



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Interesting Innovations

Some faith-based organizations are attempting to bridge their traditional procedures with the changing culture. Some church congregations provide authorization slips in the pews, removing the need for members to handle cash or remember a check.

Another innovation that has appeared (with some measure of controversy) is on-site electronic payment machines. A small number of churches have installed payment kiosks with touchscreens that allow electronic payments. Advocates point out the versatility and convenience of the kiosks, which permit the donor to optionally select recurring payments and even specify a particular fund, such as a capital campaign, a mission trip or summer camp tuition. The kiosks can be configured to accept only debit card payments, an additional benefit for those churches that do not accept credit card payments for spiritual or economic reasons.

The Future of Charitable Giving

Despite compelling benefits and building successes, online giving today represents a very small piece of total donations. While charities that were early adopters of online giving receive as much as 10-15 percent of their contributions online, for most groups, online giving is a nascent phenomenon. According to an annual survey conducted by the Chronicle of Philanthropy, online giving comprises only one percent of all donations. The handwriting appears to be on the wall, however, that growth is coming, thanks in part to the natural evolution and aging of society. The median age of contributors at the online Network for Good site is 38, significantly younger than the average 60+ years of age of offline donors. As people who were raised in the Internet era become adults, there will be increasing comfort with the concept of e-giving.

Why is e-giving an important trend to watch? Charitable organizations are an essential part of the fabric of American life. "Charitable giving plays an even larger role in the economy than is suggested by some \$260 billion in annual contributions. Each dollar of giving appears to create \$19 of extra national income," according to a recent article in The Christian Science Monitor. Charitable organizations are challenged by the constant imperative to maximize current contributions and cultivate new donors, amid shifts in the economy which foreshadow increasing demand for nonprofit services. Nowadays, when a cup of coffee or a fast-food hamburger is a non-cash purchase, not-for-profit organizations must adapt to the needs and preferences of their donors. The promise of e-giving appears to be a positive development from which charities will benefit.

About the Author

Deborah Matthews is the vice president of marketing at ACH Direct. She represents ACH Direct on various industry councils, such as NACHA's Electronic Check Council and the Internet Council's Steering Committee as Marketing and Education Coordinator. Deborah is a member of the Marketing Management Group, which is responsible for guiding the national marketing and public relations activities for the ACH industry. She currently serves on the American Payroll Association's ACH Advisory Committee; and is a frequent contributor to a wide variety of magazines and trade publications. Deborah has received industry recognition for numerous corporate marketing campaigns and earned the prestigious AAP (Accredited ACH Professional) designation in 2001. Deborah holds a B.S. in communications from Northwestern University.



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