

# **E-Philanthropy**

## The Method and The Madness

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"Some may suggest that it is premature to even consider this issue, considering that nonprofits tend to be a few years behind their for-profit counterparts in utilizing the latest technology, but I disagree. Modern nonprofits need to be competitive and keep up with any technology that will help them be the best they can be. Next year may be too late."  
*Gary Grobman, author of "The Nonprofits Organizations' Guide to E-commerce"*

The rate of online giving is seeing a steady increase every year. Though in its infancy, online donating is projected to follow in the footsteps of its effective counterpart, e-commerce, to greatly benefit everyone who is using the Internet for such purposes. As this trend continues to become more fashionable, organizations are beginning to take full advantage of the vast number of e-commerce solutions being presented to them; solutions that are requiring organizations to answer some very important questions.

A recent study has shown that "...18 percent of Americans with Internet access have made online donations and 69 percent have said they will make future online donations using a credit card." As this trend continues to gain momentum, we must assume that the caliber of donor will gain an increased awareness as well. Charity.com's founder, Richard Ivey, predicts "that all donors will be "professional donors" within a few years, with access to the kinds of information about individual charities that has only been available to foundations and major donors in the past."

The explosion and worldwide acceptance of e-commerce has paved the way for e-philanthropy, creating a comfortable and casual atmosphere for donors and consumers of all kinds. With this increased acceptance and level of comfort, though, comes the ever-growing demand for convenience. "16% of online shoppers have abandoned a transaction because the site couldn't process plastic. This almost surely applies to donations as well."

The main advantages of accepting online donations are as follows:

- **Don't risk losing a donation or a sale** – Show your donors/customers that you value their support by allowing them to submit payment using their method of choice.
- **Can improve cash flow** – When you receive payments on credit/charge card products, funds are deposited within days, versus waiting for a check to be received and cleared.
- **Helps reduce the risk of bad checks** – Accepting credit/charge cards can help minimize the impact of bad checks on the organization.
- **May reduce the administrative costs** – The more donations on credit/charge cards, the less time your administration staff may have you spend following up on unfulfilled pledges.

"Organizations wanting to access that potential donor pool can go about it in two ways, Suhr said. One way is to set up or modify an organization's Web site... The other option, which, she said, may be best for organizations just getting online, is to set up a partnership with an established charity portal, auction site or charity shopping site."

*Carrie Suhr, Director of Cause Development for the charity mall site iGive.com*

## Option One: Going Solo

Setting up an independent system has been chiefly recommended for larger nonprofits with one possible provider stating, "NPower can help you set up the capacity for processing credit card transactions, but *please don't ask us*. It's not that we're slothful, but rather that unless yours is a very large non-profit, it's really not the best approach. Consider the many elements such a system needs to succeed:

### What do we need?

- **High-speed Internet connection.**  
Your site must load fast. If you make your donor sleep, her donation she may keep.
- **Secure transaction capability.**  
You'll need to ring your server with a "firewall" to prevent intruders, and you'll need to encrypt your donor's credit card numbers so they don't fall in the hands of scoundrels. Moreover, you'll need to faithfully update these security arrangements whenever a new hacker threat appears (i.e. daily, maybe hourly).
- **An Internet credit card merchant account**  
Even if you already accept credit cards in other contexts, you'll need a separate merchant account to take money online.
- **Real-time credit card validation capability.**  
You might think this unnecessary, but what if a card gets declined when you submit it to your bank? It's very awkward to then return and ask your donor for a different card. Better that the transaction is declined when the donation is first attempted. Most often, your donors will then just pull out another credit card and continue on.
- **The ability to troubleshoot whenever the site goes down.**  
Someone will need to respond when that flush Big Apple stockbroker tries to make a donation to you at 7 a.m. Eastern Time, and finds your site is broken. Unless you're an early riser, this isn't an experience you will savor.
- **Registration (and fees) in 39 states.**  
Though enforcement is uneven, in 39 states the letter of the law requires that you register if you are going to solicit online donations. You may not be seeking contributions for your Seattle-based violence prevention non-profit from among Tony Soprano and the other fair citizens of New Jersey, but in New Jersey's view, if you're putting your request on the Web, you're soliciting in the Garden State, and you must register (not to mention pay the State a little protection money)."

### How much is this going to cost us?

As mentioned above, setting up an independent system may require a good deal of time and unfortunately a good deal of cash as well. The following price structure has been calculated from the websites of various providers for each of these services.

