

# A Study on Digital Fundraising Strategies for Nonprofit Organizations

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## **Abstract**

### **A Study on Digital Fundraising Strategies for Nonprofit Organizations**

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Non-governmental organizations (NGOs) and non-profit organizations (NPOs) play an essential role in modern societies by providing public goods and services. As governmental funding squeezes, monetary donation becomes relatively critical to NGOs/NPOs (hereafter “nonprofits”). Such donations are often solicited via the internet to fund urgent and long-term societal needs. Now digital fundraising, soliciting donations via the internet, is becoming a crucial activity for nonprofits with the help of emerging industries such as crowdfunding platforms. This study investigated the digital fundraising strategies of nonprofits, the financial consequences of each strategy, and theoretical implications for nonprofit marketing by analyzing the data from a fundraising platform company and user organizations in Japan. The author used quantitative data of donation transactions to 1,205 nonprofits in six years to capture

the success and failure of fundraising. Strategies and behaviors of nonprofits were analyzed through the multiple case comparison in MDSO/MSDO method and “racing” design.

This study has three contributions. Firstly, it revealed the boundary condition of the effectiveness of dividing donations into smaller gifts temporally, which is the urgency of need. Such donations are referred to as “charity” in humanities and are not effectively collected by monthly recurring gift strategy. Secondly, this study showed the difference between small recurring gifts and high-value gift strategies in fundraising and identified success factors for each. The choice among different causes or organizations plays a decisive role in high-value gift fundraising, so some organizational attributes are preferred while others are not. Making a large gift into smaller ones was confirmed to be effective in overcoming the disadvantageous attributes. The high-value gift strategy requires targeting suitable donors for each organization, but most nonprofits in this study preferred broad civic participation. Thirdly, this study contributed to understanding the organizational heterogeneity of monetary donations and will help applications of public economics theories to fundraising research and practice. Regarding fundraising strategy research, organizational heterogeneity has not yet been considered systematically. This study found a specific legal status as another source of heterogeneity, verifying the previous literature. In addition, this study found that the effect of fundraising promotions can be affected by such heterogeneity.

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## **DEDICATION**

I dedicate this paper to my family (i.e., Madoka, Keita, and Masaki), to the fundraisers of nonprofit organizations that face social challenges every day, and to the donors who are making a difference in society and achieving happiness.

## Chapter 1. INTRODUCTION

### 1.1 BACKGROUND

Nonprofit organizations play crucial roles in our society. People are born in hospitals, grow up at nursery schools, meet their favorite books at libraries, and prepare for work at school. Nonprofit organizations often run all these institutions. Therefore, nonprofit management is directly linked to the well-being of the people in a society. When a nonprofit organization provides food, shelter, or medical service to people with urgent human needs on the battlefield, its work influences the number of lives saved. When a nonprofit research institution provides an excellent research environment to gifted researchers, it might produce ground-breaking discoveries for human beings.

From the management science perspective, the management of nonprofit organizations needs scholarly attention because they do not behave to maximize profit as businesses do, and their management has become difficult due to societal factors such as the growth of the sector, more challenging competition for funding, and demand for more transparency (Worth, 2020). Management studies often focus on the management of businesses, but nonprofit organizations are another critical area of research for society. The pandemic of COVID-19 dramatically increased the need for essential work in the nonprofit sector worldwide as the basis of a market economy (Lohse & Scharf, 2021). The present study also aims at promoting public benefit by finding new implications for nonprofit management.

The most crucial component of nonprofits is their mission, which is sometimes exceptionally difficult or intractable, such as poverty eradication. Though nonprofit organizations have gained income from government grants and providing services (Chang et al., 2018), the present study focuses on the unique type of income for nonprofits, which is

monetary donations. As governments suffer from a shortage of financial resources in most developed countries, more nonprofits rely on monetary donations from individuals and companies. The recent explosion of research articles on monetary donations shows the growing importance of this field (Chapman et al., 2022). In the United States, scientific research receives significant support from philanthropic foundations and individuals (Murray, 2013). In Japan, many local governments received major gifts of more than 100 million yen from philanthropists to fight against COVID-19 (Japan Fundraising Association, 2021), which shows that the Japanese market for monetary donations has massive potential for growth as Michon and Tandon (2012) pointed out.

Moreover, giving behavior provides a type of utility, a “warm glow (Andreoni, 1989, 1990),” to the givers. Donors express their values and opinions through gifts (Frumkin, 2008). Monetary donations form a kind of huge “market,” as List (2011) analyzed, and nonprofits compete with other organizations in it. Monetary donations are input and not output for a nonprofit organization. Why are they important? Generally, nonprofits provide services at a lower cost than production. The supply of these public services is expected to increase as more monetary donations are raised. Thus, the constraint is on the input side (Gayle et al., 2017). The amount of monetary donations directly decides the amount of food, shelter, or medical service to the people with urgent human needs on the battlefield.

Though previous research on donations has focused on the donors’ side (Chapman et al., 2022), recent studies have revealed the indispensable role of fundraising, the act or process of collecting monetary donations (Andreoni et al., 2017; Andreoni & Rao, 2011; Liu et al., 2008; Name-Correa & Yildirim, 2013), which sometimes determines the destiny of a nonprofit organization. A one-off monetary donation may become “transformational” for the recipient universities (Nyman et al., 2018). From a practical perspective, understanding the donors’ behavior is critical, but there is no situation in which a nonprofit organization has complete



control over the voluntary actions of its donors. Contrary, the behavior of fundraisers can be managed and improved to raise funds more effectively. Fewer scholarly works have been published on fundraisers and, more importantly, the interaction between mission (or beneficiary) and fundraising (Chapman et al., 2022). It is simply a vast opportunity for theoretical and practical contributions.

Then, why is fundraising research scarce regardless of its importance? One reason is that the communication between a fundraiser and a donor naturally contains private information about the donor, and research use of such data is generally difficult. While donations can be studied using national statistical data on the tax systems, there is scarce statistical data on fundraising. Though the “science of fundraising” or “science of philanthropy” based on experimental research (Bhati & Hansen, 2020) is advancing our understanding of fundraising methods such as lotteries, raffles, and auctions, the initial scholarly interest of such experimental studies lies on the theoretical implications in economics or psychology, not the relevance for fundraising strategy in nonprofits. It is also the problem of an unclear academic home of fundraising (Mack et al., 2016), which can be addressed by marketing as a management discipline. Some recent works by marketing scholars try to integrate the donation and fundraising literature (Haruvy et al., 2020) and generate a fundraising theory (Chapman et al., 2022). Fortunately, as fundraising activities go rapidly on digital platforms, we have increased access to high-quality transaction data, resulting in recent management science works (Castillo et al., 2014; Kamatham et al., 2021; Song et al., 2021). In the context of digital fundraising, the present study adds small contributions to these works by solving constraining issues described in the following section.

## 1.2 RECOGNITION OF THE ISSUES

Marketing application to fundraising was documented fifty years ago (Mindak & Bybee, 1971). Now, marketing is regarded as an essential part of nonprofit management (Worth, 2020) and fundraising (Sargeant & Shang, 2017), but some issues must be solved to provide more relevant implications to each nonprofit.

The first issue for this study is the lack of marketing mix research in fundraising, with product heterogeneity as a primary interest. Understanding the market, consumers, and customers are the main interest of research in marketing, and marketing literature advancements enabled consumer heterogeneity models (Abe, 2009; Allenby & Rossi, 1998) in recent decades. However, heterogeneity in the products and firms determines whether a theory can be applied to a specific situation or organization. Practitioners must understand not only the market but the characteristics of their products, and marketing literature has contributed to this understanding. For example, service marketing is the most significant research area that captures the characteristics of what enterprises sell (Zeithaml et al., 1985). Services differ from consumer goods in several aspects. For example, consumers search for more information on services than products (Murray, 1991). Monetary donations are diverse, not only in their purposes but also effects on various beneficiaries. Such heterogeneity of recipient organizations and their mission attracts recent scholarly attention (De Wit et al., 2017; Grasse et al., 2022; Neumayr & Handy, 2019), and this study treats the heterogeneity in the “products” in the marketing mix. Most nonprofit organizations provide services, and fundraising also has an aspect as a service for donors. Therefore, we consider the seven Ps in the service marketing mix and the underlying fundraising strategy. The recent marketing research has a narrower focus (Varadarajan, 2010) in exchange for scientific rigor. This study investigates the fundraising strategy from its components (i.e., each marketing mix variable), the combination of components (i.e., interaction among the 7Ps), and the overall concepts (i.e., short- vs. long-

term success, large fewer gifts vs. many small gifts). Analyzing product heterogeneity in fundraising will give practitioners clues to choose the relevant research for their organizations.

The second issue in this study is the indifference to the size of the gifts in some previous literature. Compared to commercial marketing, one of the unique features of monetary donations is that the donor decides the price. In this regard, fundraising is similar to the business that lets the customer decide the product price (Gneezy et al., 2010). Just one donor sometimes makes a transformational gift to a nonprofit because there is no limit on consumption quantity in monetary donations if a donor has enough budget. On the recipient side, nonprofits do not offer donors physical rewards, which means that reward is not a constraint in increasing donation acceptance. This study pays attention to high-value gifts, defined as gifts of 50,000 JPY or more in this study. They are known as the antecedents of major gifts (Lindahl & Winship, 1992). Recent years had fruitful research outputs regarding the “science of philanthropy” or “science of fundraising” by experimental and behavioral economists (Bhati & Hansen, 2020; Whillans, 2016). Like commercial marketing, fundraising can be more evidence-based by utilizing these research outputs. However, most behavioral and experimental economics research deals with small monetary donations, such as one dollar or less. Implications from small gift studies sometimes do not match the fundraising practice that seeks larger gifts. Some marketing studies point out that small donors are “unprofitable” and should be adequately managed (Bennett, 2018). Recent qualitative studies in higher education fundraising have made an important contribution to major gift fundraising (Nyman et al., 2018; Shaker & Nelson, 2022), but more research is required to understand under which conditions we can apply them to digital fundraising. The present study provides new data on high-value gifts and integrates the behavioral economics studies of monetary donations and qualitative marketing studies on major gifts.

The third issue is marketing in the digital era. The COVID-19 pandemic dramatically changed the fundraising scene as most organizations had to quickly strengthen their fundraising on the internet to accustom themselves to “the new normal” (Lee & Han, 2021). Technologies such as social media (Okada et al., 2017), crowdfunding (Sauermaun et al., 2019), peer-to-peer fundraising (Sepahri et al., 2021), and online video conference systems bring both opportunity and disparity for nonprofits. It is no exaggeration to say that we are now at the dawn of a new era in digital fundraising after the pandemic. This change requires academics and practitioners to reconsider the fundraising activities and underpinning nonprofit marketing strategy. Some evidence shows that different capacity is needed to succeed in digital fundraising (Saxton & Wang, 2013). This dissertation addresses digital fundraising in the “new normal” setting using donation data before and during the pandemic.

Thus, the present research focuses on fundraising strategies and their components, the gift size each organization accepts, and the digital fundraising that nonprofits should implement to realize their missions.

### 1.3 RESEARCH OBJECTIVES

Considering the discussion above, we set the research objectives for this research. They are as follows:

1. To identify essential marketing elements for nonprofit organizations’ fundraising
2. To determine the impact of organizational characteristics and fundraising activities on the amount raised
3. To assist in the development of marketing strategies tailored to each nonprofit organization’s characteristics and fundraising goals
4. To provide implications for successful fundraising strategies for nonprofit organizations

#### 1.4 RESEARCH SUBJECTS: NONPROFIT ORGANIZATIONS IN JAPAN

The donation market in Japan is already 1 trillion yen and still growing (Japan Fundraising Association, 2021). Nonprofit fundraising in Japan is expected to be the key to market expansion (Watanabe, 2022a), but it is an under-researched area in management studies in Japan (Yoshida, 2019). Most nonprofit organizations face “difficulties in fundraising management due to the lack of human and financial resources (Okuyama & Yamauchi, 2015, p. 421),” so what works in Japanese nonprofits might suit organizations with scarce resources and struggle in the emerging donation market (Michon & Tandon, 2012).

This study uses data from online fundraising platforms, enabling rigorous comparison of organizational characteristics and fundraising activities among nonprofits because the “place” in the marketing mix elements is fixed. This study investigates the organizational characteristics and fundraising activities of recipient nonprofits because:

- Recent research shows that asking from organizations influences donors’ decisions (Breeze & Jollymore, 2017; Yörük, 2009).
- Research on monetary donations mainly focuses on the supply-side (i.e., donors) (Chapman et al., 2022). Demand-side (i.e., organizations) variables such as the organization’s mission might work as moderators of the effect of fundraising activities.
- Demand-side variables are often difficult or costly to change (ex., Mission of the organization, Tax deductibility). Some of them are fixed far before the fundraising starts and forms prerequisites for fundraising activity. Nonprofit entrepreneurs and managers should know about such variables’ effects before choosing which fundraising activity to implement.

## 1.5 RESEARCH QUESTIONS

The research questions in this study are as follows.

RQ1: What are the suitable promotional factors for digital fundraising of nonprofit organizations?

RQ2: How do organizational attributes and digital fundraising operations affect the total amount of funds raised?

RQ3: What marketing strategies are appropriate for each nonprofit organization's characteristics and fundraising objectives (short-term vs. long-term, stability vs. efficiency)?

RQ4: What are the essential elements for executing effective nonprofit fundraising strategies?

## Chapter 2. REVIEW OF LITERATURE

### 2.1 OVERVIEW OF REVIEWS ON MONETARY DONATIONS

Donors are often categorized into four groups: individuals, foundations, bequests, and corporations. This study mainly investigates donations from living individuals, which account for 69% of U.S. donations (Giving USA Foundation, 2021). Of course, corporations are groups of individuals, and sometimes the president's opinion influences corporate giving. Bequests are also the result of individual decisions. Therefore, focusing on individual giving is a fundamental approach to studying monetary donations, as in most literature. In Japan, individual giving was 540.1 billion yen in 2020 (Japan Fundraising Association, 2021). In this study, we focus on donations from individuals to nonprofit organizations. Some previous studies treat giving from individual donors to individual recipients (Berliner & Kenworthy, 2017), but this type of money transfer is not regarded as a "donation" under Japanese law. The research interest of this study is fundraising activities by organizations, not individuals.

Even if we focus on donations by individuals, there is a vast amount of previous literature, so it requires a strategy to review them. According to the highly cited article on methods reviews, "all types of review should be systematic (Booth et al., 2016, p. 2)." It means that the author should take a systematic approach even if the review is not a systematic review. Since this dissertation is for not only theoretical contributions but better management of fundraising, it is natural that we start from the review of systematic review, which is "a key tool in developing the evidence base (Tranfield et al., 2003, p. 209)." However, since systematic reviews sometimes have a narrow scope to look at the entire field, let us start with checking review articles in general. Reviewing the review articles will give us an overview of the field. Next, we will dive into each topic related to this dissertation.

A review by Sargeant (1999) is one of the most influential review articles in the marketing of donations and provides a clue to categorize the literature. His review organized the previous literature in a donor behavior model, which starts from inputs (including appeals, brands, and mode of ask), leads to a perceptual reaction with intrinsic/extrinsic determinants (i.e., donor characteristics), proceeds to process determinants, and ends at the output, such as the size of the gift or loyalty. Section 2.2 will discuss the donors' characteristics, which are essential for marketers but are not under their control. The following four sections will cover the inputs, such as organizational characteristics (2.3), fundraising methods (2.4), digital fundraising (2.5), and major gift fundraising (2.6). Organizational characteristics are often prerequisites for marketers, and they are the most critical topics of this dissertation. Section 2.7 overviews donations as a market and confirms the recommendable fundraising strategy. Sections 2.8 summarizes the literature review and 2.9 describes the hypotheses on the research questions.

Among the many review articles on monetary donations and fundraising, we can see the topics on the donor side, such as “who gives? (Bekkers & Wiepking, 2011b; Wiepking & Bekkers, 2012),” and the topics on the fundraiser side, for example, “how to promote prosocial behavior (White et al., 2020)?” in the first place. However, most reviews cannot be simplified and categorized into these two sides. There are theoretical topics in nonprofit studies, the definition of philanthropy (Onishi, 2017; Sulek, 2009, 2010), and policy-related topics such as tax relief (Peloza & Steel, 2005; Peter & Huber, 2022) and crowding out/in (De Wit & Bekkers, 2017). Some authors tackle fundamental questions, such as “why do people give? (Vesterlund, 2006)” and what drives donations. Bekkers and Wiepking (2011a) identified the eight mechanisms that drive monetary donations: awareness of need, solicitation, costs and benefits, altruism, reputation, psychological benefits, values, and efficacy.



The review by Bhati and Hansen (2020) showed that more than 40 % of the experimental studies on monetary donations they reviewed were found in economic journals. Indeed, review articles from the public economics perspective (Andreoni, 2006, 2018; Andreoni & Payne, 2013; Bilodeau & Steinberg, 2006) provides a theoretical explanation of donations and fundraising, which we review later in detail. Fundraising is referred to as having no single academic “home (Mack et al., 2016),” but we take the economics perspective as the main theoretical framework in this dissertation. A recent review article in a marketing journal pointed out that the utility-based approach with an economics perspective can be improved by integrating with the appeal-based approach and societal-based approach (Haruvy et al., 2020).

In the consumer behavior field, the SHIFT framework proposed by White et al. (2020) helps fundraising practices: Social influence, Habit formation, Individual self, Feelings and cognition, and Tangibility. These five constructs have extensive review articles, respectively. For example, van Teunenbroek et al. (2020) wrote a systematic review of social information’s effect on monetary donations. The authors pointed out that social information positively affects the size of gifts, mediated by perceived social norms, awareness of need, and expected quality. Regarding donors’ identity, Aaker and Akutsu (2009) introduced the previous research in the psychology of giving based on the Identity-Based Motivation model. Feeling and cognition is a broad research field that includes framing effect and trust. Traditionally, fundraisers in international cooperation have used a stereotypic advertisement image of an African child with sad facial expressions (Bhati & Hansen, 2020). This loss framing is, however, not necessarily effective, according to the meta-analytic review of the gain-loss frame by Xu and Huang (2020). Trust is also an essential factor in determining whether to give. The systematic review by Chapman et al. (2021) found that organizational and sectoral trust were associated with monetary donations more strongly in non-western countries than in Western countries. Lastly, tangibility has also attracted academic interest. In the review by Cryder and Loewenstein

(2011), the authors tried to investigate the identifiable victim effect (IVE) as one of the examples of generosity induced by tangibility. The IVE also has a meta-analytic review by Lee and Feeley (2016), who found conditions under which the IVE worked. Some causes, such as animal welfare and children's care, can be benefitted from IVE, while other causes cannot.

As discussed above, nonprofit studies, consumer behavior, behavioral economics, and social psychology have accumulated monetary donations research. Interestingly, there are more review articles on monetary donations in other disciplines. For example, sociologists have recently entered this field, as described in the review by Barman (2017). Information science also tries to capture donation-based crowdfunding by reviewing the literature (Zhao & Shneur, 2020), followed by the review articles in nonprofit studies (Alegre & Moleskis, 2021; Salido-Andres et al., 2021). Social media use is another technological area of much interest by nonprofits (Di Lauro et al., 2019). Reviews in specific areas, causes, or topics such as higher education (Iskhakova et al., 2017; Lindahl & Conley, 2002), religion (Yasin et al., 2020), effective altruism (Caviola et al., 2021), and philanthrocapitalism (Haydon et al., 2021) are examples that shows the diversity of fundraising research. For individual donors, a review on helping behavior and happiness might be useful (Aknin & Whillans V, 2021). For foundations and funding agencies, use of evidence in philanthropy is a serious matter, and a systematic review on the topic (Greenhalgh & Montgomery, 2020) will be a clue. Also, the relationship between innovation and monetary donations is reviewed by Dodgson and Gann (2020), which highlights that entrepreneurs are the key players in philanthropic giving.

Regarding the marketing fields, an interdisciplinary review by Sargeant and Woodliffe (2007) gained more detailed knowledge of the donor decision model formalized by Sargeant (1999). A review book by Bennett (2018) updated the recent progress and fundraising theories from a nonprofit marketing perspective. Relationship marketing, "unprofitable" donors, and branding are also covered in his book, which is more actionable for fundraising practitioners.

Relationship marketing should be implemented with proper management of small donors to be profitable, and this problem becomes serious in digital marketing, as discussed in later sections. Pricing is an indispensable topic in marketing, and a traditional technique in fundraising, legitimizing paltry favors (LPF), which welcomes a small donation, has a meta-analytic review (Lee et al., 2016). The most ambitious review to produce a fundraising theory from a marketing perspective is the one by Chapman et al. (2022), which tried to establish the “Charitable Triad Theory.” They insisted that the relationship among donors, fundraisers, and beneficiaries affected the giving behavior.

Regardless of the vast amount of review articles on monetary donations and fundraising, we could not find any review article on strategic aspects of fundraising. Some reviews meet the needs of fundraising practitioners, such as meta-meta analysis of methods to increase donations (Saeri et al., 2022). According to the article, emphasis on beneficiaries, visibility of gifts, the appeal of the gifts’ impact, and promoting tax-deductibility of nonprofits are effective in fundraising. These insights are practical but do not give us clues for resource allocation in marketing. Also, we could not find any review articles on major gifts, apart from the major gift fundraising guide for small organizations (Sargeant et al., 2015) and a review on planned giving (Brown, 2004).

In the real fundraising setting, fundraisers have many strategic and tactical options in marketing communications. When fundraisers want to change the “variables” in marketing communications, the above literature provides precious implications because fundraisers can vary the variables such as message framing (Xu & Huang, 2020), identity salience (Aaker & Akutsu, 2009), and social information (van Teunenbroek et al., 2020) they provide when soliciting gifts. In contrast, fundraisers have fewer options on deciding the cause they address, the market they belong to, the organization’s activity, and the tax-relief status they have. Such fixed or at least costly-to-change factors can be captured as organizational heterogeneity

(Andreoni & Payne, 2013) or “demand-side” (Bhati & Hansen, 2020; Landry et al., 2006) heterogeneity in the previous literature. These factors dramatically affect fundraising efficiency. If the winner is decided before the game begins by fixed factors, it must be vital to know about them.

Historically, many nonprofit organizations in Japan were voluntary organizations without paid staff. After the new public management, nonprofits in Japan started to contract with local governments to receive subsidies to expand their activities. Then, due to recent changes in the economic environment, Japanese nonprofit organizations are increasingly soliciting donations. In this setting, most nonprofits do not necessarily possess the fixed factors to attract monetary donations effectively.

Since these fixed factors are costly to change, empirical research is comparatively limited in numbers. If we want to study these fixed factors, the observation unit should be organizations, not donors. It might be one reason why less evidence is accumulated regarding these fixed factors, which leads to demand-side heterogeneity. Similarly, strategies are costly to change, as they are the basis of marketing mix variables.

After the overview of the review articles above, we check the previous literature to understand the more detailed research gaps in fundraising strategy research.

## 2.2 DONATION NATURE AND DONOR CHARACTERISTICS: SUPPLY-SIDE

### 2.2.1 *Donation Types*

In this section, we discuss the supply-side of donations, which is donors. However, before proceeding, we must define the types of donations.

Donations are categorized into monetary donations, in-kind donations, and donations of time (volunteering or pro-bono services). This study focuses on monetary donations, which

can be divided into several terms by size. Though the definition of a major gift differs among organizations, it can be more than 10,000 USD or more in a text for fundraisers (Sargeant & Shang, 2017). Smaller gifts are called annual gifts (Harrison, 2018; Waters, 2011) when they are given yearly to the recipient organizations. The timing of gifts is another factor in defining donation types. The terms “one-off gift” and “recurring gifts” are used in this dissertation, meaning that recurring gifts continue automatically until the donor stops the support. Thus, annual, semi-annual, quarterly, and monthly gifts are categorized as recurring gifts. Regarding the gift size, we define high-value gifts as 50,000 JPY or more but less than 1,000,000 JPY. Major gifts are defined as 1,000,000 JPY or more in this study. Small gifts are less than 50,000 JPY.

### 2.2.2 *Significant Variables to Drive Monetary Donations*

From the marketing perspective, individual donors can be segmented by their demographic variables such as income and wealth, age, gender, race, religion, and education attainment (Bekkers & Wiepking, 2011b; Wiepking & Bekkers, 2012). As we have seen in the review of review articles in 2.1, Bekkers and Wiepking (2011a) explained the eight significant variables to drive donors to give: awareness of need, solicitation, costs and benefits, altruism, reputation, psychological benefits, values, and efficacy. In addition to these general factors to promote monetary donations, recent studies revealed that donors’ personal tastes and experiences (Breeze, 2013) and identities (Chapman et al., 2020) affect the cause they donate.

Understanding such donor behaviors is essential for marketing for monetary donations. Many scholars have investigated the research topics related to donors, and the most popular approach to understanding the donor is the utility-based approach (Haruvy et al., 2020). It is natural to posit that donors have unique utility functions for each, but generally, the function is a differentiable increasing function, and marginal utility is assumed to be diminishing

(Strahilevitz, 2011). Then, we have several options in utility functions based on the previous literature. Sections 2.2.3 and 2.3.5 are based on the author's peer-reviewed article, which will be published in the Journal of Science Policy and Research Management in 2023.

### 2.2.3 *Utility Functions of Donors*

#### 2.2.3.1 Pure Altruism

The first standard model of monetary donation is Pure altruism (Roberts, 1984). This model posits that a donor's utility function includes the utility of others. Let  $g$  denote a donor's gift and  $w$  denote the donor's wealth.  $f(g)$  is the utility that the gift recipient obtains. The utility function of the donor can be described as follows. The shape of  $U$  is concave, so  $U' > 0$  and  $U'' < 0$ .

$$U(w - g, f(g)) \quad (1)$$

Pure altruism is extended to the provision of public goods, and the utility function considers the total donation from all the donors  $G$  (Andreoni, 1989), which also means the public goods. Now the donor's utility function is as follows.

$$U(w - g, G) \quad (2)$$

Strictly speaking, in addition to  $G$ , there are many cases in which taxes are also considered a source of public goods supply, but in this study, for the sake of simplicity, we use this notation. The model explains the "crowding out" of private donations to help the poor when government funding increases. The donor's interest is the size of  $G$ , which can also be realized by government funding. The donor does not give to the public good because he or she does not have any other motivation if  $G$  is large enough (Andreoni, 1989). However, many donors give regardless of government funding to the public good, and the Pure altruism model has been criticized for not fitting the reality (Andreoni, 1990).

### 2.2.3.2 Impure Altruism / Warm-Glow

The following model is Impure altruism, named Warm-glow (Andreoni, 1989, 1990). This model posits that donors gain utility from their own giving, and the utility function of this model is as follows.

$$U(w - g, G, g) \quad (3)$$

Since the donor feels utility from his or her own gift, the government funding for the public good cannot perfectly crowd out individual donations. This model better explains the reality and is accepted by many scholars (Payne, 2014). However, a recent study shows that the crowding out is affected by the output of the nonprofit organization receiving the donations (Ottoni-Wilhelm et al., 2017). We want to introduce another model to consider the output or production of nonprofits.

### 2.2.3.3 Impact Philanthropy

The third model is Impact philanthropy (Duncan, 2004), which posits that donors consider the production through their donations. Let  $e$  denote the endowment of the recipient organization as the public good. The gift  $g$  from a donor and the endowment  $e$  are used according to the production function  $Z(y)$ , where  $y = e + g, Z' > 0$  and  $Z'' < 0$ . The utility function of the Impact philanthropy model is as follows.

$$U(w - g, Z(e + g) - Z(e)) \quad (4)$$

The donor does not gain utility directly from his or her gift but from the impact it produces. This model predicts that the smaller  $e$  the recipient organization has, the larger the donation's impact. It clearly explains that the neediest beneficiary is preferred when deciding whom to donate. The production function of the Impact philanthropy model is suitable for investigating demand-side heterogeneity. Some organizations, such as large universities and museums, have large  $e$ , so the gift's impact may seem small for donors. When a disaster happens, small and quick NGOs that enter the disaster site early may be perceived to have less  $e$  for immediate use

to meet the humanitarian needs, so they are supposed to be attractive to Impact philanthropists. As donations to the NGOs increase, new donors feel that the NGOs already have many resources to deal with the situation and expect less impact from additional donations, which leads to smaller gift sizes or lower donation rates. The impact philanthropy model satisfactorily explains the child sponsorship model in international cooperation organizations (Duncan, 2004).

#### 2.2.3.4 The Theoretical Prediction from Utility Functions

These models help describe the donor motivations and behaviors, and some theoretical predictions can be derived. The first one is that the donors' utility will be maximized when the donation is divided into smaller gifts at different times (Strahilevitz, 2011). It is similar to the consumption of private goods, which we usually take the law of diminishing marginal utility as granted.

The second prediction is that these models are limited in explaining the major gift phenomenon. Since the marginal utility is diminishing on the utility function, the larger the gift size, the closer to constant the utility will be. In these situations, the utility will have less predictive power, which is the drawback of the utility-based approach (Haruvy et al., 2020). Major donors are predicted to be sensitive in choosing which organizations to give to because the choice changes the shape of utility functions from the donation. Major gift literature finds that major donors choose the gift destination by their personal taste (Breeze, 2013). In other words, donors become more interested in the difference in utility functions (i.e., different organizations). Nonprofit marketers try to target suitable prospect donors for their organizations. They will also attempt to affect the form of the donors' utility function by providing various appeals such as category reporting (Cartwright & Patel, 2013; Li & Riyanto, 2017) and other acknowledgments (Merchant et al., 2010). Some organizations have



prestigious donor walls to put major donors' names on, and others are not. These variables result in the different forms of the utility function of donors.

Demand-side heterogeneity is thus an essential aspect of fundraising studies as it changes a donor's preference. Investigation on the demand-side is relatively challenging because it requires comparison among many recipient organizations' data.

## 2.3 FUNDRAISING ORGANIZATION TYPES AND CHARACTERISTICS: DEMAND SIDE

Andreoni and Payne (2013) pointed out that organizational heterogeneity affects the donors' decisions. From financial point of view, many articles in public administration, organizational studies, and accounting have considered organizational characteristics' effect on monetary donations (Paxton, 2020). We review previous literature that considered the characteristics and attributions of fundraising organizations.

### 2.3.1 *Cause Difference*

One of the most influential demand-side variables in fundraising is the cause or the purpose of the fundraising activity. Only recently do researchers investigate these factors. Some causes are unpopular or unappealing for donors because monetary donations are made in a voluntary manner, not in an obliging manner. An article by Body and Breeze (2016) clarified the concept of "unpopularity" in monetary donations. According to their research, mental health, refugees and asylum seeker, and offenders/ex-offenders are the worst popular causes in the U.K. They also argue that unpopular causes rely on governmental funding, but fundraising is worth investing in. From the utility-based approach (Haruvy et al., 2020), we can expect that most donors gain more utility when donating to popular causes, meaning that the gift's size will be

larger. The appeal-based approach predicts that more appeal in quality or quantity is needed to attract donations to unpopular causes (Haruvy et al., 2020).

The difference among causes also affects the targeting issue in marketing. People with specific characteristics like each cause (Neumayr & Handy, 2019). It implies that nonprofit marketers should consider the combination of their cause and the prospect donors when deciding the target of their marketing strategy. Competition among causes (Filiz-Ozbay & Uler, 2019) is another critical topic that stems from cause differences, and the authors showed that complementary causes increased the total pie of donations. Each cause attracts different donors because donors have diverse social identities (Chapman et al., 2020). Theoretically, the more diverse the causes, the more donors will come into the donation market. In addition, the effects of interventions to promote giving differ among causes (Sasaki et al., 2019).

Notably, the cause an organization pursues is supposed to be decided in the earliest stage of the organization's life cycle. The cause is, in other words, a prerequisite for fundraising that nonprofit marketers cannot easily change.

### 2.3.2 *Mission Difference*

Even inside a single cause, there is a difference in the missions for which each nonprofit organization operates. In this section, we discuss the mission difference. The author published a discussion paper on this topic (Watanabe, 2022b), and the modified version is found in appendix 2 of this dissertation. This section shows the essence of the paper.

Some nonprofit organizations may solicit money for the urgent drought in Africa, while others may try to mitigate climate change to prevent such droughts. In the literature, a monetary donation to urgent human needs is called "charity" or "charitable giving (Frumkin, 2008; Worth, 2015)." Charitable giving is likely quick in producing public goods and the donor's satisfaction (Dees, 2012). Contrary, long-term and strategic investment for a better society are

referred to as “philanthropic giving (Frumkin, 2008; Worth, 2015).” If a nonprofit organization uses donated money to provide water bottles to thirsty people, it is considered charitable giving. If the nonprofit uses the money to construct a well in a village, it is philanthropic giving.

Since self-help and opportunity creation is philanthropy principles (Frumkin, 2008, p. 7), the project would be more philanthropic if the nonprofit used the money to teach villagers how to construct or maintain the well. The two are not entirely separable, and there is a middle ground between typical charitable giving and typical philanthropic giving. A recent marketing paper verified the advantage of autonomous (i.e., philanthropic) aid appeals in seven studies (Waites et al., 2022).

Typical examples of charitable giving are the “gifts made within days of the terrorist attacks of September 11, 2001, the Haitian earthquake in 2010, Hurricane Sandy in 2012, and Typhoon Haiyan in the Philippines in 2013” (Worth, 2015, p. 8). Typical examples of philanthropy are gifts made to construct new hospitals, endow universities, or sustain museums (Worth, 2015, p. 8). Naturally, the difference between charitable and philanthropic giving induces different responses from prospect donors (Watanabe, 2022b). Generally, charity or charitable giving is for short-term needs. Therefore, the simplest way to categorize the nonprofits’ missions is to divide them into short- and long-term missions. We use this categorization later to examine organizational heterogeneity regarding missions. As we will discuss in section 2.3.4, long-term mission organizations often need proper legal statuses to be trusted by donors.

### 2.3.3 *Tax Deductibility*

Tax deductibility is the next factor we assess in the context of organizational heterogeneity. Governments in developed countries promote monetary donations by using tax reliefs,

decreasing the net cost of donations. Tax deductions<sup>1</sup> and tax credits<sup>2</sup> are two tax relief methods, and most OECD countries provide either or both (Andreoni & Smith, 2021). Tax relief reduces the government's income, so its effectiveness was of interest to public economists and policymakers. Tax elasticity of monetary donations has been defined as the change of percentage in the monetary donation amount caused by the change of percentage in the cost of donation (Steinberg, 1990). If offering a donation tax relief at the cost of 1 USD generates additional donations of 1 USD or more, then the tax relief policy is considered financially efficient, justifying the provision of the public good through a nonprofit organization that solicits donations. If the price elasticity is negative, it indicates that prices are decreasing and donations are increasing. If the elasticity exceeds 1 in absolute value, then donations are elastic. While existing studies have provided broad estimates of the price elasticity of donations, a meta-analysis of 69 studies found that the price elasticity of donations was -1.44 (SD 1.21). Excluding outliers with three standard deviations, the price elasticity was -1.11 (Peloza & Steel, 2005). The same meta-analysis also showed that planned giving, such as bequests, had a large price elasticity, while daily giving had a low price elasticity.

From the management perspective of a nonprofit organization, it is crucial to consider the extent to which the tax relief brings new donations to the organization. Obtaining and maintaining a certified nonprofit organization or a public benefit corporation status requires a reasonable administrative cost. Becoming such a corporation is a significant "investment" for the organization, which is expected to increase its fixed costs. Increased fixed costs are also known to be avoided by donors (Perroni et al., 2019), and such an ineffective investment will deter the nonprofit organization from achieving its goals if it does not receive sufficient

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<sup>1</sup> Tax deductions "reduce the taxable amount of income before calculating the tax liability that is due" (Andreoni & Smith, 2021; p. 163)

<sup>2</sup> "Tax credits are an amount subtracted directly from the tax liability once the liability has been computed." (Andreoni & Smith, 2021; p. 163)

additional donations as a result of becoming a tax-deductible legal entity. On the other hand, becoming a tax-deductible corporation may increase “trust in the organization” (Chapman et al., 2021), which significantly affects donations, and there may be an indirect increase mediated by trust. From this aspect, understanding to what extent and under what circumstances tax relief promotes donations is also essential for nonprofit management.

From the donor’s perspective, there is a reasonable learning cost in accurately understanding tax deductions, and not all donors necessarily understand the system (Hageman & Hausserman, 2020). In addition, compared to large donations such as planned giving, small “daily donations” have lower price elasticity (Peloza & Steel, 2005). Costs that hinder donors’ giving behavior include the money donors pay to nonprofit organizations and the transaction costs and opportunity costs (Huck & Rasul, 2010; S. Knowles & Servátka, 2015). The ease of donating online has lowered these costs (Goldfarb & Tucker, 2019), and now small-scale “daily giving” is becoming increasingly less costly, creating an environment in which people can donate smoothly, following their psychological impulses (Karlan et al., 2019). These changes are expected to reduce the price elasticity of donations (i.e., tax relief will become less effective).

#### 2.3.4 *Legal Status as Nonprofit Organizations*

As Hansmann (1980) pointed out, organizations with a nonprofit legal status operate under the non-distribution constraint by law, and it derives trust from customers who use their services. When people perceive strong information asymmetry, nonprofit legal status must be helpful for donors’ decisions. Therefore, the legal status’s signaling effect might differ among the organizations’ causes and missions. Generally, when an organization uses the donated money immediately after receiving it (i.e., disaster relief activity), information asymmetry should be weak. If a philanthropic organization plans to accumulate much money to address the root

cause of a social problem, legal status as a nonprofit is indispensable for donors to trust it. Some legal statuses are associated with tax deductibility, so legal status also affects the cost of donations.

Many organizations do not have legal status, working voluntarily. The operating cost should be low, and Impact philanthropists (Duncan, 2004) may prefer such organizations because they have a small endowment, so the donation will make a big difference (See 2.2.3). Voluntary organizations do not pay for the staff, so it is the most attractive type of organization for donors who dislike overhead costs (Gneezy et al., 2014). Established organizations with legal status and tax deductibility seem advantageous in fundraising, but they will face overhead aversion (Gneezy et al., 2014) from donors if they engage in charitable activities.

Recently, researchers in nonprofit studies have observed the serious issue regarding the legal status of a nonprofit in Japan. As we discussed above, the legal status of a nonprofit should have a signaling effect as a trustworthy recipient of donations. In Japan, the exact opposite might be happening. Nonprofit organizations such as “NPO-houjin (Specified Nonprofit Activities Corporation)” (hereafter “SNACs”) and “Nintei-NPO-houjin (Authorized Specified Nonprofit Activities Corporation)” (hereafter “ASNACs”) might receive significantly smaller donations according to the experimental study (Zenkyo & Sakamoto, 2017). Donors in Japan dislike the political activism and money-oriented attitudes of SNACs, leading to hesitation in participating in the activities (Sakamoto et al., 2020). This study also examines the practical effect of “SNACs aversion” and how to overcome the disadvantage as one of organizational heterogeneity.

### 2.3.5 *Production Functions of Nonprofit Organizations*

In the Pure altruism (Roberts, 1984) and the Warm glow (Andreoni, 1990) model, donors do not care about the production function of the recipient nonprofit organizations. In the Impact

philanthropy (Duncan, 2004) model, a donor's utility function contains the production of the nonprofit organization. The product is heterogeneous in organizations among different causes and missions, and production functions are also heterogeneous among different organizations. Firstly, some organizations have efficient production systems while others have less efficient systems, which leads to heterogeneous effectiveness (Karlan & Wood, 2014). Secondly, some organizations have a certain threshold to start producing public goods (Andreoni, 1998). Philanthropic organizations often have this kind of threshold, and they need the accumulation of money to achieve the strategic goal.

### 2.3.5.1 Thresholds for Production

Let us discuss the thresholds for production more precisely. Andreoni (1998) modeled the practically important situation of fundraising, which is the existence of a minimum threshold for producing the public good. The number of donors is  $n$  and the total donation should be more than the threshold  $\bar{G}$  to produce public good  $G$  (for details, see Andreoni (1998), p. 1192).

Let us posit that the organizations can use endowment  $e$  as a part of resource for production.

$$Z = \begin{cases} \sum_{i=1}^n g_i & \text{if } \sum_{i=1}^n g_i + e \geq \bar{G} \\ 0 & \text{if } \sum_{i=1}^n g_i + e < \bar{G} \end{cases} \quad (5)$$

The high threshold seriously disadvantages nonprofit organizations with long-term missions. For example, medical research projects generally require vast amounts of money to produce a new drug. Donors cannot believe that an organization with a small  $e$  will achieve a high threshold, so they refrain from donating to such organizations. According to the Impact Philanthropy model (Duncan, 2004), large  $e$  is expected to benefit organizations with very high-target. Another reason why donors give to nonprofits with high thresholds is the warm-

glow (Andreoni, 1990). In this model, donors receive utility that is not related to the production function of the nonprofit. In other words, organizations with a long-term target should make the warm-glow-related motives salient for the prospect donors.

#### 2.3.5.2 Risk of Failure

To make matters worse, some nonprofit organizations pursue an objective with the risk of failure. Philanthropy is innately related to risk (Brest & Wolfson, 2020). For example, a drug discovery project may fail after collecting enough money. Thus, even if  $\bar{G}$  is achieved,  $Z$  becomes 0 with a certain probability  $r$ . When the recipient organization is new, donors may perceive higher  $r$  for the production because of the lack of experience or skills. Since there is an information asymmetry between nonprofit organizations and donors, theoretically, nonprofits may take advantage of it and conceal the actual risk. Not only the risk of failure itself but also whether nonprofits hide it or not affects the donors' risk perception. We further discuss the effect of risk in monetary donations in appendix 2.

Through the above argument, we confirmed that organizational heterogeneity, such as causes, missions, tax deductibility, and legal statuses, is expected to affect the donation amount raised by nonprofit organizations.

## 2.4 EVOLVING ISSUES FOR FUNDRAISING METHODS

### 2.4.1 *Marketing Perspectives*

The discussion above focuses on donors' utility functions and the production functions of nonprofit organizations. In reality, there are many donors and nonprofits in the donation market. We start discussing the main topic of this study, marketing for fundraising.



#### 2.4.1.1 A Marketing Application for Fundraising

Marketing has been applied for fundraising for decades and works as a bridge between social science knowledge and relevant fundraising practice. Recent publications on fundraising in marketing journals or books highlight various topics in marketing, such as positioning (Waites et al., 2022), branding (du Bois & Longley-Cook, 2021), marketing response models (Sarkar & De Bruyn, 2021), advertising message (Pham & Septianto, 2019; Van Steenburg & Spears, 2022), and pre-giving incentives in direct marketing (Yin et al., 2020). Experimental research methods prevail in marketing and provide new knowledge that theories or experts cannot predict (Goswami & Urminsky, 2020). However, there are fewer studies on marketing strategies for fundraising. It is not the sole tendency in fundraising but marketing strategy research in general (Morgan et al., 2019). Recent marketing strategy research focuses on marketing inputs (i.e., resources and capabilities) or marketing tactics, not strategic choices in the upper layers (Morgan et al., 2019). This study examines the components of strategies, the 4Ps or 7Ps in service marketing, to fill the research gap in marketing strategy for fundraising.

#### 2.4.1.2 Fundraising Channels

Just as commercial marketers consider place in 4Ps, nonprofit marketers also choose the channels to accept monetary donations. This dissertation is about donations via the internet, and there are at least two channels; credit cards and bank transfers. Recently, platform companies such as Amazon.com have provided donation platforms with a transaction system where donors can use their credit cards registered in their Amazon accounts. Some organizations use various channels while others focus on one channel because of the scarce human resource. These channels have different transaction costs (Huck & Rasul, 2010), and the difference will be one of the sources of demand-side heterogeneity.

In the major gift literature, channels related to bequest giving play an essential role because major donors sometimes consider whether to give now or after their death (Hrung,

2004). In this case, the channel is personnel who oversees bequest giving with sufficient knowledge. If a nonprofit organization has no such staff, it will miss a part of major gifts. It implies that the fundraising channel sometimes determines the boundaries of the donation market (Watanabe, 2022a). In other words, we cannot simply compare the organizations' fundraising activities across different channels, which will be difficult in fundraising strategy research. The choice of fundraising channels might require a strategic decision.