- **High Speed Internet Service (DSL from Ameritech)**
  - Startup= \$50 to install
  - Ongoing= \$50 a month
- **Secure transaction capability**
  - What is a SSL site? (See Definition Sheet)*
  - \$10 - \$40 for setup
  - \$6.50 - \$40 (maybe more) monthly

- **Internet credit card merchant account**
  - What is a merchant account? (See Definition Sheet)*
  - What is a discount rate? (See Definition Sheet)*
  - One time fee = from \$99.95 - \$495
  - Discount rate = average is 2.35% but can go to 2.65% or more
  - Transaction fee = \$0.25 to \$0.35 per transaction
  - Monthly Service and Statement = \$10.00 - \$15.00
  - Monthly gateway fee = \$15.00 - \$30.00
  - Total Monthly Fee = \$20 - \$40
- **Real-time credit card validation capability**
  - Slim data, seems to be incorporated into the merchant account for most companies.
- **The ability to troubleshoot whenever the site goes down**
  - Need someone to be on-call. Database professional with flexible schedule to accommodate the traffic or break downs. Pay ranges from \$30,000 a year to over \$65,000 a year, depending on experience.
  - May be hard to find a volunteer
- **Registration and Fees for different states**
  - Differ based on the regulations of every state and if they are even needed. Not registering may, in extreme circumstances, result in fines and fees of a different nature and/or a lawsuit or criminal action.
  - If we choose to go this route I will price it out then.

### **Recap.**

"While this gives the organization control over the process, Suhr said, it can be time-consuming and, processing and other fees can eat into the margin of donations over cost."

*Carrie Suhr, Director of Cause Development for the charity mall site iGive.com*

As the above research has clearly shown, setting up an independent system for our online fundraising efforts may be a bit more than Homework Help bargained for. Given the size of Homework Help, along with the estimated amount of traffic online fundraising will produce, the startup costs alone seem to be more of an investment than previously thought. It is my opinion that Homework Help not pursue the independent route at this time, but rather explore a more conservative introduction to the method of e-philanthropy.

## **Option Two: The "Buddy System"**

"For those organizations that can't or don't wish to build their own capability to accept credit card information online, there are a rapidly-increasing number of organizations that will provide you this service--usually for a fee. There are several different varieties of these donation-processing services. Generally, these services are (or are affiliated with) a nonprofit entity that exists solely to receive the donations, and then passes them through to your organization."

### **How does it work?**

A donation portal works "behind the scenes" for the donations page. When a donor clicks to give, they will be directed, through the organizations' website, to the secure system that is already setup on the portal's website! The donation portal then processes the credit card (or electronic check), validates it, and sends a "thank you" note to boot. It's faster, more cost effective, and all around much easier for the organization.

There are two types of accounts that can be serviced through a donation portal. One service requires that a merchant account be setup and the other does not, allowing the organization to work through the portals' account instead. Here's how it lays out.

*What is a merchant account? (See Definition Sheet)*

### **Merchant Account**

The major advantages of obtaining a merchant account, as seen from the providers researched, are:

- Direct deposit into the organizations' bank account
- Lesser amount of donations retained
- Can be integrated easily into the organizations website
- Ability to process offline donations

The major disadvantages are:

- Cost, organization will have to pay to have a merchant account setup- but please note that I have found a great deal from 4agoodcause.com

### **Merchant Account Not Needed**

The major advantages of going forth without a merchant account, as seen from the providers researched, are:

- Cheaper monthly fees
- No merchant account setup fees

The major disadvantages are:

- May be unable to process offline donations
- Must wait for donations to be deposited
- May not have good amount of control with the interface
- Greater amount of donations retained

### **How much is this going to cost us?**

As with "going solo", there is a certain amount of fees involved with donation portals. These fees, however, are considerably less with a higher rate of pleasantness. The following price structure has been calculated from a few providers that came recommended through my research- definite candidates for the job.

- **One time setup fees** = \$0 to \$100
- **Retain** = 0% to 10% or a dollar amount per transaction
- **Monthly fees** = \$0 to \$40
- **Contract** = none to 2 years, exclusive

### **How do we decide on a Donation Portal?**

The following guideline questions have been recommended by several information resources and are considered criteria every organization should consider when choosing a donation portal. These are the exact questions I will ask when researching the best donation portal for Homework Help. The questions are as follows:

- What are the upfront and ongoing costs?
- How quickly, and through what means, will you receive your donations?
- How does the service let you monitor your accumulating gifts?
- How seamlessly can the donation processing be integrated into your own Web site?
- What other non-profits are using the provider, and what have been their experiences?
- What other services does the provider offer?

### **Recap.**

"Most of these sites will work with you for a low or no fee," Suhr said. "They are a low-cost, low-effort way to test the potential for generating new revenue."

*Carrie Suhr, Director of Cause Development for the charity mall site iGive.com*

Given the size and estimated amount of traffic, it is my opinion that Homework Help can profit from the use of a service provider. Acceptance of online donations will prove to be an effective means for building a stronger independent donor base, will allow donors more flexibility, and will be a wonderful introduction into the world of e-commerce. I highly suggest that Homework Help elect to build a partnership with a donation portal when the time has come to forge ahead into the realm of e-commerce and e-philanthropy.