#### 2.4.1.3 Fundraising Promotions

In recent public economics research on monetary donations, some scholars argue the importance of the ask or solicitation (Andreoni et al., 2017; Andreoni & Rao, 2011; Breeze & Jollymore, 2017; Yörük, 2009). Traditionally, the ask or solicitation was done in face-to-face meetings, direct mails, special events, and advertisements. Naturally, the quality and quantity of such activities determine the donation amount raised. In digital marketing, nonprofit organizations use many methods, including crowdfunding, peer-to-peer campaigns, online advertisements, e-mail solicitations, and online events. We will check the digital fundraising literature in detail in 2.5.

Attracting public attention is another critical promotional tactic for fundraising. In natural disaster relief, media exposure influences giving behavior (Brown & Minty, 2008). People would trust well-known organizations more than unnamed organizations, so media coverage might promote organizational trust (Chapman et al., 2021) from donors, which will lead to major gifts. In this aspect, media coverage is social information that increases the gift's size (van Teunenbroek et al., 2020). Another possibility that media coverage causes major gifts is by broadening the donor base. Since major gifts are a stochastic phenomenon, the more donors an organization interact with, the higher possibility of major gifts the organization will have.

There is an interaction effect between promotion and product. Organizational characteristics often moderate the effect of fundraising appeals (Qu & Daniel, 2021), and some promotions are more effective for a specific cause (Sasaki et al., 2019). It is one of the reasons that fundraisers should know about the characteristics of their organization's cause.

#### 2.4.1.4 Pricing of Donations

Pricing in monetary donations is an intriguing topic. There is no fixed price for monetary donations, so nonprofit organizations have unlimited options in proposing donation amounts to donors. As we have seen in 2.3.3, tax relief affects the out-of-pocket price of donations and is a kind of institutional factor in the pricing of donations. It means an interaction between products (tax-deductible legal statuses) and pricing.

Here, we look at the strategic choice of donation price. Firstly, it is known that suggesting a specific amount of donation promotes giving behavior (Edwards & List, 2014). The next question is how to optimize the suggestion of gift size. The researchers use the word "appeal scales (De Bruyn & Prokopec, 2013)" or "ask strings (Reiley & Samek, 2019)" to describe the price options of a donation form. The present dissertation uses the word "appeal scales."

Traditionally, direct marketing fundraising has repeated experiments to increase the return on investments. One article on direct marketing was written by Reiley and Samek (2019). They confirmed that donors liked "round numbers," such as 100 USD, when donating and that the pricing also affected the likelihood of making a gift. The authors argued that the utility gained by the donor was the net utility remaining after subtracting the cognitive cost of treating non-round and complex prices. De Bruyn and Prokopec (2013) conducted field experiments and showed that the likelihood of making a gift was significantly affected by the minimum price options on the solicitation letters to existing donors. The smaller the minimum amount, the higher the likelihood of donation. However, frequent donors are less sensitive to the

changes in appeal scales. They continued to investigate the appeal scale optimization and found that the congruence with the internal reference point of each donor was critical for increasing the average donation amount without dropping the response rate (De Bruyn & Prokopec, 2017). Regarding the appeal scales, one more attribute is the number of options, which also affects the donation probability (Herzenstein et al., 2020).

Another dimension of pricing is the target amount of a fundraising campaign. Park & Yoon (2022) investigated the effect of the target amount and solicitation amount of donations, and they concluded that the solicitation amount was more influential than the target amount and that the small solicitation amount decreased the revenue. If a fundraiser wants to accept a wide range of donation sizes, he/she has to increase the number of options.

In addition to the tax deductibility and lower donation price by tax reliefs, pricing can be a variable with interaction with other marketing mix variables. Donors might pay less money for a gift to unpopular causes (Body & Breeze, 2016) or organizations with a less trusted legal status (Zenkyo & Sakamoto, 2017). Fundraising campaigns as promotion also possibly interact with prices. People might give a small amount of money to deal with the social pressure of fundraising campaigns (Reyniers & Bhalla, 2013). As we discussed later, small donations are sometimes solicited by the Legitimization of Paltry Favors (Lee et al., 2016), but they are for increasing the participation rate. In the fundraising literature, the bigger the gift's magnitude, the better. Small donors are often treated as "unprofitable" donations (Bennett, 2018). Therefore, we can find a tradeoff between the participation rate and the size of the gifts, which requires a strategic decision in pricing.

#### 2.4.1.5 Service Marketing

In fundraising research, relationship marketing has been employed as a framework to build healthy relationships with donors (Burnett, 2002; MacMillan et al., 2005; Adrian Sargeant, 2001). Since fundraising is a kind of service for donors, we can examine "relationship

fundraising” as an application of relationship marketing concepts into fundraising service. One of the most-cited articles about relationship marketing for services in business is written by Berry (1995). He argued the importance of targeting profitable customers, consistent with the major gift strategy discussed later. Berry (1995) also pointed out the importance of trust as a marketing tool. In fundraising literature, trust is extensively studied and regarded as a prerequisite for donations (Chapman et al., 2021).

There is an under-researched area in this discussion, which is small donation fundraising. Since fundraising is for raising money, focusing on small gifts seems irrational, which contradicts the successful relationship marketing strategy: targeting profitable customers. A possible situation in which nonprofits adopt small donation fundraising is to maximize the participating population, such as political campaigns. In Japan, SNACs and Public Interest Corporations are expected to promote citizen participation.

When we see fundraising as a service, we cannot ignore the risk that donors perceive. Since services are intangible, customers seek more information to avoid risk (Murray, 1991). The beneficiaries seldom consume donations immediately after the donors’ giving behavior, so the risk is inherent and inevitable. Moreover, there is a risk that a donation does not make an impact. Philanthropic donors may experience a relatively higher risk that their small gift is meaningless for a philanthropic cause, making a specific “promotion” effective on this “product.” Cialdini and Schroeder (1976) experimented with fundraising for the American Cancer Society, a typical philanthropic organization. The confederates dressed as the organization’s solicitors and visited prospects for donating money. The authors found that adding a short phrase (e.g., “even a penny will help”) to a direct request nearly doubled the compliance rate without decreasing the mean donation size. This short phrase is known as “Legitimizing Paltry Favors” (LPF), and this promotion is studied disproportionately many times in philanthropy. A meta-analytic review by Lee et al. (2016) showed comparatively more

LPF experiments on medical research causes and fewer on poverty causes. Fewer studies demonstrate the effectiveness of LPFs on charitable giving (Watanabe, 2022b). Thus, caring about donors' perceived risks is of practical importance in service marketing application to fundraising.

Major gifts are riskier for donors compared to small gifts as it treats the large amount of money. Philanthropic gifts are riskier than charitable gifts as it aims at the higher or longer-term solution to social issues. Therefore, it is expected that major donors to philanthropic causes are risk-tolerant people. Indeed, according to Nwakupda (2020), major donors who make enormous contributions to higher educational institutions in science, technology, engineering, and math are disproportionately entrepreneurs. Major donors probably demand higher quality service from fundraisers. Then, acknowledgment and stewardship must be an essential component of major gift fundraising (Knowles & Gomes, 2009), which we later discuss in detail.

Introducing the service marketing perspective gives us the framework of the 7Ps. Product is the most critical factor, as the legal status is not easily changed, and the causes and missions are tightly connected with the organization's objective. We will summarize the literature review using the 7Ps framework at the end of chapter 2. By synthesizing the extant literature, we can tackle one of the important questions of relationship marketing of services; "What are the common characteristics of successful relationship marketing programs?" proposed by Berry (1995). From the argument above, research question one arises: "What are the suitable promotional factors for digital fundraising of nonprofit organizations?" By investigating this question, we can make insight into common characteristics of successful relationship fundraising programs for nonprofits.

In addition, from the review of organizational heterogeneity, we can assume that the fundraising operations and organization characteristics interact with the fundraising

performance. Thus, research question two should be; How do organizational attributes and fundraising operations affect the total amount raised?

#### 2.4.2 *Strategic Management Perspectives*

Among the variables that describe demand-side heterogeneity of donations, we cannot miss the strategic issues. Fundraising strategy will affect many other variables we have discussed, so heterogeneity in strategy might capture or explain multiple variables on the demand-side in an integrated manner. Marketing strategy includes, by definition, the “crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication and/or delivery of products” (Varadarajan, 2010, p. 119). Choice of Fundraising channels, promotion methods, and pricing all form the marketing strategy when integrated. We review the crucial choices in the marketing strategy of monetary donations that we have not yet covered above.

##### 2.4.2.1 Capacity Building or Earmarked Donations

One strategic issue we review is the tradeoff between short-term and long-term investment on the demand-side of donations. In marketing strategy research, the conflict between longer- vs. shorter-term emphasis is an influential research agenda (Morgan et al., 2019). When a nonprofit organization wants to maximize the long-term performance in fundraising, it will invest in capacity building than temporal fundraising expenses. It is shown that managerial capacity is robustly related to fundraising performance in land conservation organizations (Sieg & Zhang, 2012). The employment of a fundraiser or public relations staff is an example of capacity building of the nonprofit organization. A fundraiser may try to build trust and good relationships with donors, prepare for the crowdfunding campaign, or change the pricing strategy by performance measurement. Thus, capacity building affects other marketing elements, leading to the complex interaction effect among marketing mix variables.

The obstacle to the capacity building of nonprofits is that the funding agencies or donors often dislike the overhead (Qu & Daniel, 2021). It is a precious resource for the organizations' managerial expenses. Thus, avoidance of administrative costs can negatively affect marketing performance through reduced organizational capacity. Of course, some nonprofits are very good at attracting and retaining a voluntary workforce, such as peer-to-peer fundraisers (Chapman et al., 2019). Financial measures cannot capture the precise managerial capacity of such organizations, and it might require a qualitative analysis to capture the actual image of the managerial capacity of fundraising organizations. The opposite side of the same coin of overhead aversion is donors' preference for earmarking donations, allowing them to specify the project for which their gifts should be used (Fuchs et al., 2020). Nonprofit organizations face the conflict between two strategies: difficult fundraising to collect donations for overheads or easier fundraising to attract earmarked donations. Earmarking is indispensable to appeal to major donors, so we consider it again in 2.6.3.

#### 2.4.2.2 Focus on Aggregated or Periodic Gifts

The second issue not covered yet is the fundraising focus on aggregated high-value gifts vs. recurring small gifts. It can be captured as another longer- vs. shorter-term emphasis in marketing strategy issues (Morgan et al., 2019), but major gift literature implies that aggregated high-value gifts also take much time to communicate with donors (Knowles & Gomes, 2009). Since major gift fundraising is efficient in marketing ROI, the conflict between the two strategies can be interpreted as the choice between efficiency and stability. Focusing on the major gifts is a strategy to gain aggregated gifts, which is cost-effective, but the fundraising revenue is unstable. Some nonprofit organizations may not actively seek to obtain major gifts because they focus on more stable and regular gifts; periodic donations.

As we noted in 2.2.1, there are four options in donation frequencies: monthly, quarterly, bi-yearly (semi-annually), and annually. A study in service research reveals that the frequency



of periodic donations is related to the higher donation amount, especially when the donors' motivation is self-oriented (Minguez & Sese, 2022). Although recurring gifts are relatively small, they are more predictable for the recipient organizations. Few studies compare the relative effectiveness of the two fundraising strategies. In marketing strategy research, the recent scholarly attention has been on single marketing mix elements (Morgan et al., 2019). Though the present research uses data from nonprofit organizations, it addresses the shortcomings of recent marketing strategy research.

Then we now clearly find the significance of research question three: What marketing methods are appropriate for each nonprofit organization's characteristics and fundraising objectives (short-term vs. long-term, stability vs. efficiency)?

## 2.5 DIGITAL FUNDRAISING

Next, we will examine specific topics of this study. We will see the literature on digital fundraising in this section, and it is the modified version of the author's research for a private foundation in Japan regarding digital fundraising.

What is known in the digital fundraising literature, including donative crowdfunding and social media? What is the difference between donations through digital channels and traditional donations? Econometric studies in the marketing field have identified the following five changes in the cost of meeting consumer needs (Goldfarb & Tucker, 2019);

- 1) Decrease in the cost of search by consumers
- 2) Lower cost of reproduction of digital goods
- 3) Lower transportation costs for digital goods
- 4) Lower tracking costs to enable personalization and targeting
- 5) Lower cost of verifying consumer preferences and company reputation

These factors should be noted when we consider digital fundraising. Transaction costs (Huck & Rasul, 2010) and opportunity costs are the obstacles to donation behavior (Knowles & Servátka, 2015). Remember, the utility that donors feel is a net utility remaining after subtracting the cognitive costs (Reiley & Samek, 2019). Thus, the lower cost will lead to an increased number of donors when an organization starts to fundraise on the internet. However, nonprofits often struggle to manage unprofitable donors (Bennett & Kottász, 2011). Smaller transaction costs might lead to an increase in unprofitable donors, so the gift size in digital fundraising is a practically important topic.

On the demand side of monetary donations, digital technology lessens the cost of fundraising. The solicitation is always costly, so fundraisers seek donors who are expected to give more than the solicitation costs (Name-Correa & Yildirim, 2013). Digital fundraising is expected to have a lower break-even point than traditional fundraising, and it will work as the power to increase small gifts in digital fundraising. The continuity of gifts plays a vital role in increasing “profitable” donations, as small gifts will exceed the break-even point if they continue for an extended period.

### 2.5.1 *Crowdfunding*

Research on crowdfunding-based donations has increased dramatically, and review articles have already been published. In the review in nonprofit studies (Salido-Andres et al., 2021), we do not find a trend that differs much from traditional donation research. However, the visualization of gifts is a unique feature of crowdfunding, as other small donors’ gift sizes are not visible in traditional fundraising. Social information, which promotes the magnitude of giving (van Teunenbroek et al., 2020), is salient in crowdfunding. On a Japanese crowdfunding platform, it was shown that previous donors’ gift sizes influenced the gift sizes of the donors who followed (Sasaki, 2019), and this effect was more substantial in the lower prices. Thus,

the interaction between price and promotion type (crowdfunding vs. other campaign types) should be investigated.

In crowdfunding research, most studies use success or failure as dependent variables (Salido-Andres et al., 2021). The higher the target amount of money, the lower the probability of success (Meer, 2014). Since crowdfunding is usually a part of the marketing activities in the nonprofit organization, the longer-term goal, such as the involvement of high-value donors, should be treated as a dependent variable because they can be major donors in the future (Lindahl & Winship, 1992). The effect of tax deduction in donative crowdfunding is also a research gap (Gleasure & Feller, 2016b).

Recently, there has been a novel type of crowdfunding to receive monthly recurring gifts. They are referred to as “regular giving (Chuffed.org)” or simply “monthly donations to a crowdfunding page (JustGiving)” by platform companies. Considering the utility function of donors, dividing donations into frequent small gifts will allow donors to enjoy more utility (Strahilevitz, 2011) even if the recipient organization does not produce public goods because its mission is a long-term one. Notably, the type of utility is warm-glow in such cases.

On the other hand, one-off donations can be bigger in size, so donors can perceive the larger impact of their donations if the recipient organization’s mission is short-term. To the author's best knowledge, the empirical comparison between aggregated and recurring gifts has not yet been made in the marketing discipline regarding crowdfunding.

### 2.5.2 *Social Media*

Social media are often used in digital giving. Variables, including Facebook likes, posts, and shares positively associated with donations (Bhati & McDonnell, 2020). On social media, large existing organizations are not necessarily successful, and the ability called “Web capacity” is associated with fundraising success (Saxton & Wang, 2013). Large organizations do not

necessarily utilize social media for fundraising effectively (Soboleva et al., 2017). It means that different organizational attributes might be advantageous in digital fundraising. The difference also occurs in causes. For example, donors via Facebook Causes tend to donate to health-related organizations, and their average gift size is small (Saxton & Wang, 2013). Facebook data is used for donation behavior prediction in information systems (Schetgen et al., 2021) and digital marketing (Wallace et al., 2017).

As we see in 2.4.1.3, media coverage is one of the significant promotions to attract donations. Social media use will make the positive media effect on fundraising continue longer (Lobb et al., 2012). Thus, social media use may be synergistic with other promotional factors. Using social media when an organization is doing crowdfunding campaigns would be also beneficial.

### 2.5.3 *Peer-to-Peer Campaigns*

Rather than paid staff, volunteers have often been involved in fundraising activities in nonprofit organizations. Volunteers are often donors and members and are not easily managed by commands, organizational structure, or rules. In an age when many people can communicate via social media, the hurdle for volunteers to solicit donations seems to have been lowered even further. People who are more committed to the goals of a nonprofit organization tend to adopt more best practices in peer-to-peer fundraising on the Internet (e.g., asking more people, posting photos on the page, explaining why you are asking for donations) and are more likely to be successful in soliciting donations (Chapman et al., 2019). They are also more likely to be successful in soliciting donations. In addition, information about the fundraiser's deep personal commitment is more strongly associated with success than information about the donor organization (Chapman et al., 2019).

Donors can help fundraising as peers, and asking people who have finished donating to spread the word on Facebook and other social media seems practical. According to Castillo et al. (2014), providing incentives increased the willingness to spread the word. On the other hand, the willingness to post was twice as high for those logged in to Facebook, indicating that the trivial cost of being logged in largely determined behavior. In general, young people seem more susceptible to peer influence, and indeed, the prosocial behavior of college students is considered unstable and dependent on the situation (Soowon Park & Shin, 2017). Peer pressure was shown to relate to the lower satisfaction of donors in an experimental setting (Reyniers & Bhalla, 2013), and it may produce less utility for donors.

#### 2.5.4 *Content for Fundraising*

Content on the fundraising website affects the performance. It is reported that the word count positively relates to the success of crowdfunding in the environmental cause and that the picture count worked negatively on a crowdfunding platform in Japan (Kubo et al., 2021). The authors reported that the effect of word count was not linear and that there was an optimal word count in the platform. In a U.S.-based donative crowdfunding platform, the image count and characters in the description were positively associated with higher donations, according to Gleasure and Feller (2016). It seems transparency matters because the activity report count significantly increased donations to the emergency response on the donative crowdfunding platform (Mejia et al., 2019). On the crowdfunding platform in the education area, the longer appeals attracted lower donations, but the sophistication of the appeal had a positive effect on the amount raised (Kamatham et al., 2021). Sisco and Weber (2019) showed that the donors on the GoFundMe gave significantly more to the recipients with the same family names. Naturally, content for digital fundraising has an impact on the success of fundraising.

### 2.5.5 *Online Advertisement*

In commercial marketing, advertising is one of the most common marketing investments to generate sales on the internet. There is also much research on advertisements for monetary donations (Hsieh & Yucel-Aybat, 2018; Pham & Septianto, 2019; Small & Verrochi, 2009; Xu & Huang, 2020). Fundraisers achieving high performance were more risk-taking in the advertisement than those underperforming (West & Sargeant, 2004). It is natural to posit that online advertising increases the probability of monetary donations.

In Facebook ad campaigns, information about the organization affected donations (Fajardo et al., 2018). It can be interpreted that the organizational characteristic was related to the gift size that donors accepted. Low price strategy can be dangerous in digital fundraising, and the comparison with traditional direct mail fundraising revealed the unprofitability of digital fundraising through Facebook ads (Kubo et al., 2022).

## 2.6 MAJOR GIFT FUNDRAISING

### 2.6.1 *Trust from Donors*

Since this dissertation also covers donations of relatively large size, it is rational to cover the review of major gift fundraising. Firstly, trust is a construct necessary for the transaction of monetary donations in general (Chapman et al., 2021). Intuitively, when donors make larger gifts, they will need deeper trust. Using the service encounter model, File et al.(1994) insisted that it took time to build trust with major gift donors and that sharing the same goal motivated major donors to build trust with nonprofit organizations. Though it is difficult for nonprofit marketers to build strong trust with prospect donors without the intensive cost of face-to-face meetings, trust is one of the variables influencing high-value gifts.

In the internet marketing literature, the term “online trust” is often used (Urban et al., 2009), and it is closely connected to website design. The traditional major gift fundraising

literature does not cover this kind of trust. As discussed in 2.3.4, organizational trust is sometimes secured by legal status. The nonprofit legal status is predicted to be essential for the recipient nonprofits to attract high-value or major gifts (Hansmann, 1980).

Theoretically, there are at least three situations that nonprofits need high trust from donors. One is that the mission of the organization is risky. The risk of failure in the production function  $r$  is expected to be lower in highly trusted organizations, as we saw in 2.3.5. Also, if a donation will be used for a long-term mission, it will require high trust. Lastly, when donors have less control over using their gifts, they choose trusted organizations. Earmarked donation is a practical way to strengthen donor control (Fuchs et al., 2020; Toyasaki & Wakolbinger, 2014), and overhead aversion can be interpreted as the trust issue (Gneezy et al., 2014). We look at these topics in 2.6.3.

### 2.6.2 *Relationship with Donors*

The relationship between a major donor prospect and the nonprofit is so important that nonprofit organizations have sought an effective way to manage the relationship. The concept of relationship marketing (Grönroos, 2004) gives the guideline for fundraising professionals. Since personal communication with a prospect donor is costly, the primary interest is identifying promising prospects (Filla & Brown, 2013). As we argued in previous sections, small donors are often treated as “unprofitable donors” in relationship fundraising (Bennett, 2018). Previous studies show that the average gift amount per year strongly predicts major gifts (USD 100,000 or more) in the future (Lindahl & Winship, 1992). When a possible major donor is identified, fundraisers strategically nurture human relationships with them (Knowles & Gomes, 2009). Higher education, a typical philanthropic cause, has developed such relationship-building activities (Nyman et al., 2018). The effectiveness of relationship

fundraising should be investigated in digital fundraising, especially in short-term mission causes.

In some cases, the personal relationships between donors and organization representatives that originally existed may contribute to high-value donations. Entrepreneurial marketing is opportunity-driven (Morris et al., 2002), so small and entrepreneurial nonprofit organizations are predicted to use existing human relationships for fundraising.

### 2.6.3 *Usage of Donations*

In general, the usage of donations is of the primal interest of donors. Donations can be used to meet urgent human needs in charitable giving or to strategically improve the infrastructure of society (Worth, 2015). Some organizations use gifts effectively, while others do not. Such effectiveness in utilizing donations partly affects donation behavior (Caviola et al., 2021). Donating is inherently risky as a donor generally cannot observe the destination of the donation directly. A higher level of trust is required when the organization receiving the donation has the authority to decide how it will spend it.

Conversely, when donation usage is strictly defined, donors feel safer. It is the reason why donation earmarking is preferred in many countries (Fuchs et al., 2020). According to a study, rich and powerful donors preferably responded when they felt a sense of agency in deciding how to use the gifts (Kessler et al., 2019). Similarly, there is a tendency for donors to dislike that their donation is used for the overhead expense: transaction fees, staff salaries, fundraising expenses, and other general expenses. It is called overhead aversion (Gneezy et al., 2014; Qu & Daniel, 2021), and it produces the tradeoff between donors' expectations and nonprofits' willingness to invest in managerial capacity and fundraising. Committed donors tolerated the overhead (Newman et al., 2019), so relationship fundraising would be a key to solving the tradeoff.



#### 2.6.4 *Prestige and Recognition*

When a donor makes a major gift publicly, it leads to the prestige of the donor. Prestige is regarded as one of the donor motivations in the previous literature (Harbaugh, 1998b). On the demand-side, prestige depends on the recipient organization. Major donors are sometimes recognized by putting their names on the donor wall by a recipient university or hospital. Recognition is also a drive for monetary donations for some psychological types of donors (Septianto et al., 2021; Winterich et al., 2013). Previous literature findings show that organizations with higher prestige and recognition opportunity will attract a specific donor segment. To improve fundraising efficiency, nonprofit marketers can use selective recognition (Samek & Sheremeta, 2017) and category reporting (Cartwright & Patel, 2013; Li & Riyanto, 2017).

## 2.7 STRUCTURE OF DONATION MARKET

We have reviewed the characteristics of nonprofit organizations, fundraising activities, digital fundraising, and major gift fundraising literature. Though the donation market is not the focus of this study, we look into this topic briefly because the market structure is one of the determinants of firms' behaviors and performances (Porter, 1980). This section is based on the author's peer-reviewed journal article published in 2022 (Watanabe, 2022a).

### 2.7.1 *Growth Drivers of the Donation Markets*

According to the previous literature, several factors worked as growth drivers of the donation markets. One is the ask or solicitation, clarified in international research on donation markets

(Wiepking & Handy, 2015). The quality and quantity of fundraising activities determine the donation market size in a country. Though competition among organizations over donations might shift donations from one organization to another when the organizations have similar missions (Paarlberg & Hwang, 2017), differentiated missions can avoid competition and increase the size of the whole market (Aldashev et al., 2020). In an experimental study, complementary nonprofit activities were synergistic in fundraising (Filiz-Ozbay & Uler, 2019).

The second driver is an increased demand on the donors' side provoked by favorable macroeconomic factors (Steinberg, 2018) and positive social norms toward donations (Shang & Sargeant, 2016). These factors attract more donors into the market or strengthen the magnitude of the gifts, resulting in market growth. Of course, donors' demand is affected by solicitations or needs, as the earthquake in 2011 provoked market expansion (Japan Fundraising Association, 2021), regardless of the negative impact on the macroeconomy. The donation market in the U.S. has a tremendous and stable demand for monetary donations, which were referred to as structural giving (Sellen, 2021). Since the donation market in Japan has less structural giving than that in the U.S., the short-term part, conjunctural giving (Sellen, 2021), determines the market size.

The third driver has been studied intensively by economists: tax systems. Fukui (2021) showed that tax systems in the U.S. worked as one of the factors for market expansion and that higher stock prices positively impacted donations. In Japan, higher stock prices did not associate with increased donations, which implied that tax systems moderated the macroeconomic factor (i.e., stock prices) on the size of the donation market. Tax reliefs for monetary donations promote gifts in many countries (Andreoni & Smith, 2021), and they are recognized as the growth factor of the donation markets.

Lastly, an intermediary function drives the market size of donations. Transaction costs hinder donations (Knowles & Servátka, 2015), but the effective intermediary function, such as

donor-advised funds (Ostrander, 2007), lowers them. Crowdfunding platforms also work as intermediary functions to assure the existence and quality of the recipient organizations, and Donorschoose.org is one of the functions (DonorsChoose; Song et al., 2021). Recently, Japan has experienced rapid growth of donations via the Furusato-nozei (meaning “hometown tax”) tax system (Japan Fundraising Association, 2021; Okuyama & Yamauchi, 2015). It is a combination of tax relief and intermediary functions, and all the recipient organizations are the local governments<sup>3</sup>. The donations by hometown tax are mostly transacted on the website, which works as a marketplace.

### 2.7.2 *Market Fragmentation and Its Determinants*

Traditionally, an industry or market in which CR4 (the four firm concentrations ratio) is 40% or less is called “fragmented” (Porter, 1980). It means that no player has the power to monopolize or oligopolize the market. The structure of the donation market is fragmented in the U.S., Japan (Watanabe, 2022a), and Australia (Faulkner et al., 2011).

Porter (1980) also describes the cause of industry fragmentation. The first factors explaining the fragmentation of donation are diverse market needs and high product differentiation. The market is divided into many small fragments by the fundraising channels, causes that nonprofits pursue (Neumayr & Handy, 2019), geographic areas, and donors’ personal identities (Chapman et al., 2020) or tastes (Breeze, 2013). Most nonprofits insist on their activities’ uniqueness (Brown & Slivinski, 2006) to avoid competition, so the recipient diversity stays high.

The second factors are low entry barriers (Paarlberg et al., 2018) and exit barriers (Harrison & Laincz, 2008). Unlike business, there is no prior “purchasing” involved in

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<sup>3</sup> In the case of hometown tax system in Japan, returns with economic value are often provided, and there are many critics who argue that this does not constitute a donation.

donations, and anyone can solicit donations by calling for support for the needy or setting forth a vision for a more desirable society. Moreover, new organizations with less trust can enter the market with a low-price strategy, as donations have no fixed price. Once enter the donation market, nonprofits do not withdraw from it because of the lack of profitability, leading to a crowded market environment (Paarlberg et al., 2018).

Fourthly, the absence of economics of scale or benefits of an experience curve also drives fragmentation. The scale merit was observed in the U.S.(Yi, 2010), but another study in the Netherlands reported that small nonprofits were efficient in fundraising (van der Heijden, 2013). The Impact philanthropy model predicts that small nonprofits are preferred by donors (Duncan, 2004), and the field experiments data in Germany verified it (Borgloh et al., 2013). The market fragmentation shows that the scale merit in fundraising is, if ever, too weak to change the market structure.

Lastly, an industry can be fragmented by the players' lack of resources or skills for necessary investments. In Japan, the lack of resources in nonprofits has been repeatedly pointed out (Kawashima, 2001; Okuyama & Yamauchi, 2015). Though the donation market in the U.S. is far larger than Japan's (List, 2011), fundraisers do not behave to maximize their profits (Andreoni & Payne, 2013), so the growth potential is left unexploited. Porter (1980) also discussed the recommended strategy in a fragmented market, which will be considered next.

### 2.7.3 *Implications for Marketing Strategies*

At least three marketing strategy implications can be derived from the perception of market fragmentation. Firstly, as most nonprofits lack enough financial and human resources (Okuyama & Yamauchi, 2015) for fundraising, those without strategic discipline can be trapped in a fragmented market (Porter, 1980). Nonprofits should keep focusing on a particular strategic concept. Proven old organizations can be successful in fundraising when they focus

on a high-value gift strategy by relationship fundraising, while new organizations can compete with them by narrowing their fundraising channel to the internet (i.e., digital fundraising). Secondly, new nonprofits can quickly enter the donation market with a low-price strategy. Voluntary organizations with no paid staff can start small gift fundraising using intermediary functions like crowdfunding platforms. In fundraising, organizations do not need huge initial investments. Lastly, since nonprofits do not need to be scared of profit-maximizing competitors that try to steal all the donors in the market, they can take much time to build their donor base. A long-term marketing strategy can work in a market with a fragmented structure.

## 2.8 SUMMARY

As we have seen, there are vast literature on monetary donations and fundraising. The supply-side of donation is the donors, and there are some utility function models to explain donors' preferences (Andreoni, 1990; Duncan, 2004; Roberts, 1984). The output or production of the recipient organization affects the donors' utility (Duncan, 2004; Ottoni-Wilhelm et al., 2017), so the cause or mission is the important variable on the demand-side of donations. Organizational characteristics often moderate the effect of fundraising appeals (Qu & Daniel, 2021). There is evidence that specific promotions are suitable for some causes (Sasaki et al., 2019; Watanabe, 2022b). Some organizational characteristics, such as tax deductibility (Peloza & Steel, 2005) and legal status (Zenkyo & Sakamoto, 2017), change donors' willingness to pay for the cause. Existing marketing strategy research often focuses on a single marketing element (Morgan et al., 2019), and these interaction effects of several marketing mix elements will contribute to the progress of the marketing strategy literature. The relationship among marketing mix variables is not necessarily linear, so the combined effect should be explored by qualitative methods (Carson et al., 2001).

From the marketing perspective, the fragmented structure of the donation market (Faulkner et al., 2011; Watanabe, 2022a) might require the discipline to keep committed to a specific strategic concept (Porter, 1980). Relationship marketing of services is one of the powerful strategic concepts to keep donors loyal (Sargeant, 2001), but the problem is how to deal with the “unprofitable donors” (Bennett, 2018). Strategically, nonprofit organizations should choose whether to focus on the long-term investment in the managerial capacity (Sieg & Zhang, 2012) or the short-term result of fundraising. Earmarked donations are significantly effective for the latter (Fuchs et al., 2020; Toyasaki & Wakolbinger, 2014), but the recipient nonprofits can face a shortage of overhead (Qu & Daniel, 2021) that is a crucial resource for managerial investment to expand fundraising capacity. Major donors opt to prefer to decide how their donations are used (Kessler et al., 2019), and digital fundraising, such as crowdfunding (Alegre & Moleskis, 2021) and peer-to-peer campaigns are not yet proved to be effective in attracting major or high-value donors. A strategic choice between aggregated high-value gifts fundraising and periodic small gifts fundraising (Minguez & Sese, 2022) is another topic of importance. The former is more efficient than the latter, but it might not be realized by digital fundraising. The latter produces a stable income to nonprofits, though the profitability should be tested. Marketing strategy involves the formulation and implementation (Morgan et al., 2019), so the conditions for successful implementation of digital fundraising should be investigated.

After considering the above topics covered in chapter 2, there are at least three research gaps on the demand-side heterogeneity of monetary donations. The first one is regarding the size of the gifts. Experimental studies often deal with small gifts (e.g., Aknin et al.(2013)). Usually, major gift fundraising is studied using qualitative methods (e.g., Dale & O’Connor (2020)). Between small and major gifts, high-value gifts are left in limbo in nonprofit marketing literature. This study addresses this topic.

The second research gap is about marketing strategy in fundraising. The monetary donations are mainly studied from the supply side (Chapman et al., 2022). Since service marketing mix elements are aligned under a marketing strategy, research on it should capture the interaction and combination effect of the 7Ps in an integrated manner. The interaction effects of two variables can be analyzed by multiple linear regression with interaction terms (Jaccard & Turrisi, 2003), but the interaction among more than three variables is difficult to interpret. Multi-case comparison (De Meur et al., 2006) is beneficial for investigating this research gap as it describes the combination of factors to produce a specific outcome.

The third research gap is amid different approaches to monetary donation research. The economic literature often uses the utility-based approach (Haruvy et al., 2020), and the choice between aggregated and recurring gifts, demand-side heterogeneity, and tax relief issues have been analyzed in this approach. The appeal-based approach is about the cues and appeals (Haruvy et al., 2020), such as fundraising content, media exposure, and campaigns. Integrating the two approaches is essential to a better understanding of fundraising.

## 2.9 HYPOTHESES

Synthesizing the literature review above, we set hypothetical answers to the research questions. These questions are tested using the data.

### 2.9.1 *Suitable Promotional Factors*

RQ1: What are the suitable promotional factors for digital fundraising in general?

Digital fundraising is characterized by lower solicitation costs (Name-Correa & Yildirim, 2013). Online solicitation should be effective, but overhead aversion often prevents most

nonprofit organizations in Japan from using online ads. Peer-to-peer and crowdfunding campaigns are shown to be effective fundraising methods, so online campaigns are the candidate for suitable promotional factors.

H1-1: The average total donation raised is significantly higher in nonprofit organizations which use campaigns than in organizations that do not.

There is some evidence that media coverage drives donations to nonprofit organizations (Brown & Minty, 2008). Publicity will increase the organizational trust of new donors and work as social information to increase the gift size. Social media use enhances traditional media coverage (Lobb et al., 2012). So, the second hypothesis is:

H1-2: The average amount of funds raised is significantly higher in nonprofit organizations with media coverage than in organizations without it.

To manage the profitability of digital fundraising, nonprofit organizations should build relationships with high-value donors. Special events are often used to build relationships with major donors (Sargeant & Shang, 2017), and online events might play a similar role in digital fundraising, especially for existing donors. Therefore, the third hypothesis is:

H1-3: The average amount of funds raised is significantly higher in nonprofit organizations that organize online events than in those that do not.

These simple hypotheses can be verified by statistical tests comparing the mean and median in the amount of funds raised, but organizations with longer period of fundraising tend to have



longer chances to implement promotions. Therefore, we should control the fundraising period and examine the effect of promotions on the total amount of funds raised, which is the dependent variable. It can be log-transformed if highly skewed (Weisberg, 2005, p150). Overall, we test the significance of the linear regression model below. The promotion variables can be either continuous (e.g., Campaign count) or dummy variables (e.g., Organized an online event or not). Let the *promotions* denote the vector of promotion-related variables. The error term is denoted by  $\varepsilon$ .

$$\ln Y_i = \beta_0 + \alpha_1 \text{fundraisingperiod} + \alpha_2 \text{promotions} + \varepsilon_i$$

### 2.9.2 *Organizational Attributes and Fundraising Operations*

RQ2: How do organizational attributes and digital fundraising operations affect the total amount of funds raised?

There are differences in donors' utility depending on the recipient organizations because they have different production functions (e.g., threshold before the production) and different organizational attributes (e.g., legal status, tax deductibility). The RQ2 should be divided into three questions about causes, missions, and legal statuses, and these are the product-related variables.

In addition, fundraising operations can be divided into three factors: place, promotion, and price. The place is uniform in this study: an internet website, so we check the effect of promotion and price. In addition to the *promotion*, let the *prices* and *products* denote the vector of price and product-related variables, respectively. The whole model will be as follows.

$$\ln Y_i = \beta_0 + \alpha_1 \text{fundraisingperiod} + \alpha_2 \text{promotions} + \alpha_3 \text{products} + \alpha_4 \text{prices} + \varepsilon_i$$

An above formula is an elementary form of marketing mix modeling. The use of ordinary least squares in regression models is shown to be seriously biased when the dependent variable contains measurement errors (Naik et al., 2007). However, this model can be free from this kind of bias if the model uses the dependent variable without measurement error, such as administrative data.

According to previous studies, there are unpopular causes (Body & Breeze, 2016) and an unpopular legal status (Zenkyo & Sakamoto, 2017). These “products” may suffer from small average gift sizes and require intensive fundraising to secure the same level of donations as the other “products.” In other words, lower appeal scales might benefit nonprofits with an unpopular cause/legal status. Similarly, fundraising campaigns’ marginal effect is predicted to be smaller for disadvantaged nonprofits. The interaction effect can be expressed in linear regression by interaction terms (Jaccard & Turrisi, 2003).

$$\ln Y_i = \beta_0 + \alpha_1 \text{fundraisingperiod} + \alpha_2 \text{Promotions} + \alpha_3 \text{Products} \\ + \alpha_4 \text{Prices} + \alpha_5 \text{Promotions} \times \text{Products} + \alpha_6 \text{Price} \times \text{Products} + \varepsilon_i$$

Using these models, we can formalize hypotheses to answer research question two.

H2-1a: Organizations with unpopular causes are successful if they set lower pricing of donations.

H2-1b: Organizations with popular causes are successful if they set higher pricing of donations.

The unpopular and popular causes can be expressed as a dummy variable for each. If the H2-1a is true,  $\alpha_6$  is not zero and is predicted to be a negative value because the higher price will disadvantage such organizations. Conversely, if the H2-1b is true,  $\alpha_6$  is not zero and is

predicted to be positive. In this case, the combination of higher price and popular cause will be associated higher total donations.

Similarly, we can forecast the same tendency in Specified Nonprofit Activities Corporations (Zenkyo & Sakamoto, 2017).

H2-2: Specified Nonprofit Activities Corporations are successful if they set lower pricing of donations.

In addition, we can predict the difference in the marginal effect of “promotion” in disadvantageous “products.”

H2-3a: The marginal effect of fundraising promotions is lower when the recipient of donations is an organization with unpopular causes.

H2-3b: The marginal effect of fundraising promotions is higher when the recipient of donations is an organization with popular causes.

H2-4: The marginal effect of fundraising promotions is lower when the recipient of donations is a Specified Nonprofit Activities Corporation.

We are discussing the total amount of funds an organization raises, but the marketing mix variables can also affect the success of a single campaign. Let  $C$  denote the total amount raised by a fundraising campaign. Campaigns have the target amount of money, an additional variable of “pricing” in the model (Park & Yoon, 2022). Regarding the promotion variables, campaign counts cannot be included as the dependent variable is the campaign itself. Previous studies

identified some significant variables related to the content of campaign pages (Chapman et al., 2019; Kubo et al., 2021) and campaign types, such as peer-to-peer campaign, possibly affect the result (C M Chapman et al., 2019; Smith et al., 2015). Let *CampaignContent* denote the vector of content-related variables, and *CampaignType* denote the categorical variable to describe the campaign type. The baseline model is as follows. This model is similar to the econometric model by Kubo et al. (2021) to analyze crowdfunding data.

$$\ln C_i = \gamma_0 + \delta_1 \text{fundraisingperiod} + \delta_2 \text{CampaignContent} + \delta_3 \text{Products} \\ + \delta_4 \text{Prices} + \delta_5 \text{CampaignTypes} + \varepsilon_i$$

Now we can consider the interaction effects among the variables. Theoretically, the long-term causes do not produce public goods as we say in 2.3.5, so they largely depend on the warm-glow of donors (Andreoni, 1990), which can be increased by dividing the gifts temporally (Strahilevitz, 2011). Therefore, another positive interaction effect is predicted between a long-term cause as a “product” and a monthly regular giving campaign as a “promotion.” If it is the case, the estimated value of  $\delta_6$  in the formula below will be positive.

$$\ln C_i = \gamma_0 + \delta_1 \text{fundraisingperiod} + \delta_2 \text{CampaignContent} + \delta_3 \text{Products} \\ + \delta_4 \text{Prices} + \delta_5 \text{CampaignTypes} + \delta_6 \text{Products} \times \text{CampaignTypes} + \varepsilon_i$$

Using this model, we posit the hypothesis as follows.

H2-5a: The effect of recurring monthly gift fundraising is higher when the recipient of donations has a long-term cause.

H2-5b: The effect of one-off gift fundraising is higher when the recipient of donations has a short-term cause.

### 2.9.3 *Appropriate Marketing Strategies for Each Nonprofit Organization*

RQ3: What marketing strategies are appropriate for each nonprofit organization's characteristics and fundraising objectives (short-term vs. long-term, stability vs. efficiency)?

Research questions one and two address the factors of marketing strategies, but the third and fourth questions examine marketing strategies themselves, integrating the marketing mix variables under a strategic concept. Traditional fundraising literature and relationship marketing application on it implies the high productivity of major gift fundraising, as we saw in 2.6, but whether it is the case in digital marketing is unclear. Though, considering the difficulties of dealing with “unprofitable” small donations, focusing on major gifts or high-value gifts in digital fundraising seems promising. It should match the donation market's fragmented structure, which requires strategic discipline. In addition, when an organization addresses the urgent needs of beneficiaries, the gifts will be larger. On the contrary, organizations with a long-term mission will not rush to fundraise and comfortably accept recurring gifts. Therefore, the first hypothesis on research question three is as follows.

H3-1: Strategic focus on relatively high-value gifts leads to success in digital fundraising for nonprofits that pursue a short-term mission.

As we see in chapter 2, the utility-based approach will lack its prediction power as the gift size increases (the utility becomes closer to constant), and the appeal-based approach is beneficial, such as the identifiable victim effect (Cryder & Loewenstein, 2011). However, since the culture

of philanthropy is characterized by gifts from the affluent (Ostrower, 1995), this strategy might be successful when the nonprofits appeal to such segments with high economic capacity. The breadth of giving also has a causal effect on the gift size (Khodakarami et al., 2015), so the appeal to existing donors might be important in this strategy.

Another hypothesis is the opposite of the above. From the utility-based approach, it is predicted that dividing a high-value donation into smaller and frequent ones accrues more utility (Strahilevitz, 2011) on the donors' side. This utility, warm-glow, is essential for attracting donations to nonprofits whose output production is in the distant future.

H3-2: Strategic focus on small recurring gifts leads to success in digital fundraising for nonprofits that pursue a long-term mission.

#### 2.9.4 *Essential Elements for Executing Effective Fundraising Strategies*

RQ4: What are the essential elements for executing effective nonprofit fundraising strategies?

Choosing a specific strategy does not lead to success automatically. The last research question investigates the boundary conditions of the effectiveness of strategies. Both strategies, aggregated high-value gifts / small recurring gifts, will require a healthy and continuous relationship with donors, so the overall strategic concept for success should be relationship fundraising. It requires investment in human resources, a customer relationship management system, and top management commitment. So, we can distinguish organizations with relationship fundraising orientation by observing their marketing investments.

H4-1: Strategic investment in relationship fundraising leads to success in digital fundraising for nonprofits.

Usually, organizations that can invest in relationship fundraising have a relatively high financial capacity. However, fundraising success in social media does not depend on financial capacity but on web capacity (Saxton & Wang, 2013). Therefore, hypothesis 4-1 is worth confirming.