"The point of nonprofit e-commerce is to harness the power of the Internet to do what nonprofits are already doing -- raising funds to support worthy programs and activities. What e-commerce does is simply add a few new wrinkles. It makes information about those goods and services available to a wider audience, one that is global in many cases. It generates revenue that wouldn't otherwise be generated, so the charity can provide more free and subsidized services to those who need them. And it substantially reduces transaction costs involved in the process, freeing up the time of staff to help people rather than running a business."  
*Gary Grobman, author of "The Nonprofits Organizations' Guide to E-commerce"*

### How can we fully profit from online donations?

#### ➤ Newsletters

- Featuring Homework Help's new capabilities in the next newsletter is an excellent way to open the minds of our current supporters to the world of online donating. This new convenience offered to current supporters also allows greater donation flexibility in the planned giving department, an example being solicitation of regular, monthly donations charged directly to the donors' credit card every month with no hassle. This can also be an incentive for new donors, asking for \$10.00 a month is a lot easier than asking for a lump sum of \$120 once a year.

#### ➤ Website

- As our affiliations with other area nonprofits grow, more traffic will inevitably be generated to our site by way of links. With this new traffic comes the distinct possibility of more donations from a previously unknown donor. An informative website that clearly and concisely communicates our message will afford the definite possibility that these donations will be coming our way.

### Can we afford it?

In light of the evidence gathered I would say that the real question is can Homework Help afford not to begin accepting online donations.

E-philanthropy is definitely here to stay and its gaining momentum everyday. The effort and money put forth to propel Homework Help into the new age of fundraising will not only raise funds for the organization but will also aid Homework Help in becoming a nonprofit organization of it's own within the next three years.

It is definitely a new and exciting time for nonprofits online and getting into the market early will afford more advantages than none. These advantages may be:

- Lower fees and amounts of donations retained
- More personalized attention
- Establishment of a stronger web presence

### So, what now?

First and foremost the decision must be made as to whether or not accepting online donations is good for Homework Help right now. With that decision being made, further research will be conducted to find providers for the services needed.

"We all know that online fundraising for nonprofits still has a long way to go before it makes a dent in revenue projections. We can safely assume (just like with e-commerce) that people will eventually become more familiar and comfortable making donations online. This change in attitudes will benefit everyone who is using the Internet to fundraise."  
*Gary Grobman, author of "The Nonprofits Organizations' Guide to E-commerce"*

## Definition Sheet

### **Discount Rate**

The percentage per transaction charged by the bank providing the merchant account.

### **Secure Sockets Layer (SSL)**

There are several systems you can use to make your ordering page secure, but the most popular is Secure Sockets Layer (SSL), which is supported by all major browsers, and by most ISPs. Using a secure Web protocol such as SSL has two main goals:

1. Encrypt the credit card data being transmitted, so that it would be very difficult for a third party to decipher.
2. Certify that the message is in fact coming from where it claims to be coming from, so that it would be very difficult for a third party to forge a transaction. This is done by means of a digital certificate.

### **Merchant Account**

A merchant account is a communication device that processes credit cards and electronic checks from your site to the bank of choice. The bank then communicates with the credit card company and solicits payment, just like in the store.

## Bibliography and Recommend Sources

Network for Good - <http://www.networkforgood.org/npo/fundraising/>

One Northwest - <http://www.onenw.org/bin/page.cfm?pageid=70>

Communities by Choice - <http://www.communitiesbychoice.org/exchange/fundraising.cfm>

Charity Village - <http://www.charityvillage.com/archive/acov/acov01/acov0019.html>

Ground Spring - <http://www.groundspring.org/techniques/handbook.cfm>

The Alliance - <http://www.allianceonline.org/faqs.html>

Web Developers - <http://www.wdvl.com/Internet/Commerce/MerchantAccounts/index.html>

Benton Foundation - <http://www.benton.org/Practice/Toolkit/fundraise.html>

Lipman Hearne - [http://www.lipmanhearne.com/resources/issue\\_21.asp](http://www.lipmanhearne.com/resources/issue_21.asp)

Tech Soup - <http://www.techsoup.org/>

GuideStar – <http://www.guidestar.com>

### Possible Service Providers

4 a Good Cause - <http://www.4agoodcause.com/features.asp>

Contribute.com - <http://www.contribute.com/how.html>

Ground Spring - <http://www.egrants.org/tools/donatenow.cfm>

Entango - <http://www.entango.com/index.html>

Network for Good - <http://www.networkforgood.org/npo/fundraising/donations/>