A big question in nonprofit marketing is whether the paid staff is indispensable for fundraising success. This problem is critical as most nonprofit organizations start voluntarily without paid staff. If it is the case, fundraising for employment expenses will be the first landmark for nascent nonprofit organizations. If skilled volunteer staff is sufficient for nonprofit fundraising success, it is not the paid staff but the fundraising education for volunteer fundraisers which is dispensable.

H4-2: Paid staff is the element for the effective implementation of nonprofit digital fundraising strategies.

H4-3: Fundraising education is the element for the effective implementation of nonprofit digital fundraising strategies.

No matter which of the above two is the case, nonprofit organizations need a resource for employment or education. The primary source for such investment is overhead (Qu & Daniel, 2021), which is disliked by donors (Gneezy et al., 2014). If a nonprofit organization has another income source, such as an endowment fund in universities or business income, the overhead expenses can be funded by such income. However, if there is no alternative income source, nonprofits should persuade donors to pay for their overhead costs. It is challenging as donors like earmarked donations in many countries (Fuchs et al., 2020). Nonprofit fundraisers are not

profit maximizers (Andreoni & Payne, 2013), so the communication cost might cause nonprofits to underinvest in fundraising. The fragmented market structure we saw in 2.7 implies the general tendency of underinvestment. The last hypothesis to describe boundary conditions for the effective implementation of digital fundraising strategy is as follows.

H4-4: Nonprofit organizations without other income streams should persuade donors to pay their overhead costs to implement digital fundraising strategies successfully.



## Chapter 3. RESEARCH METHODS AND DATA

### 3.1 DESIGN OF THE STUDY

This study stands on the positivist perspective in epistemology and tries to gather observable data and build evidence for discussion on digital fundraising. Fundraising success should be operationalized into a measurable variable based on positivism. Since the monetary donation market is fragmented, many organizations can raise small amounts of money, and some organizations with a low target will regard it as a success. However, this research aims at the progress of fundraising strategy, which enables nonprofits to have a higher target. Therefore, fundraising success was objectively defined throughout this study as the relatively higher amount of donations to a nonprofit organization.

This dissertation is based on the data obtained in a research project in collaboration with Prof. Yasunaga Wakabayashi at the Graduate School of Management (GSM), Kyoto University. He signed a contract with the fundraising platform company “STYZ Inc.” in Japan under the authorization of the research ethics committee at GSM. The project was officially launched on July 28<sup>th</sup>, 2021, on the website of GSM (Graduate School of Management, 2021).

This study is a mixed design study using quantitative data and qualitative data. STYZ mainly provides the former, and the latter data is from the survey and the interviews with user organizations of the platform. Previous studies in monetary donation and fundraising often use data from individuals, but this study collected data from fundraising organizations as an observation unit. Quantitative analysis of donation transaction data reveals the fundraising performance of each nonprofit organization. The data also contains information about campaigns so that it can describe the success and failure of fundraising campaigns in a precise manner.

Since transaction data is insufficient to consider the fundraising activities and nonprofit organizations' intentions underpinning the activities, the author asks user organizations to answer the online survey and the online interview. These data complement the interpretation of transaction data (Hand, 2018) and help to build multiple case comparisons by qualitative methods. This qualitative analysis reveals fundraisers' perceptions and strategies. In multiple case comparisons, the cases should share some background characteristics (Berg-Schlusser & De Meur, 2009). In this study, the data is from the same platform, and the "place" as a marketing variable is homogeneous.

## 3.2 DATA COLLECTION PROCEDURE

### 3.2.1 *Transaction Data*

Online giving data is provided by the digital fundraising platform, Syncable, which STYZ Inc. operates. This data included the gift size in JPY, recipient organizations of the gifts, dates of the gift application, and others. The first data was provided on July 16<sup>th</sup>, 2021, and it is used for pre-analysis. The final data was provided on June 6<sup>th</sup>, 2022, and it is used for the statistical analysis. The screening criteria was the organization that accepts over 1 JPY. On Syncable, the maximum amount of credit card payment is set for each organization. The maximum amount was 300,000 JPY, 100,000 JPY, or 50,000 JPY. More formal organizations tended to have higher maximum amounts.

The provided donation data is from Jan. 2017 to Jun. 2022, which included 399,084 donations (one-off gifts, monthly recurring gifts) from 113,057 anonymized unique donors to 1,205 nonprofit organizations. These nonprofits conduct 993 campaigns in 3 types (Crowdfunding, Peer-to-peer campaigns, and Monthly funding). Strictly, we cannot know

whether the donations are actually passed to the recipient organizations, as we have no record of cancelation or credit card errors.

Another data provided is about organizations' attributes and pricing settings (i.e., appeal scales). The data included organization ID, appeal scales for one-off and recurring gifts, the prefecture where the organization was located, and the causes it pursued (multiple choice up to three). The authors integrated the data into organizations as an observation unit and analyzed it using JMP Pro 15.

### 3.2.2 *Survey Data*

The author collected questionnaire survey data from nonprofit workers who used Syncable for digital fundraising under Prof. Yasunaga Wakabayashi. The survey period was from August 13<sup>th</sup>, 2021, to September 3<sup>rd</sup>, 2021. The survey had been preregistered in the Open Science Framework. The authors made the response form and set it up on the internet, and the data was collected using an online questionnaire tool, Freeasy. Since the questionnaire included questions on sensitive information, the author granted anonymity to the respondents (Jobber & O'Reilly, 1998). Syncable collected the responses by e-mailing them to 887 user organizations<sup>4</sup> without monetary incentives because of the budget constraint of the researcher. Instead, the author offered to send the respondents a copy of the survey results (Jobber & O'Reilly, 1998) to improve their fundraising activities. In the cover letter, the author explained the value of this study (i.e., better fundraising practice) and encouraged the current or ex-fundraising staff to answer the survey regardless of the organization's fundraising performance. The questionnaire contained 22 questions about the responding Nonprofits' goals, communication methods with donors, CRM behavior, human resource investment, and others. These questions were prepared

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<sup>4</sup> Number of user organizations with one or more donations at the time this survey was conducted.

for multiple case comparison from the perspective of service marketing 7Ps (see appendix 1 for the questionnaire).

In total, 59 answers were collected. Three answers were from the same organization, so the total number of organizations responding was 57, which yielded a 6.4% response rate. The respondents were presidents of nonprofits or fundraising managers/staff.

### 3.2.3 *Interview Data*

In comparative multiple case analysis, all the cases should share enough background characteristics (Berg-Schlosser & De Meur, 2009). The present study is based on the data of nonprofit organizations that share the same donation platform, Syncable, which means that all the organizations use the same online donation system. However, some organizations were not considered appropriate for the analyzed cases. We designed a two-step selection process; the first screening enabled all the cases to have common background characteristics, and in the second step, we examined the theoretical validity of the case selection. We employed the following three criteria in the first step to narrow down the interviewed organizations.

#### 1) Inactive organization on the platform:

Since some respondent organizations were inactive on the platform and used other online donation systems, we excluded the ten organizations that answered “My organization has registered but does not use it much” in the questionnaire. One organization answered that they are inactive on Syncable, but we decided to include it as the number of donations and major gifts is relatively high.

#### 2) Period of fundraising activities:

Since the chance of accepting donations varies depending on the fundraising activities period, we decided to exclude organizations that use Syncable for only a short period. We checked the first date of the donation acceptance for each organization and excluded six organizations with a fundraising period less than 100 days after the first donation.

### 3) Size of the overall annual budget:

Nonprofit organizations are diverse in size. Since we had three organizations with fewer than 1,000,000-JPY annual budgets, we decided to exclude them. This criterion resulted in the organizations having more than 1,600,000-JPY annual budgets. Most organizations anticipated income other than monetary donations to fill their budgets. Since the actual monetary donation raised by the organization was the outcome of this analysis, we did not use it as the screening criterion.

In the second screening, we considered the theoretical validity of the case selection. After the first step, we had 36 organizations to compare. Since this study relied on a theoretical sampling of cases (Eisenhardt, 2021), we should check the validity of selected cases to produce theoretical implications. Selected cases should include positive and negative outcomes. Among 36 cases, ten organizations had over 1.0 % of high-value gifts, which we regarded as potential adopters of the high-value gifts strategy.

The author selected about 35 organizations through a theoretical sampling and asked for interviews with fundraisers and representatives of each organization. The interviews were held online via zoom in Japanese and recorded as movie files. In total, 21 organizations agreed to be interviewed.

### 3.3 QUANTITATIVE RESEARCH METHOD

The author used multiple regression analysis for quantitative analysis of the administrative data (Hand, 2018) generated by Syncable website. It was employed to investigate the relationships between independent (i.e., marketing mix variables) and dependent variables (i.e., the total amount of funds raised by an organization or a campaign). Since the survey and interview data were small in sample size, we used them for qualitative analysis. As we saw in the hypotheses section in 2.9, we used multiple regression analysis with interaction terms (Jaccard & Turrisi, 2003) to analyze the effect of marketing mix variables and relationships among the variables. When a researcher uses regression analyses, the data should be independently and identically distributed (i.i.d.). Since the user organizations of Syncable were not randomly selected, they did not represent all non-profit organizations in Japan. Instead, we can assume the result of this study will be suitable for predicting future user organizations of Syncable. One organization can set up only one account on Syncable, and the number of donors is large enough compared to the number of organizations, as we see in 3.2.1, so each organization's total funds can be considered independently generated.

The multicollinearity should be checked when a researcher uses a multiple regression model, and this study employs VIF (Variance Inflation Factor) following the guidance of (Berenson et al., 2012). When VIF exceeds 5, we should assume the existence of multicollinearity. The VIF cannot be used as the perfect threshold, and recent methodological literature pointed out more conservative methods to avoid type I error in multiple regression (Kalnins, 2018).

Finding interaction effects is one of the steps for theoretical progress, and they should be described with theoretical explanation by ruling out the possibility of reverse interaction (Andersson et al., 2014). Since the quantitative analysis was based on fewer variables, we combined the result with the qualitative analysis to interpret appropriately and check the

consistency of the findings. Furthermore, the shortcoming of using multiple regression for this study is that it supposes a linear relationship among independent variables. We aim for a more profound understanding of relationships among variables in the following qualitative research. This type of mixed method is referred to as explanatory sequential design (Ivankova et al., 2006).

### 3.4 QUALITATIVE RESEARCH METHOD

Regression analysis with interaction terms can analyze up to two factors with clarity, but when three or more variables are concerned, the regression analysis loses its effectiveness. In addition, linear regression analysis simplifies reality into an easily calculatable form and claims only correlation, not causal relationships. We use MDSO (Most Different, Similar Outcome) comparison to analyze the appropriate marketing methods for top-performing organizations and MSDO (Most Similar, Different Outcome) comparison to check the difference between successful and unsuccessful organizations which share the same characteristics (De Meur et al., 2006). Since this study focuses on the conduct of organizations, it refers to the positivist quality criteria in industrial marketing, and negative cases provide internal validity for case research (Beverland & Lindgreen, 2010).

Since previous research on digital marketing strategy for nonprofit fundraising is scarce, we should assume that our hypotheses are immature. When we set research questions on the practically important but under-researched managerial phenomenon, we can choose a theory-building approach by multi-case comparison (Eisenhardt, 2021). Choosing cases of critical importance and cases with “common antecedents (Eisenhardt, 2021, p. 149)” that seem to affect the outcome is beneficial and consistent with the concept of MSDO. The “matched pair (Eisenhardt, 2021, p. 149)” of the cases will enable us to make a systematic comparison to detect the determining factor for the outcome.

Though the quantitative analysis in this study did not employ panel-data analysis, the qualitative comparison of the cases had an aspect of time series analysis by tracking changes in cumulative donations over time. It is similar to the concept of “racing design (Eisenhardt, 2021)” and will add internal validity to this study (Beverland & Lindgreen, 2010).

### 3.5 VALIDATION

#### 3.5.1 *Triangulation of Multiple Data Sources*

In management research, triangulation refers to using and comparing multiple data sources to answer a single research question and is common in mixed-methods designs (Leedy & Ormrod, 2015). When we use administrative and transaction data, triangulation is recommended to improve the accuracy of the research (Hand, 2018). In this study, we use the three data sources mentioned in 3.2. Still, we also analyze the organizations’ activities on social media, including Twitter and Facebook, their official website, and financial reports when necessary. Social media and official websites are the pathways for donors to visit Syncable. The organization’s profile page and news page on the official website will corroborate the survey responses (e.g., their mission, event history, and staff numbers).

#### 3.5.2 *External Validity Testing*

In this study, we used data from a specific platform, Syncable. One of the collaboration researchers of the author, Mr. Yuichi Yamamoto, prepared crowdfunding donation data from two different crowdfunding platforms using python under each platform’s terms of service. He provided them to the author in September and November 2022. The data were used for external validity testing of this study’s findings in RQ2.



### 3.6 LIMITATIONS OF THE SELECTED METHODS

The limitation of the statistical analysis using the transaction data is that it only captures the donation income via the Syncable platform. The organizations often collect donations using multiple channels, so the performance on the Syncable does not necessarily reflect the success of the organization's whole fundraising activities. We use multiple sources, such as the financial report of the organizations, to cover this shortcoming when making cases. However, the result of this study will at least reflect the success factors of fundraising activities on a particular platform.

Some variables are not accurate for analysis as the values signify the current state, not the state at the time of the transaction. For example, tax-deductibility can be changed during the fundraising period of an organization. Nonetheless, all the gift transactions are marked as "tax-deductible," including the transactions before the organization obtained the tax deductibility. The number of ASNACs, which are tax-deductible, increased by only 27 from 2021 to 2022 nationwide (Cabinet Office of Japan, 2022). Authorization of Public Interest Corporations happened only 77, and cancelation occurred only 12 from 2019 to 2020 in Japan (Cabinet Office of Japan, 2021). Thus, the effect of the changes in tax deductibility will be small. Other potentially fluctuating variables are the appeal scales, which user organizations can alter. Though no informants interviewed stated about the change of appeal scales, we should be careful about evaluating the effect of pricing.

## Chapter 4. RESULTS

### 4.1 SUMMARY STATISTICS OF ORGANIZATIONS

This section checks the whole picture of data regarding the demand side of donations, which are organizations. The dependent variable, the total amount of funds raised, is also covered in this section. The causes and legal status of the organizations are described. Finally, in preparation for subsequent analysis, we compare survey respondents to non-respondents.

Table 1 is the summary statistics of the 1,205 nonprofit organizations using Syncable. The average period of fundraising was more than 500 days. The mean of the total donation amount was 919,363 JPY, and the median was 143,585 JPY, meaning that some high-performance organizations had lifted the average. High-value gifts accounted for 16.91% of the total, while recurring donations accounted for 45.54% (Table 2). We found ninety-five donations to the recipient organization whose organization IDs were unknown, so this donation data was not included in the tables about the organizations.

When we see the Syncable platform as a market, we can check the degree of concentration by using the four firm concentrations ratio (CR4). The top four organizations accepted 209,481,443 JPY; the CR4 was 18.91%. From this data, we can assume that the Syncable user organizations raised funds in a fragmented market.

Table 1. Summary Statistics of Nonprofit Organizations Fundraising Performance

	Fundraising Period	Total Donation Amount	Total Recurring Donation Amount	Total High-value Donation Amount	Campaign counts
Mean	569.77	919,363.18	418,633.60	155,478.63	0.82
Std Err	14.30	111,406.26	33,180.18	21,831.10	0.05
Median	448.00	143,604.00	28,000.00	0.00	0.00
Std Dev	496.44	3,867,257.62	1,151,787.18	757,825.22	1.56
Min	1	300	0	0	0
Max	1,928	104,710,933	10,724,226	15,267,975	17
Sum	686,569	1,107,832,633	504,453,492	187,351,745	992
N	1,205	1,205	1,205	1,205	1,205

Unit: Fundraising Priod; Days, Donation amount; JPY

Table 2. Percentage of High-Value and Recurring Gifts

	Donation Amount	Percentage
High-value gifts	187,351,745	16.91%
Recurring gifts	504,453,492	45.54%
Total	1,107,832,633	100.00%

Unit: Donation amount; JPY

Regarding the causes the nonprofit organizations pursued, user organizations had chosen up to three causes when registering to Syncable. The average causes count was 2.35 among the nonprofits. Of all the organizations, 40.4% were children's education organizations. The donation amount per organization was largely different among causes, with the highest Animal Protection (2,591,365 JPY) to the lowest Disability/Care (586,161 JPY), as we see in Table 3.

Table 3. Causes and the Organizations

	Counts	Percentage	Total Donation Amount	Donation Amount per Organization
Children's Education	487	40.38%	361,761,572	742,837
Social Education	279	23.13%	256,234,446	918,403
International Cooperation	224	18.57%	205,172,329	915,948
Childbirth/Parenting	211	17.50%	133,692,863	633,615
Disability/Care	198	16.42%	116,059,841	586,161
Tourism/City Planning	157	13.02%	175,733,691	1,119,323
Human Rights Protection	150	12.44%	173,010,721	1,153,405
Environmental Protection	146	12.11%	115,227,336	789,228
Women's Aid	134	11.11%	89,826,602	670,348
Arts/Sports	130	10.78%	78,999,500	607,688
Medical Care	110	9.12%	83,145,348	755,867
Civic Activities	99	8.21%	124,548,051	1,258,061
Disaster Relief	82	6.80%	93,867,421	1,144,725
Animal Protection	77	6.38%	199,535,086	2,591,365
Employment	77	6.38%	78,752,736	1,022,763
Local Industry	71	5.89%	157,892,105	2,223,832
Economy	34	2.82%	21,110,058	620,884
Others	174	14.43%	208,382,306	1,197,599

Up to three multiple responses, Unit: Donation amount; JPY

Regarding legal status in Table 4 below, the Specified Nonprofit Activities Corporations (SNACs) were the most popular type of organization, accounting for 38.59% of all organizations. When a SNAC obtains tax deductibility by becoming an ASNAC, it might boost fundraising, as the donation amount per organization was over three times higher in ASNACs than SNACs. The same relationship was observed between General Incorporated Associations

and Public Interest Incorporated Associations, but the opposite was observed in foundations. Large organizations (i.e., Local Government, Incorporated Administrative Agency, National Research and Development Agencies, Incorporated Educational Institutions, and Social Welfare Corporations) had fewer donations than ASNACs and General Incorporated Associations. It implied that such organizations did not rely on donation income.

Table 4. Legal Statuses and Donations

Legal status	Organization counts	Tax deductibility	Total Donation Amount	Donation Amount per Organization
Specified Nonprofit Activities Corporations	465	No	312,538,586	672,126
Voluntary Organizations	312	No	161,093,534	516,325
General Incorporated Associations	202	No	203,527,458	1,007,562
Authorized Specified Nonprofit Activities Corporations	128	Yes	275,489,988	2,152,266
Public Interest Incorporated Foundations	33	Yes	62,226,803	1,885,661
Social Welfare Corporations	24	Yes	13,768,687	573,695
General Incorporated Foundations	18	No	47,140,248	2,618,903
Public Interest Incorporated Associations	11	Yes	19,374,199	1,761,291
Specially Approved Corporations Engaging in Specified Non-profit Activities	4	Yes	9,159,834	2,289,959
Incorporated Educational Institutions	2	Yes	1,147,868	573,934
National Research and Development Agencies	2	Yes	810,924	405,462
Local Government	1	Yes	1,035,000	1,035,000
Incorporated Administrative Agency	1	Yes	261,817	261,817
Unsettled	2	No	257,687	128,844
Total	1205		1,107,832,633	

Unit: Donation amounts; JPY

When we compared all the organizations and survey respondent organizations (Table 5), the latter had greater mean and median of total donations. The standard deviation was smaller in the latter, so the respondent organizations were more uniform than all organizations.

Table 5. Mean and Median of Funds Raised by Respondents/No Respondents

	Survey Respondents	No Respondents
Mean	1,286,079.84	901,155.12
Std Dev	2,043,407.79	3,935,482.93
Median	437,509.00	136,950.00
N	57	1148

Unit: Donation amount; JPY

When the distributions of the total amount of funds raised were log-transformed, we got the histograms below (Figure 1), with the left showing all the organizations. The survey respondent organizations on the right had relatively higher funds raised, but some organizations struggled to secure donations. We can discuss the success and failure of fundraising by the multiple case comparison of respondent organizations.

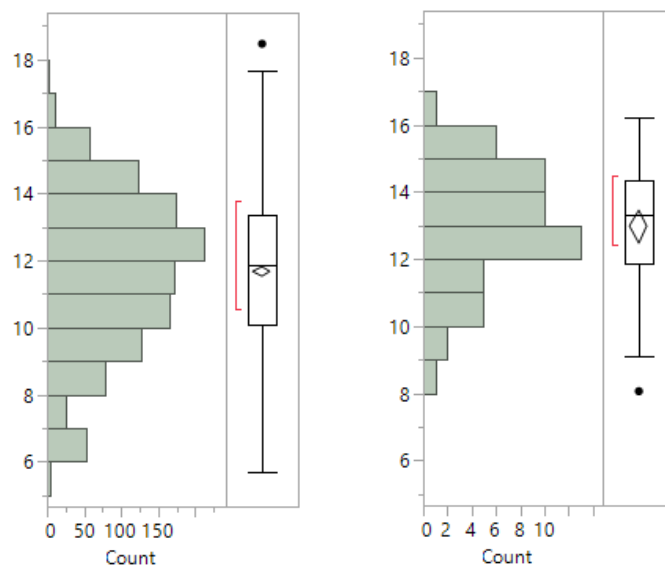


Figure 1. Distributions of Funds Raised by Organizations

Funds raised were log-transformed.

Left: All the Organizations (N=1,205); Right: Survey Respondent organization (N=57)

## 4.2 SUMMARY STATISTICS OF DONORS

On the supply side of monetary donations, 113,057 donors were with Syncable donor ID (Table 6 below). Among all, there were 355 donors whose donation amount was 0, and they may have canceled their donations after registration to Syncable. The donors with ID had given 1,018,464,979 JPY, which accounted for 91.93% of the total donation. Anonymous donors had donated the rest without the registered Syncable donor ID. The identified donors had given 9,008 JPY on average, which was calculated across the entire period. On average, the one-off donation amount per donor was larger than that of a recurring donation.

Table 6. Summary Statistics of Donors

	Donation Amount	One-off Donation Amount	Recurring Donation Amount	Donation Counts	One-off Donation Counts	Recurring Donation Counts
Mean	9,008.42	5,264.63	3,743.79	3.09	0.97	2.12
Std Err	114.68	95.16	64.16	0.02	0.01	0.02
Median	3,175.00	2,116.00	0.00	1.00	1.00	0.00
Std Dev	38,558.33	31,998.01	21,572.33	6.90	3.19	6.40
Min	0	0	0	0	0	0
Max	6,600,000	6,600,000	2,670,000	840	840	177
Sum	1,018,464,979	595,203,420	423,261,559	349,163	109,671	239,492
N	113,057	113,057	113,057	113,057	113,057	113,057

Unit: Donation amount; JPY



### 4.3 DESCRIPTION OF FUNDRAISING EFFORTS AND OPERATIONS

What were nonprofit organizations' fundraising efforts and operations? This section observes the primary data before answering the research questions. Appeal scales and campaigns were obtained from the transaction data, and other fundraising activities were from questionnaire survey data. The descriptive data in this section reveals the service marketing variables, including price, promotion, place, process, and people.

#### 4.3.1 *Appeal Scales*

The administrative data from Syncable showed the setting of appeal scales, which reflect each organization's "price" strategy. The minimum amount was 1,157 JPY for the one-off gift appeal scale and 684 JPY for recurring gifts on average (Table 7). The maximum amount was 30,214 JPY for one-off gifts and 17,027 JPY for recurring gifts on average. The default setting in Syncable had been ["¥500", "¥1,000", "¥2,000", "¥3,000", "¥5,000", "¥10,000"] for both one-off and recurring gifts. Therefore, if all the organizations adopted the default setting, the minimum and maximum amount for one-off gifts should be 500 JPY and 10,000 JPY, respectively. Many organizations had changed the default setting to a higher direction. Few organizations deleted appeal scales, which meant that a donor entered the amount of gift directly on the form of such organizations.

Table 7. Summary Statistics of Appeal Scales

	Minimum amount		Maximum amount	
	One-off	Recurring	One-off	Recurring
Mean	1,156.65	683.60	30,213.65	17,026.91
Std Dev	1,389.59	603.91	41,539.75	23,797.28
Maximum	14,400	10,000	300,000	300,000
Median	500	500	10,000	10,000
Minimum	300	300	1,000	300
N	1,191	1,166	1,191	1,166

#### 4.3.2 *Fundraising Campaigns*

Campaigns are the primary factor of “promotion” among the service marketing mix variables. There were three types of fundraising campaigns in Syncable; Crowdfunding (hereafter “CF”) which started in Dec. 2018, “Monthly funding (hereafter “MF”)” which started in Mar. 2019, and Peer to peer fundraising (hereafter “P2P”) that was already available from the launch of Syncable in Jan. 2017. We can see in Figure 2 that the most popular type of campaign was P2P, and the most successful type, on average, was MF. Note that CF and P2P had allowed donors to give one-off and recurring gifts. Therefore, the data included the recurring donations after the CF and P2P campaign period ended. MF had allowed only recurring gifts for donors, so the effect of a campaign continued most strongly among the three.

Interestingly, SNACs (N=465) and ASNACs (N=128) which accounted for 42.1% of the total organizations had conducted 63.4% of the total campaigns. Active SNACs might cover their disadvantage in fundraising (Zenkyo & Sakamoto, 2017) by increasing the number of campaigns.

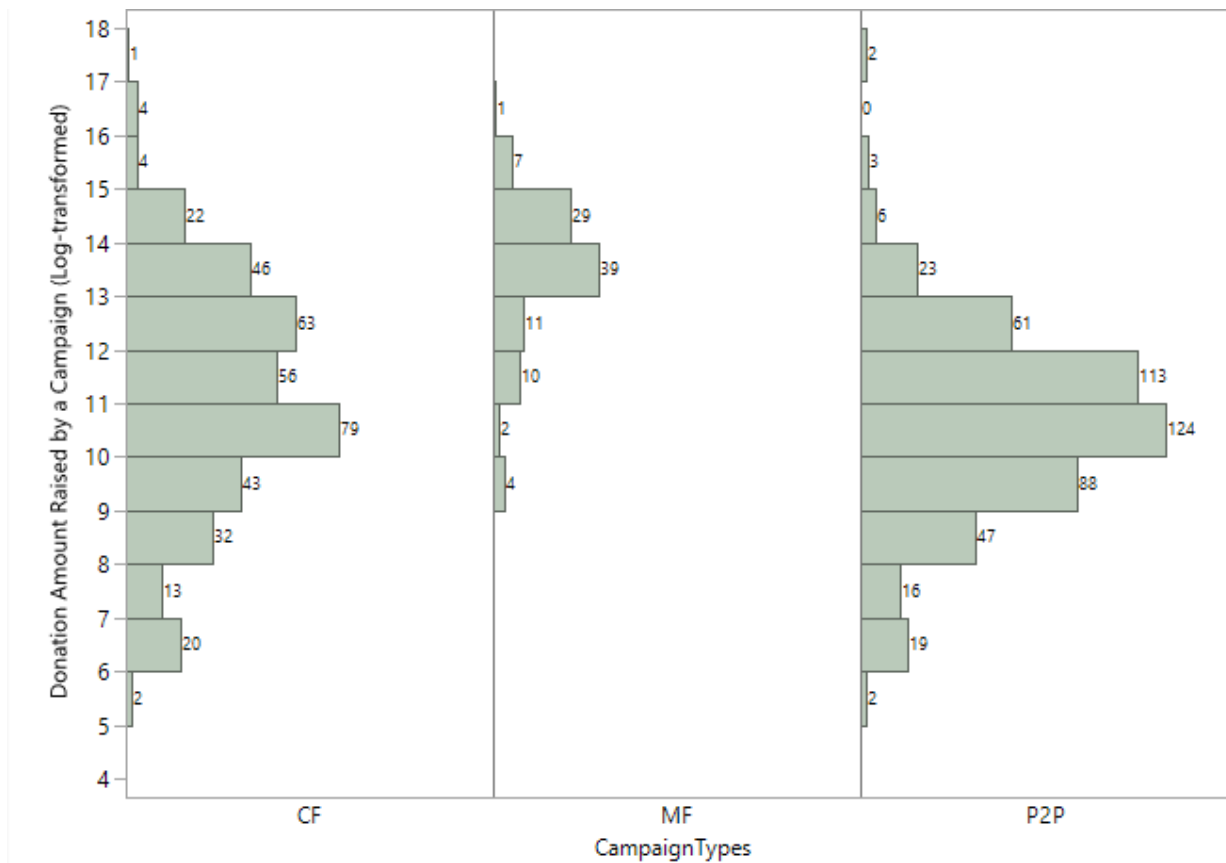


Figure 2. Distributions of Funds Raised by Campaigns

#### 4.3.3 *Communication with Donors*

When we consider “promotion” as a marketing mix variable, a more detailed analysis can be possible by checking organizations’ communication methods for fundraising. In the questionnaire survey, we asked about methods of fundraising communication with donors (existing vs. prospect) by multiple answers. We can see sharp differences in communication methods between existing and prospect donors. For instance, “online advertisement” and “press releases/media conferences” were used to attract new donors. After gaining the address of new donors, “e-mails,” “letters/direct mails,” and “online meetings” were used more often in communication.

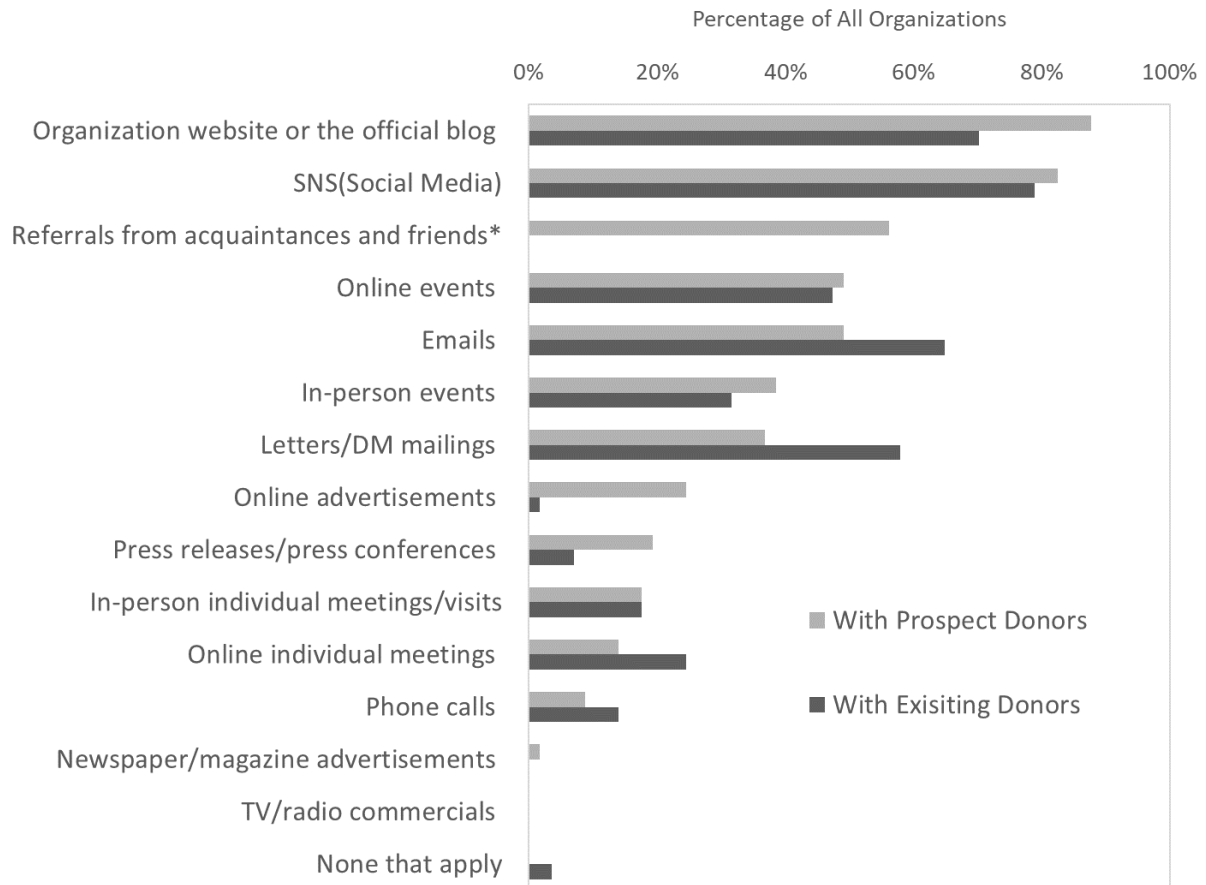


Figure 3. Communication Methods Used to Solicit Donations

(Multiple responses, N=57)

\*Respondents can choose “Referrals” only for solicitation to prospect donors.

#### 4.3.4 *Marketing Channels*

Marketing channels are the “place” in the marketing mix. According to Table 8 below, the most popular fundraising channel for the respondent organizations was accepting donations by disclosing account numbers. Among 57 respondents, 35% said they had used “a payment system other than Syncable,” meaning they had used multiple payment systems simultaneously. The remaining 65 % were considered to use Syncable as the main online fundraising channel.

Table 8. Donation Channels Other than Syncable

Donation Channels	Number of Organizations	Percentage
Make my organization's account number public	35	61.40%
Donation application form	29	50.88%
Donations by hand, hand delivery, or registered mail	28	49.12%
Payment system other than Syncable	20	35.09%
Payment slip (bank transfer form)	19	33.33%
Continuing gifts by account transfer (online)	17	29.82%
Continuous gifts by account transfer (paper application)	15	26.32%
Donations via a purchase of charity products (CRM*)	12	21.05%
Donations in wills (i.e., bequests) and trusts	11	19.30%
Donation by electronic money	4	7.02%
Donations at convenience stores	0	0.00%
Donations via PAY-EASY	0	0.00%
Other	6	10.53%
None of the above	1	1.75%

\*CRM=Cause Related Marketing

#### 4.3.5 *Relationship Management with Donors*

Relationship management with donors is a key to traditional major gift fundraising and a “process” in the service marketing mix. Among behaviors to utilize the donation history and to manage relationships with donors in Table 9 below, the most popular one was “View past donation history from donors,” to which almost 90% of 57 respondents answered yes. The second was “View the history of our communication with donors,” in which 55% of the respondents said yes. Notably, 23% of the organizations used donation history to “Respond to individual donors who were likely to make major gifts based on their past donation history,” which was a sign of a high-value gift strategy.

Table 9. Utilization of Donation History in the Respondent Organizations

Management and use of donation history	Number of Organizations	Percentage
View past donation history from donors	51	89.47%
View the history of our communication with donors	31	54.39%
Aggregate past donation history by month or year	25	43.86%
Forecast the number and amount of future donations based on past donation history	16	28.07%
Respond to individual donors who are likely to make major gifts based on their past donation history	13	22.81%
Analyze past donation history by donor attributes (age, etc.) and recipient channel	10	17.54%
Summarize past donation history in the form of a donor pyramid*	8	14.04%
Other	2	3.51%
None of the above apply to my organization.	2	3.51%

\*A table of the number of donors by cumulative donation amount

#### 4.3.6 *Human Resource Investment*

The employment of fundraising staff is one of the critical decisions for nonprofit organizations, comprising the “people” component in the service marketing mix. Regarding the number of paid staff, about half of all organizations did not have paid fundraising (FR) staff at all, and including them, more than 70% answered that there was no dedicated staff member in charge of fundraising (Figure 4). Public relations staff was also scarce in responding organizations, in which about 20% had one or more dedicated PR staff. However, the scarcity of FR and PR staff may not be problematic if organizations have enough capacity for volunteer management.

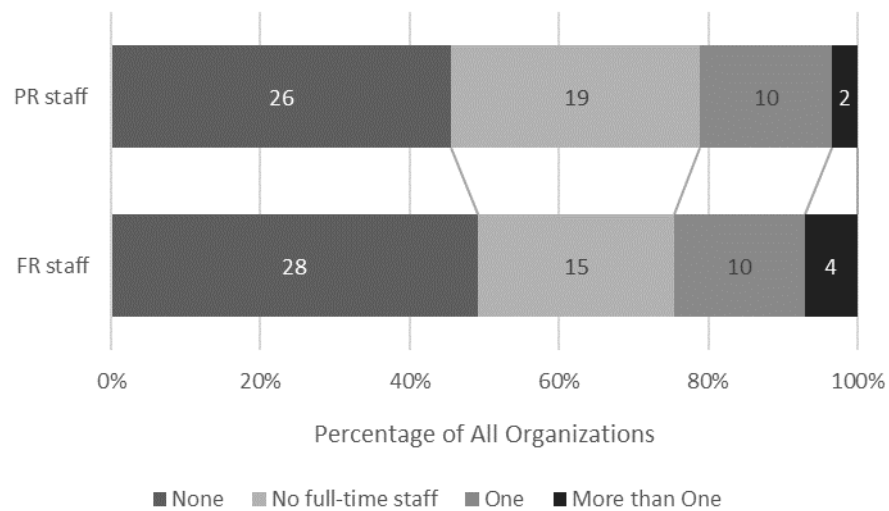


Figure 4. Number of Paid Staff in Charge of Public Relations and Fundraising

N=57. PR=Public Relations; FR=Fundraising

#### 4.3.7 Fundraising Education and Training

In the service marketing mix, education and training for the “people” are the decisive investment to improve the quality of service. Surprisingly, more than 40% of 57 organizations did not invest in education or fundraising training. The most popular education was “participating in the training of the Japan Fundraising Association,” which had specialized in such training.

Table 10. Fundraising Education in the Respondent Organizations

Fundraising Educations	Number of Organizations	Percentage
Training by the JFRA	16	28.07%
Exchange information with other organizations	15	26.32%
Training or consulting from outside experts	14	24.56%
Internal on-the-job training	11	19.30%
Certification from the JFRA	10	17.54%
Other education/training	4	7.02%
No education/training	24	42.11%

\*JFRA=Japan Fundraising Association

In the following sections, we analyze the data to answer the research questions for this study.

#### 4.4 RESEARCH QUESTION ONE: SUITABLE PROMOTIONAL FACTORS

RQ1: What are the suitable promotional factors for digital fundraising of nonprofit organizations?

Now we confirm the hypotheses we formulated in 2.9.

H1-1: The average total donation raised is significantly higher in nonprofit organizations which use campaigns than in organizations that do not.

The average of total funds raised by organizations with more than one campaign was 1,798,661 JPY (N=476) compared to the 345,226 JPY (N=729) in organizations without any campaigns, and the difference was statistically significant by Wilcoxon / Kruskal-Wallis Tests (Rank Sums) ( $Z=16.05$ ,  $p<.0001$ ). The total amount of funds raised was log-transformed and described in the histogram of Figure 5. The deep color means the organizations with more than one campaign.

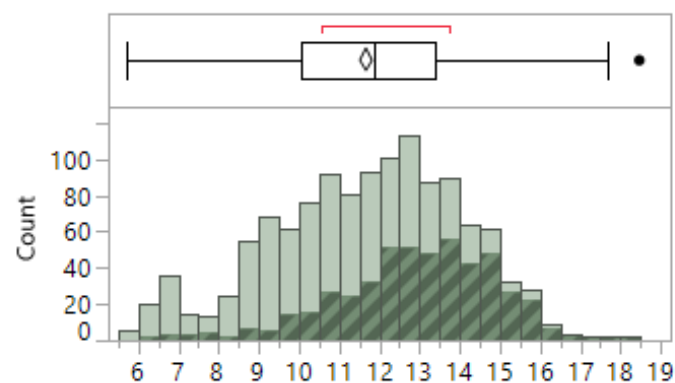


Figure 5. Total Donations and Organizations with One or More Campaigns

Funds raised were log-transformed. N=1,205.

\*Deep color: Organizations with one or more campaigns



However, the fundraising period differs among organizations, which should affect the total donations. Moreover, the three types of campaigns might affect the dependent variable differently. Therefore, the author employed multiple regression analysis based on the formula in 2.9.1 to answer RQ1 more precisely. The dependent variable, the total amount of funds raised, was log-transformed because of the skewness. The independent variables of interest were CF count, P2P count, and MF count. The fundraising period was also included, and all the correlations among these four numerical variables were lower than 0.34.

Controlling the fundraising period and dividing campaigns into three types, the Multiple Regression Analysis (MRA) shown in Table 11 was significant ( $F(4, 1200)=216.41$ ,  $p<.0001$ ), and the model explained 42% of the variance of the total amount of funds raised. The estimated coefficient was the greatest in MF. There was no sign of multicollinearity because VIFs were less than 5 (Berenson et al., 2012).

Table 11. MRA Result with Fundraising Period and Campaign Counts

Term	Estimate	Std Error	t Ratio	Prob> t	VIF
Intercept	9.98	0.08	126.6	<.0001 ***	.
CF count	0.45	0.06	7.49	<.0001 ***	1.02
MF count	1.66	0.18	9.33	<.0001 ***	1.03
P2P count	0.16	0.05	3.44	0.0006 ***	1.13
FR period(hundred days)	0.23	0.01	21.25	<.0001 ***	1.16
RSquare Adj	0.42				
F Ratio	216.41 ***				
Observations (or Sum Wgts)	1205				

$p<0.05^*$ ;  $p<0.01^{**}$ ;  $p<0.001^{***}$

The above result in Table 11 implies that organizations with campaigns had significantly higher donations even controlled the fundraising (FR) period, and MF had the largest effect among the three campaign types.

The remaining hypotheses for RQ1 were the following two.

H1-2: The average amount of funds raised is significantly higher in nonprofit organizations with media coverage than in organizations without it.

H1-3: The average amount of funds raised is significantly higher in nonprofit organizations that organize online events than in those that do not.

Since the administrative data did not include media coverage and online event data, we checked the questionnaire survey data to confirm the above hypotheses. Tables 12 and 13 below show that the organizations with press releases and online events outperformed those without such activities. At least, the result was consistent with hypotheses 1-2 and 1-3 though the number of organizations was insufficient for statistical analysis. These results could be influenced by other potential variables, such as the organization's fundraising capacity.

Table 12. Press Release Use and Total Donations

Fundraising activities	N	Total Amount Raised (JPY)	
		Mean	Median
<i>Use <b>Press release</b> to appeal <b>new</b> donors</i>			
Yes	11	2,073,055.64	640,026.00
No	46	1,097,889.98	421,817.50
<i>Use <b>Press release</b> to appeal <b>existing</b> donors</i>			
Yes	4	4,066,886.50	3,749,203.00
No	53	1,076,207.64	406,126.00

Unit: Donation amount; JPY

Table 13. Online Event Use and Total Donations

Fundraising activities	N	Total Amount Raised (JPY)	
		Mean	Median
<i>Use <b>Online events</b> to appeal <b>new</b> donors</i>			
Yes	28	1,936,484.32	1,091,150.50
No	29	658,103.10	335,467.00
<i>Use <b>Online events</b> to appeal <b>existing</b> donors</i>			
Yes	27	2,107,971.67	964,161.00
No	30	546,377.20	255,600.50

Unit: Donation amount; JPY

We have not yet considered the interaction between organizational attributes and promotional factors, so we proceed to research question two to examine this issue.

#### 4.5 RESEARCH QUESTION TWO: EFFECTS OF ORGANIZATIONAL ATTRIBUTES

RQ2: How do organizational attributes and digital fundraising operations affect the total amount raised?

To answer the question above, the author introduced variables about organizational attributes in the multiple regression analysis we used in the previous section.

##### 4.5.1 *Total Donations to Each Organization*

The numerical variables related to the total donations to each organization and the correlations among them are shown in Table 14, and there were no strong correlations among independent variables. However, the two combinations had relatively high correlations. One was the minimum and maximum gift sizes, and the another was the maximum of one-off and recurring gift sizes.

Table 14. Correlations among Numerical Variables of Organizations

	Control		Promotions		Price(One-off appeal scales)		Price(Recurring appeal scales)	
	FR period (Days)	CF count	MF count	P2P count	Min(thou.)	Max(thou.)	Min(thou.)	Max(thou.)
FR period (Days)	1	0.129	0.1531	0.3333	0.0258	0.0282	-0.003	0.0611
CF count	0.129	1	0.0404	0.1154	0.0502	0.0836	0.0559	0.0249
MF count	0.1531	0.0404	1	0.0763	0.0233	0.0372	-0.0183	-0.0424
P2P count	0.3333	0.1154	0.0763	1	-0.0324	-0.0016	-0.0022	0.0047
One-off_AS_Min(thou.)	0.0258	0.0502	0.0233	-0.0324	1	0.4977	0.3325	0.1468
One-off_AS_Max(thou.)	0.0282	0.0836	0.0372	-0.0016	0.4977	1	0.2727	0.5042
Recurring AS_Min(thou.)	-0.003	0.0559	-0.0183	-0.0022	0.3325	0.2727	1	0.4146
Recurring AS_Max(thou.)	0.0611	0.0249	-0.0424	0.0047	0.1468	0.5042	0.4146	1

FR=Fundraising; CF=Crowdfunding; MF=Monthly funding; P2P=Peer-to-peer fundraising; AS=Appeal scale

We first built the baseline model with no interaction terms to answer research question two. The model in Table 11 considered the “promotion” only, so we added the “price” (i.e., minimum and maximum gift sizes in appeal scales) and the “product” (i.e., legal status and causes). Tax deductibility was also introduced because it was associated with lower gift prices and organizational credibility. Dummy variables to express popular/unpopular causes were “Animal Protection” and “Disability/Care,” which were chosen from the result in Table 3.

One option to express unpopular legal status based on the literature (Zenkyo & Sakamoto, 2017) was “SNACs,” a dummy variable, meaning that the organization was a SNAC or an ASNAC. Another option was the “nonprofit legal status” (Hansmann, 1980). These two dummy variables could not be entered together because they would cause multicollinearity (VIF became more than 5). The coefficients of both variables were negative. The negative effect of “nonprofit legal status” was contradictory to the theoretical prediction by Hansmann (1980). Therefore, the unpopularity of “SNACs” seemed to have a stronger effect than the theoretical popularity of the nonprofit legal status, so the author decided to construct the baseline model without nonprofit legal status. The result is shown in the full model in Table 15 (left), and the model was significant ( $F(12, 1146) = 88.15, p < .0001$ ). All the marketing mix variables were significant apart from the minimum/maximum size of recurring gifts, and VIFs were all less than 2. According to the Adjusted R squared, the independent variables explained about 47% of the variance of the total amount of funds raised (log-transformed).

The unpopular cause and legal status had negative coefficients, and the popular cause and legal status (i.e., tax deductibility) had positive coefficients, as predicted. When an organization pursued the cause of Animal Protection, it was estimated to raise 78.8% more than other organizations if other variables were all equal. Contrastingly, Disability/Care organizations raised 37.4% less than other organizations under the same condition. The organization with legal status as a Specified Nonprofit Activities Corporation raised 22.7%

lower than other organizations. All the campaigns positively affected the total donation, but the MF had the strongest effect, as seen in 4.4.

Suppose other variables were the same, a one thousand JPY increase of the minimum amount of one-off gift in an appeal scale related to the 11.5% higher total donations. Similarly, a one-thousand-yen larger maximum donation size in an appeal scale related to the 0.7% higher total funds raised. Remember that the mean of the maximum donation size setting was about 30,000 JPY. If the maximum amount was changed from 30,000 to 50,000 JPY, it was predicted to have a 14% upward effect when other variables were equal.

The full model was consistent with the previous literature, and had low VIFs. However, low VIFs are often insufficient to check the multicollinearity when the common factor might affect multiple variables (Kalnins, 2018). One of the shortcomings of the full model was that the pricing strategy might affect the appeal scale variables, so the author cut them into one (i.e., minimum or maximum of one-off gift) to avoid multicollinearity, as shown in the center and the right side in Table 15. These models were referred to as baseline models 1 and 2.

Next, we check the model with interaction terms. Following the guidance for MRA by Kalnins (2018), we added the interaction terms one by one. The numerical variables were standardized before forming an interaction term to avoid multicollinearity.

Table 15. Results of the Full and Baseline MRA with the 4Ps

Term	Full Model			Baseline Model 1			Baseline Model 2		
	Estimate	Std Error	t Ratio	Estimate	Std Error	t Ratio	Estimate	Std Error	t Ratio
Intercept	9.7593	0.107	91.26 ***	9.8345	0.099	99.37 ***	9.8556	0.094	104.31 ***
FR period (hundred days)	0.2330	0.011	21.25 ***	0.2269	0.011	20.34 ***	0.2288	0.011	20.69 ***
CF count	0.4639	0.061	7.66 ***	0.4327	0.060	7.21 ***	0.4170	0.060	6.99 ***
MF count	1.7190	0.175	9.84 ***	1.7119	0.179	9.56 ***	1.6949	0.178	9.54 ***
P2P count	0.1739	0.046	3.76 ***	0.1712	0.047	3.66 ***	0.1666	0.046	3.59 ***
Disability/Care[1-0]	-0.3735	0.134	-2.78 **	-0.3473	0.137	-2.53 **	-0.3865	0.136	-2.84 **
AnimalProtection[1-0]	0.7878	0.202	3.90 ***	0.7234	0.207	3.49 ***	0.6803	0.205	3.32 ***
SNACs[1-0]	-0.2272	0.102	-2.23 *	-0.2027	0.103	-1.96	-0.2700	0.103	-2.62 **
TaxDeductibility[1-0]	0.3230	0.137	2.36 *	0.2500	0.139	1.80	0.2374	0.138	1.72
One-off_AS_Min(thou.)	0.1146	0.044	2.60 **	0.2157	0.036	5.92 ***			
One-off_AS_Max(thou.)	0.0070	0.002	4.34 ***				0.0089	0.001	7.36 ***
Recurring AS_Min(thou.)	-0.1491	0.097	-1.53						
Recurring AS_Max(thou.)	0.0012	0.003	0.45						
RSquare Adj	0.4745			0.4394			0.4480		
F Ratio	88.15 ***			104.6 ***			108.3 ***		
Observations (or Sum Wgts)	1159			1191			1191		

p<0.05\*; p<0.01\*\*; p<0.001\*\*\*; All the VIFs were lower than 2.

#### 4.5.1.1 Combination of Popular/Unpopular Causes and Pricing

Our hypothesis H2-1a is “Organizations with unpopular causes are successful if they set lower pricing of donations.” The interaction term “Disability/Care\*One-off Appeal Scale (*Minimum*, standardized)” was added to the baseline model 1, and the coefficient was positively significant (the estimated coefficient was 0.283,  $p=.021$ ). The VIFs were all less than 2. Regarding the maximum price, the interaction term “Disability/Care\*One-off Appeal Scale (*Maximum*, standardized)” was added to the baseline model 2, but the coefficient was insignificant.

The Disability/Care organizations pursued “unpopular” causes, and its main effect was negative (Table 15). However, the interaction effect with a higher minimum price was significantly positive, meaning that a higher minimum price of a one-off gift for Disability/Care was associated with higher total donation. This result was the opposite of H2-1. Therefore, H2-1 was rejected.

The following hypothesis, H2-1b, is “Organizations with popular causes are successful if they set higher pricing of donations.” The interaction term “Animal Protection\*One-off Appeal Scale (*Minimum*, standardized)” was added to the baseline model 1, and the coefficient was positively significant (the estimated coefficient was 0.522,  $p=.022$ ). The VIFs were all less than 2. Regarding the maximum price, the interaction term “Animal Protection\*One-off Appeal Scale (*Maximum*, standardized)” was added to the baseline model 2, but the coefficient was insignificant.

A popular cause, animal protection, had a positive main effect (Table 15), and a positive interaction effect was observed with a one-off minimum donation size. The interaction effect between the maximum amount and animal protection was insignificant, implying that only a high minimum price setting is more effective in animal protection. Therefore, H2-1b was partly supported.

#### 4.5.1.2 Combination of Unpopular Legal Status and Pricing

Regarding the legal status, H2-2 is “Specified Nonprofit Activities Corporations are successful if they set lower pricing of donations.” The interaction term “SNACs\*One-off Appeal Scale (*Minimum*, standardized)” was added to the baseline model 1, but the coefficient was insignificant. The VIFs were all less than 2. Regarding the maximum price, the interaction term “SNACs\*One-off Appeal Scale (*Maximum*, standardized)” was added to the baseline model 2, and the coefficient was negatively significant (the estimated coefficient was -0.0076,  $p=.0056$ ). However, the VIFs were 4.1 on the “One-off Appeal Scale (thou.)” and 4.06 on the interaction term. It was lower than the threshold by Berenson et al. (2012), but we should carefully consider the possibility of a false positive.

The main effect of SNACs was significantly negative (Table 15). The interaction effect between the high price of one-off gifts was negative in maximum, meaning that the higher maximum donation price did not relate to the higher total donations for SNACs. H2-2 seemed to be partly supported, but we should check the validity by other methods.

Although no hypothesis was set, the author checked the interaction between the “Tax Deductibility” and the one-off donation sizes for reference. However, neither the minimum nor the maximum amount was significant.

#### 4.5.1.3 Combination of the Product Popularity/Unpopularity and Promotions

Next, we are going to confirm the promotion effect. H2-3a is “The marginal effect of fundraising promotions is lower when the recipient of donations is an organization with unpopular causes.” As we saw before, all types of campaigns’ main effects were positive (Table 15). Careful consideration of independent variables was required to investigate the interaction effects between “product” and “promotion.” The baseline models 1 and 2 were not applicable because recurring appeal scales should influence MF campaigns. In addition, since CF and P2P were one-off gift campaigns, a common factor might influence multiple variables, which



causes multicollinearity regardless of the low VIFs (Kalnins, 2018). Therefore, when CF was included, P2P was excluded, and vice versa. When MF was included, CF or P2P should be included as a variable for one-off gift campaigns. This analysis prioritized CF because of the larger coefficient than P2P. CF and P2P were put into the model with one-time gift appeal scales and MF with recurring gift appeal scales.

Again, H2-3a is “The marginal effect of fundraising promotions is lower when the recipient of donations is an organization with unpopular causes.” As we saw before, all types of campaigns’ main effects were positive (Table 15), and the interaction terms of Disability/Care and three types of promotions were all insignificant. So, the H2-3a was rejected.

H2-3b is: “The marginal effect of fundraising promotions is higher when the recipient of donations is an organization with popular causes.” The interaction terms between “Animal Protection” and three types of promotions were positively significant for P2P (the estimated coefficient was 0.365,  $p=.033$ ), and insignificant for MF and CF. Therefore, H2-3b was partly supported (Table 16).

Table 16. Interaction Effect between P2P Count and Animal Protection

Term	Estimate	Std Error	t Ratio
Intercept	9.832	0.100	98.08 ***
FR period (hundred days)	0.234	0.011	20.86 ***
MF count	1.727	0.180	9.57 ***
Disability/Care[1-0]	-0.371	0.138	-2.68 **
AnimalProtection[1-0]	0.674	0.209	3.23 **
SNACs[1-0]	-0.249	0.105	-2.37 *
TaxDeductibility[1-0]	0.340	0.139	2.44 *
One-off_AS_Max(thou.)	0.008	0.001	5.43 ***
One-off_AS_Min(thou.)	0.114	0.042	2.70 **
P2P count	0.166	0.049	3.41 ***
(P2P count-0.41898)*AnimalProtection[1-0]	0.365	0.171	2.13 *
RSquare Adj	0.430		
F Ratio	90.92 ***		
Observations (or Sum Wgts)	1191		

$p < 0.05$ \*;  $p < 0.01$ \*\*;  $p < 0.001$ \*\*\*; All the VIFs were lower than 2.

Lastly, H2-4 is “The marginal effect of fundraising promotions is lower when the recipient of donations is a Specified Nonprofit Activities Corporation.” The interaction term between “SNACs” and three types of promotions was negatively significant in P2P but insignificant for CF and MF. So, H2-4 seemed to be supported only for P2P fundraising (Table 17). However, since VIFs were over 5 in the P2P count and the interaction term, we should be careful to conclude that H2-4 was supported because of the possible multicollinearity.

Table 17. Interaction Effect between P2P Count and SNACs

Term	Estimate	Std Error	t Ratio	VIF
Intercept	9.778	0.102	95.52 ***	.
FR period (hundred days)	0.233	0.011	20.74 ***	1.205
MF count	1.696	0.181	9.39 ***	1.033
Disability/Care[1-0]	-0.380	0.138	-2.75 **	1.023
AnimalProtection[1-0]	0.683	0.209	3.27 **	1.025
SNACs[1-0]	-0.273	0.105	-2.59 **	1.080
TaxDeductibility[1-0]	0.379	0.139	2.72 **	1.082
One-off_AS_Max(thou.)	0.008	0.001	5.32 ***	1.352
One-off_AS_Min(thou.)	0.114	0.042	2.69 **	1.341
P2P count	0.396	0.105	3.77 ***	5.739
(P2P count-0.41898)*SNACs[1-0]	-0.250	0.115	-2.18 *	5.533
RSquare Adj	0.430			
F Ratio	90.95 ***			
Observations (or Sum Wgts)	1191			

p<0.05\*; p<0.01\*\*; p<0.001\*\*\*

However, in summary, P2P campaigns were consistently sensitive to product attributes. Regarding the price, Animal Protection organizations that set larger minimum gift sizes tended to accept more donations as predicted. Surprisingly, Disability/Care organizations also benefit from larger minimum gift sizes. In other words, setting a smaller minimum one-off gift size was disadvantageous for organizations with both popular and unpopular causes.

#### 4.5.2 *Total Donations to Each Campaign*

We repeatedly observed the significant effect of fundraising campaigns in the previous sections, but those results did not tell us each campaign's success factors. As we saw in 4.3.2, some campaigns are successful while others are not. The hypotheses the author formalized in 2.9 were based on the congruency between campaign type (one-off vs. recurring) and causes (short-term vs. long-term). Theoretically, long-term cause organizations should rely on the warm-glow of donors (Watanabe, 2022b) because such organizations cannot produce public goods immediately after the donation. The warm-glow utility is expected to increase by dividing a gift into smaller ones (Strahilevitz, 2011).

We used three multiple regression analyses for each campaign type to confirm the hypotheses above. The common dependent variable was the total amount of funds raised by a campaign (log-transformed because of the skewness), which was the measure of campaign success. Remember, this dependent variable included the recurring gifts that started during the CF or P2P campaign periods and continued afterward (see 4.3.2).

Independent variables of interest were as follows. Firstly, the author chose "Arts/Sports" and "Environmental Protection" as examples of long-term missions and "Disaster relief" as an example of short-term missions. They were included as the dummy variables in the model.

In addition, the author put "Tax Deductibility" and "SNACs" as other product-related variables. One-off gift appeal scales for CF and P2P, and recurring gift appeal scales for MF were included as price-related variables. The correlations between the minimum and maximum gift sizes were 0.548 in one-off and 0.559 in recurring appeal scales, so the maximum was omitted due to concerns about multicollinearity (Kalnins, 2018). Regarding the content-related variables, "sentence count" and "target amount of the campaign" were provided by Mr. Yuichi Yamamoto, who obtained the data from P2P and CF pages by scraping techniques. He also provided the author with the data on the start and end dates of the two types of campaigns,

which enabled us to calculate the duration of campaigns and the number of days elapsed from the date campaign started to the date the data was obtained. The campaign duration was of practical importance because fundraisers often must forecast the relative effectiveness of short, intensive campaigns versus longer, more time-consuming ones. The number of elapsed days helped control the ripple effect generated by the collection of monthly donations during a one-time donation-type campaign, as we checked in 4.3.2. Unfortunately, these variables were not available for MF. Alternatively, the number of days elapsed from the first and last transactions was used as a surrogate for the precise elapsed days.

Table 18 shows the result of the multiple regression analyses for each campaign type. All the models were significant according to the F tests, but the Adjusted R squares were lower than that of analyses for organizations. We can see in Table 18 that the higher targets and sentence count in one-off gift campaigns positively affected the success. Organizational attributes were insignificant primarily, apart from the combination of environmental protection and crowdfunding. We cannot obtain meaningful information from the result of MF analysis. Appeal scales were insignificant both in one-off and recurring gift campaigns.

Table 18. Results of MRA for the Three Types of Campaigns

Term	CF			P2P			MF		
	Estimate	Std Error	t Ratio	Estimate	Std Error	t Ratio	Estimate	Std Error	t Ratio
Intercept	9.545	0.275	34.65 ***	10.538	0.239	44.07 ***	12.350	0.357	34.64 ***
Disaster Relief[1-0]	-0.454	0.335	-1.35	0.155	0.267	0.58	-0.020	0.399	-0.05
Environmental Protection[1-0]	-0.785	0.283	-2.77 **	0.099	0.294	0.34	0.639	0.368	1.74
Arts/Sports[1-0]	0.157	0.316	0.5	-0.135	0.302	-0.45	-0.236	0.356	-0.66
Tax Deductibility[1-0]	-0.011	0.229	-0.05	-0.139	0.162	-0.86	-0.171	0.324	-0.53
SNACs[1-0]	0.321	0.219	1.46	0.069	0.170	0.41	-0.278	0.248	-1.12
One-off AS_Min(thou.)	0.126	0.081	1.55	-0.074	0.079	-0.93			
Recurring AS_Min(thou.)							0.030	0.287	0.11
Target (100 thou.)	0.070	0.009	7.94 ***	0.125	0.017	7.29 ***			
Sentence count	0.018	0.002	7.56 ***	0.012	0.003	3.86 ***			
Duration (days)	-0.003	0.001	-2.84 **	-0.002	0.002	-1.01			
Elapsed days	0.001	0.000	2.06 *	0.000	0.000	-2.08 *			
Campaign period (days)							0.002	0.000	5.3 ***
RSquare Adj	0.361			0.190			0.200		
F Ratio	18.25 ***			10.66 ***			4.633 ***		
Observations (or Sum Wgts)	306			412			103		

p<0.05\*; p<0.01\*\*; p<0.001\*\*\*; All the VIFs were lower than 2.

Now we confirm the hypotheses for the campaign's success.

H2-5a: The effect of recurring monthly gift fundraising is higher when the recipient of donations has a long-term cause.

H2-5b: The effect of one-off gift fundraising is higher when the recipient of donations has a short-term cause.

There was no synergistic relationship between long/short-term causes and campaign types. However, one combination, environmental protection and crowdfunding, was significantly related to lower total donations. It was consistent with the theoretical prediction because long-term causes can take time to raise funds. However, pursuing a long-term cause alone was insufficient to succeed in MF. We should investigate more on the success factor of recurring gift campaigns.

Another notable result was that organizational attributes, including SNACs and tax deductibility, were insignificant. Instead, content-related variables, such as sentence count and target amount of donations were consistently significant. If these findings are the case, fundraising campaigns effectively overcome some disadvantageous organizational attributes through the power of content.

#### 4.5.3 *External Validity Check by Other Platforms' Data*

The author used the data described in 3.5.2 to check the external validity of campaign-related variables: Target amount of donations and sentence count, which are significant in the previous section and the fundraising literature.

In the result of multiple regression analyses, the dependent variable was the total funds raised by a campaign (log-transformed). The campaign duration was included in the models to

control the campaign period. Independent variables of interest were the target amount of donations, sentence count, and appeal scales. The correlations among numerical variables were less than 0.34 in platform A and 0.25 in platform B.

Table 19. Results of MRA in Crowdfunding Platforms A and B

Term	Crowdfunding Platform A			Crowdfunding Platform B		
	Estimate	Std Error	t Ratio	Estimate	Std Error	t Ratio
Intercept	11.707	0.809	14.47 ***	13.193	0.176	74.98 ***
SNACs[1-0]	0.001	0.348	0.00	0.029	0.098	0.29
AS_Min (thou.)	0.114	0.120	0.95	-0.022	0.027	-0.82
Target (100 thou.)	0.022	0.006	3.51 ***	0.003	0.000	11.69 ***
Sentence count	0.006	0.003	2.33 *	0.007	0.001	9.30 ***
Duration	0.010	0.010	0.99	0.016	0.002	7.31 ***
All-in[1-0]	0.024	0.447	0.05	0.196	0.082	2.38 *
RSquare Adj	0.273			0.424		
F Ratio	5.192 ***			67.00 ***		
Observations (or Sum Wgts)	68			540		

p<0.05\*; p<0.01\*\*, p<0.001\*\*\*; All the VIFs were lower than 2.

The result is shown in Table 19, where the models were both significant. The target amount of donations and sentence count were positively significant. The higher the target, the better the fundraising outcome. However, it cannot be interpreted that setting a higher target increases fundraising performance directly. There should be some mediators, which are the answers to this study. What enables nonprofit organizations to perform well? We will dive into this essential question using the qualitative methods from the following section.

#### 4.6 RESEARCH QUESTION THREE: MARKETING STRATEGIES AND OBJECTIVES

RQ3: What marketing strategies are appropriate for each nonprofit organization's characteristics and fundraising objectives (short-term vs. long-term, stability vs. efficiency)?

To answer this question, we posited two hypotheses below, though they are possibly immature ones because of scarce previous literature.

H3-1: Strategic focus on relatively high-value gifts leads to success in digital fundraising for nonprofits that pursue a short-term mission.

H3-2: Strategic focus on small recurring gifts leads to success in digital fundraising for nonprofits that pursue a long-term mission.

Firstly, we check the distribution of high-value gifts. Are the organizations with high-value gifts successful in the digital fundraising platform? Figure 6 describes the organizations that accepted at least one high-value (50,000 JPY or more) gift with a deep color. Such organizations were more successful on average.

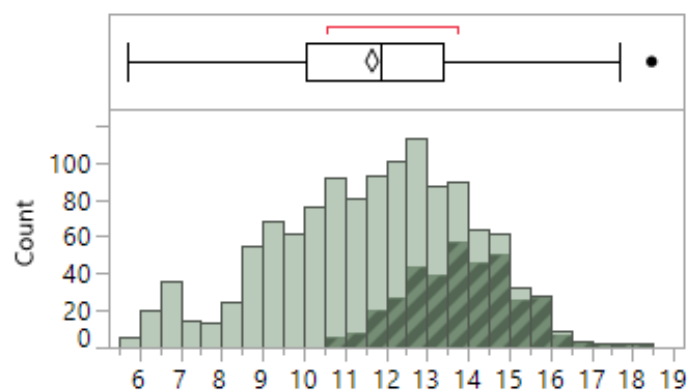


Figure 6. Total Donations and Organizations with One or More High-Value Gifts

Funds raised were log-transformed. N=1,205.  
\*Deep color: Organizations with one or more HVGs

Similarly, the log-transformed total donations to campaigns in Figure 7 shows that campaigns that attracted at least one high-value gift were mostly Crowdfunding (CF) and Peer to peer (P2P), one-off gifts campaigns. It is not surprising because recurring high-value gifts require extraordinary financial capacity.



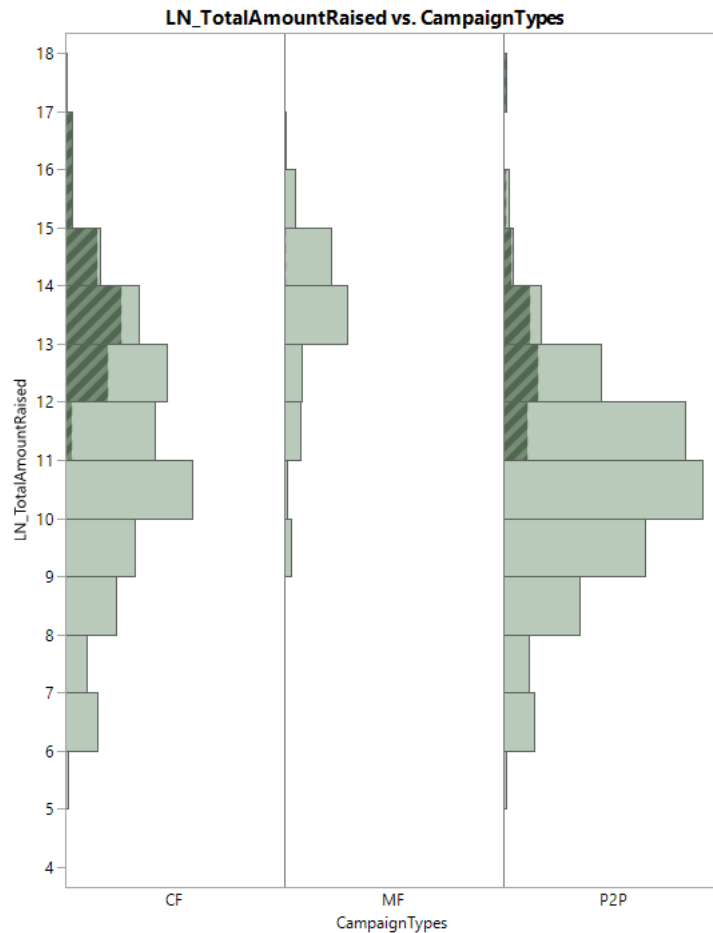


Figure 7. Campaign Types and Total Donations to Each Organization  
(Total donations were log-transformed)

#### 4.6.1 Case Selection and Description

We now check the most successful organizations among all the 1,205 organizations. Table 20 shows the top ten organizations in the total funds raised, in descending order, in the fundraising period. The comparison among the top ten organizations can be MDSO (Most Different, Similar Outcome) analysis (De Meur et al., 2006) if we can examine their similarities and differences.

We can observe that organizations with various legal statuses rank in the top ten, but SNACs were not found among them. Interestingly, tax deductibility was not always necessary for top-performing organizations. Organizations with short fundraising periods were also found in Table 20, and they tended to rely on the vast successes of CF or P2P campaigns. None of

the ten conducted Monthly funding (MF) campaigns, but older organizations tended to depend on recurring gifts. Organizations 7 and 10 appeared to focus on high-value gifts with over 80 percent<sup>5</sup>. However, some organizations, such as cases 2 and 5, were found to attract donations through one-off gift campaigns and recurring gifts. Indeed, their campaigns increased both one-off and recurring gifts. The main donation income of organization 3 was recurring gifts, but some high-value donors continuously supported it, making it a top-performing organization in both recurring gifts and HVG.

Overall, there are many zeros in Table 20, which implies that the top-performing organizations had a focused strategy for each. It was consistent with the recommendable marketing behavior in a fragmented market, which is sticking to a specific strategic concept (Porter, 1980).

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<sup>5</sup> The percentages for high value gifts were calculated on a donation amount basis, not on a donation count basis.

Table 20. Top Ten Organizations and Their Fundraising Performances

Case ID	Legal status	Tax deductibility	FR period (Days)	Total donation raised	Gifts via CF	Gifts via P2P	Recurring	HVG	HVG (%)
1	GIA	No	1928	10,253,452	0	0	8,779,913	508,730	5.0%
2	ASNAC	Yes	1876	104,710,933	0	103,555,855	10,525,315	3,690,578	3.5%
3	GIA	No	1113	14,519,564	0	39,554	9,762,543	6,678,320	46.0%
4	GIF	No	1071	10,965,541	0	24,500	10,724,226	0	0.0%
5	GIF	No	754	19,642,509	19,454,218	0	6,205,611	2,157,020	11.0%
6	PIF	Yes	455	37,321,512	0	126,296	3,007,937	4,813,489	12.9%
7	GIF	No	263	10,554,175	10,543,593	0	21,162	8,948,941	84.8%
8	VO	No	148	14,439,360	10,506,672	0	142,682	1,800,000	12.5%
9	VO	No	94	47,806,489	37,538,889	0	387,924	8,755,736	18.3%
10	ASNAC	Yes	65	18,661,793	18,661,793	0	31,746	15,267,975	81.8%

GIA=General Incorporated Association; ASNAC=Authorized Specified Nonprofit Activities Corporation; GIF=General Incorporated Foundation; PIF=Public Interest Foundation; VO=Voluntary Organization; FR=Fundraising; HVG=High value gifts. None of the cases conducted MF.

Table 21. Main Donation Income, Causes, and Appeal Scales of Top Ten Organizations

Case ID	Main donation income	Causes	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
1	Recurring	Animal protection, Civic activities, Environmental protection	500-10000	500-10000
2	P2P	Animal protection, Local industry, Tourism/city planning	500-10000	500-10000
3	Recurring	Disability/care	500-100000	500-100000
4	Recurring	Local industry, Children's education, Social education	1000-30000	1000-30000
5	CF	Childbirth/parenting, Civic activities, <b>Disaster relief</b>	3000-50000	500-10000
6	Small gifts	Others( <b>Peace related museum hit by COVID-19</b> ), Children's education, Social education	500-10000	500-10000
7	CF	International cooperation ( <b>for COVID-19 affected community</b> )	1000-50000	1000-50000
8	CF	Others( <b>Heart operation for a diseased child</b> )	5000-10000	—
9	CF	Others( <b>Heart operation for a diseased child</b> )	3000-50000	500-10000
10	CF	International cooperation, Civic activities, <b>Disaster relief</b>	500-10000	500-10000

**Bold: Urgent needs**

To answer research question three, we added information about the causes they pursued and described in Table 21. As we can see in the center column, cases 5, 6, 7, 8, 9, and 10 addressed urgent needs in their crowdfunding. Quick support via CF must be more helpful than long-term monthly gifts when a disaster or pandemic happens. Naturally, short-term success cases share the same type of cause: urgent human needs. These are typical examples of charitable giving (Watanabe, 2022b) and produce immediate emotional satisfaction after the gift (Dees, 2012) because they derive impact (Duncan, 2004). However, the long-term cause does not directly mean that the organization fundraises to meet long-term needs. The situation might be urgent if the local industries were affected by COVID-19. For example, organization 6 was a museum in danger of closure due to COVID-19, and it accepted a large amount of money via social media in 2021. We should check the mission or goals of organizations, not merely a cause.

When we look at cases 1, 3, and 4 (Table 20), which relied on recurring gifts, they tended to have educational, regional, or environmental causes. They can be interpreted as long-term causes. There were some relationships between causes and main donation income, but it did not mean the existence of a marketing strategy that governed the congruency between causes and main donation source. Since we should profoundly understand the integrated fundraising activities under a strategic concept, the author used qualitative analysis of the top five organizations among the interview respondent organizations, as shown in Table 22 below. Since the fourth case was the same organization as case 4 in Tables 20 and 21, we used case 4 here as well.

Table 22. Top Five Organizations among Those Interviewed and Their Fundraising Performances

Case ID	FR period (Days)	Total donation raised	Gifts via P2P	Gifts via MF	Recurring	HVG	HVG (%)	Main donation income
A	1808	8,386,913	0	0	8,229,000	7,100,000	84.7%	Recurring/HVG
B	1598	3,701,731	153,000	0	2,710,674	298,148	8.1%	Recurring
C	1383	2,882,961	952,801	1,835,718	2,110,500	50,000	1.7%	Recurring
4	1071	10,965,541	24,500	0	10,724,226	0	0.0%	Recurring
D	452	4,615,445	4,563,711	0	306,898	600,730	13.0%	P2P

None of the cases conducted CF.

We can see three common tendencies in the top ten and five interviewed cases. Firstly, organizations with longer fundraising periods relied on recurring gifts, and those with shorter periods realized large successes through one-off campaigns. Secondly, it was indispensable for SNACs to obtain tax deductibility (i.e., becoming ASNACs) to succeed in one-off campaigns. Lastly, there were two polarities in the rate of high-value gifts. Cases 7, 10, and A marked more than 80% HVG, while others accepted less than 20%, apart from case 3. Interestingly, case A was found to receive recurring and high-value gifts.

A more detailed description of the five interviewed organizations is in Table 23. They were all top-performing organizations among survey respondents, but their annual budgets and number of employees varied broadly. The years founded were either the late 2000s or late 2010s. On average, all the interviewed organizations had been founded in 2011-2012 (excluding an outlier founded in the late 1870s). In terms of the year founded, the selected five organizations were distributed on both sides of the average. The informants were representatives, secretary generals, or people in charge of fundraising in each organization.

Their main donation source and self-reported causes (obtained when registering on Syncable) are in Table 24 below. As we see in Table 24, four out of five organizations relied on recurring gifts. Some organizations simultaneously had long- and short-term causes, such as B (disaster relief and environmental protection). Regarding the pricing strategy, A, B, and

C had the same appeal scales and relied on recurring gifts. In contrast, D had employed a high-price strategy and relied on one-off gift campaigns. When a donor gives to D, the appeal scale starts from 5,000 JPY, which is ten times larger than A, B, and C.

Tables 23 and 24 describe an unexpected fact that some high-performing organizations which relied on recurring gifts were not active in customer relations management (CRM) behavior (cases A and B) or communication with existing donors (case 4). It implies that different activities are required to be successful between traditional and digital fundraising because communication with existing donors and donor relationship management are the critical components in relationship fundraising.

One more interesting finding in Table 23 is the existence of volunteer-based organizations (case A) among top-performing organizations. Organization A has a relatively younger organizational age, but it secured High-value gifts in a recurring manner.

Table 23. Budgets, Targets, and Fundraising Investments of Top Five Organizations among Those Interviewed

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)
A	Late 2010s	5,000	5,000	5,000	0	0	0	1-8, 11-14.	1-6, 8, 12, 13	1, 2.	6. Representative director represents marketing firm.
B	Late 2000s	60,000	45,000	1,500	5	1.5	1	11-14.	2, 7, 12, 13.	1, 2.	4, 5.
C	Late 2010s	10,000	7,000	1,500	4	2	2	2, 4, 6-8, 11-14.	2, 4, 6-8, 12, 13.	1-7.	3-5.
4	Late 2010s	220,000	94,000	40,000	15	1	0.5	2, 7, 11-14.	2, 7.	1, 3, 5, 7.	1, 4.
D	Late 2000s	120,000	90,000	20,000	10	4	1	2-8, 12-14	2, 4-8, 12, 13.	1-3, 6, 7.	1, 2, 4, 6. Education by NPO center

Table 24. Main Donation Income, Causes, and Appeal Scales of Top Five Organizations among Those Interviewed

Case ID	Main donation income	Causes	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
A	Recurring/HVG	Local industry, Social education, Economy	500-10000	500-10000
B	Recurring	Local industry, Disaster relief, Environmental protection	500-10000	500-10000
C	Recurring	International cooperation, Women's aid, Civic activities	500-10000	500-10000
4	Recurring	Local industry, Children's education, Social education	1000-30000	1000-30000
D	P2P	Childbirth/Parenting, Medical care, Children's education	5000-300000	2000-10000



When we asked about the short- and long-term mission of the organization by the survey question, “My organization has a big goal that will take a long time to achieve,” surprisingly, 71.7% answered “Applicable,” and 22.6% answered “Somewhat applicable.” From this result, most organizations were found to pursue long-term missions. Cases A, B, C, and D responded “Applicable” to this question, and case 4 answered “Somewhat applicable.” Though these answers were based on the respondents’ self-reports, they were presidents, secretary generals, or fundraisers. It was likely that they perceived their organizations’ missions as long-term ones. Exceptional cases were cases 8 and 9 that had aimed at specific children’s heart operations. They closed their fundraising pages and offices, just reporting the medical care progress.

#### 4.6.2 *High-Value Gifts and Short-Term Mission*

Next, we return to the hypotheses and confirm them. Our hypothesis 3-1: Strategic focus on relatively high-value gifts leads to success in digital fundraising for nonprofits that pursue the short-term mission, was not fully supported by the data. Cases 8 and 9 addressed urgent needs but did not focus on HVG. Instead, we must check cases 7, 10, and A with more than 80% HVG, which seemed to focus on it strategically. Cases 7 and 10 attracted many high-value gifts via the COVID-19-related campaigns. Urgent needs might be a good match with high-value gifts in these cases. However, there were other successful urgent campaigns with a lower rate of HVG, so focusing on HVG was not the single path to successful short-term fundraising.

Importantly, the representative director of organization A was the marketing professional that owns two firms: his private company and the general incorporated association (GIA) A. Though there was no paid staff in A, he strategically focused on recurring high-value gifts from corporations. Syncable is a giving platform for individuals but can be used for

corporate giving. He had started fundraising from acquaintances with whom he had already connected via his private business. He declared that almost two-thirds of the donors came from connections through his business. In organization 7, which organized CF for a COVID-19-affected community overseas, the representative director had a similar background to case A. In case 7, he had already worked as an entrepreneur when he started his general incorporated foundation (GIF) to accept the donation via the CF. His company's name and the GIF's name shared the same brand name, so it was clear that he intended to involve his company's stakeholders in the CF launched by his new GIF.

One more important similarity between cases A and 7 was the sensitivity to the overhead cost. Case A did not have any paid staff, and the informant in case 7 declared that "donated funds will never be used for personnel or other expenses." Though case A had a long-term mission and case 7 had a short-term one, the combination of strategic use of personal human relations and avoiding overhead costs appeared to attract the HVG to their fundraising activities.

Let us see the other organizations. In case 5, the general incorporated foundation conducted urgent CF for disaster relief. It declared that "there will be no administrative or other fees charged for our foundation" on their project page, but the HVG rate was only 11%, roughly one-fourth of case 7. Contrastingly, in case 10, urgent CF was conducted, and 81.8% of the total donation was HVG. The ASNAC, in case 10, had been founded in 2000 and held tax-deductible legal status. The GIF in case 7 had been founded in the late 2010s without tax deductibility. Considering the above, strategic focus on the HVG might require two factors to be successful. One is the higher trust in the recipient organization by authorized legal status, long organizational age, or human relations with donors. Secondly, they should emphasize no overhead costs from donations. In case D, which succeeded in a short-term P2P campaign, the organization was ASNAC with tax deductibility, but the secretary general had not mentioned

overhead cost on the campaign page. She confessed in the interview that they needed administrative expenses and that she had wanted to write on the page that overhead cost was indispensable. Eventually, she did not write about it because it might demotivate donors. Organization D did not pursue an animal welfare mission. Still, they strategically emphasized the facility animal that worked in hospitals to care for the patients psychologically on the page, which led to the success of their P2P campaign.

#### 4.6.3 *Recurring Gifts and Long-Term Mission*

Next, we consider the combination of recurring gifts strategy and long-term missions. The hypothesis was as follows.

H3-2: Strategic focus on small recurring gifts leads to success in digital fundraising for nonprofits that pursue a long-term mission.

Since most organizations had long-term missions through their self-report, this hypothesis becomes essential. Regarding legal statuses, it was clear that the recurring small gift strategy did not require tax-deductibility or long organizational age. Even a new SNAC was successful in case C by recurring gift strategy. When we look at the effect of the MF on the amount of recurring gift, we can see the organizations with MF ranks at top levels in the amount of recurring gifts (log-transformed), as shown in Figure 8 below.

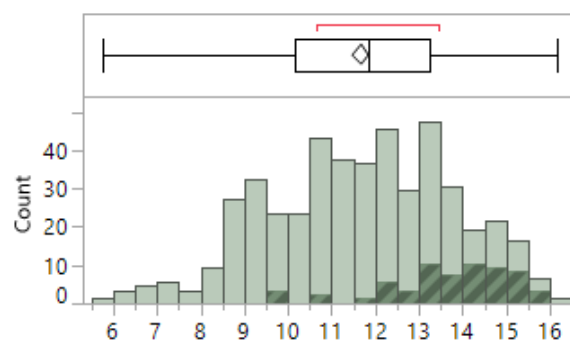


Figure 8. Distribution of Recurring Gifts Raised by Organizations  
(Deep color: Organizations with MF)

We can see that MF was not the only path to success in the recurring small gifts strategy. Cases B, C, and 4 were the organizations with recurring gifts as their main donation income, and organization C was the only one that had conducted MF.

The environmental organization B had been founded in the late 2000s and had a clear fundraising policy to focus on the long-term investment, which was the recurring gifts. Their main income was from donations by private companies, but they steadily increased the small recurring gifts from individuals via Syncable. The organization had a famous musician as a representative director, but the secretary general had been refraining from using the power of the celebrity in fundraising, and it was because they emphasized the sustainability of fundraising activity. Thus, monthly recurring gifts were for the organization's long-term sustainability.

Relatively new international cooperation organization C also highlighted the effectiveness of a strategic focus on the recurring gifts during the interview. The campaign strategy characterized case C. They recruited new monthly donors from 500 JPY and expected some of them to upgrade the monthly gift size. According to the representative director of C, 1,000 JPY was too high for a new donor to jump into the monthly gifts program. She also loved having online meetings with people interested in the organization, and she said approximately 40 % of the participants converted to donors. According to her, they appealed again to such existing donors through one-off gift campaigns; their expected gift size was 3,000 JPY.

The recurring gift rate of organization 4 was 97.8 %, and their donations were mainly from their official website. When a prospect donor clicked the link to the Syncable donation form, only a recurring gift application was accepted through the form. It was the way they focused on recurring gifts, and the same system was employed in case B.

Cases B, C, and 4 included the overhead expenses in their monthly gifts. Organization 4 declared that their gifts would be used for the general expenses of the organization

management as well, saying, “your donation will be used to support the overall activities of the (organization 4), including the (name of the program).” The secretary general of organization B told the author that he did not want other nonprofits to promote overhead-free donations, as it would hinder the donors’ understanding about the reality of nonprofit management. Anyhow, H3-2 was supported by some top-performing cases.

Summing up the findings in the investigation on the RQ3, no organizations were obtaining recurring gifts as the main donation source to meet urgent needs. Long-term mission organizations focused on recurring gifts, and no campaigns attracted high-value gifts to the extent that they became an organization’s main donation source (Table 25).

Table 25. Combinations of Gift Size, Frequency, and Campaigns in High-Performing Nonprofits

Mission/needs	Gift size	Gift frequency	Campaigns	
			NO	YES
Short-term	High-value	one-time	None	<b>7, 10</b>
		recurring	None	None
	small	one-time	6	5, 8, 9
		recurring	None	None
Long-term	High-value	one-time	None	None
		recurring	3, A	None
	small	one-time	D	2
		recurring	<b>1, 3, 4, B</b>	<b>2, C,</b>

**Bold : hypothesized combinations to be successful**

Hypotheses 3-1 was consistent with cases 7 and 10. However, the combination of mission and gift size was not enough to explain high performance in digital fundraising. Campaigns, trust from donors, and overhead-free donations should be added as boundary conditions to realize success in H3-1. Sometimes, organizations with long-term causes did have an urgent need, which attracted many small gifts in case 6.

On the other hand, H3-2 had predicted success in cases 1, 2, 3, 4, B, and C. Most organizations perceived that their missions were long-term oriented, and these cases supported this hypothesis. However, the boundary conditions for H3-2 should be investigated further.

There were many exceptions as well, such as cases 2, 3, 5, 6, 8, 9, A, and D. These success patterns were not captured by the hypotheses because small one-time gifts seemed to be “unprofitable,” and high-value recurring gifts seemed to be unrealistic. We can check the conditions that enable these counterintuitive cases.

#### 4.6.4 *Additional Analysis: Gift sizes and SNACs*

Notably, informants from SNACs and ASNACs tended to state that they did focus on the breadth (i.e., number of unique donors) of their donor base, not the height (i.e., amount of major gifts). They often mentioned that they wanted as many people as possible to participate because it was the ideal of SNACs. Interestingly, this tendency was salient among nonprofits with higher HVG rates, implying that they promoted their cause more broadly and it brought them high-value gifts more frequently. Indeed, respondent organizations that attracted many unique donors (deep color in Figure 14) were likely to have one or more high-value gifts (right bar in Figure 15).

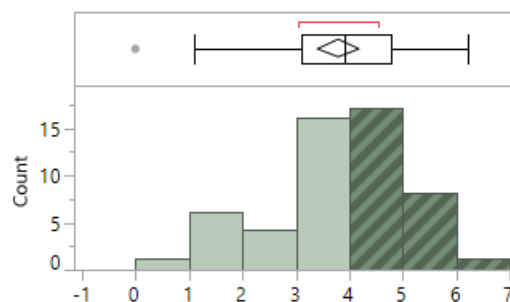


Figure 9. Distribution of the Number of Unique Donors among Survey Respondent Organizations

(The number of donors was log-transformed.)

Deep color: Organizations with Many Unique Donors)

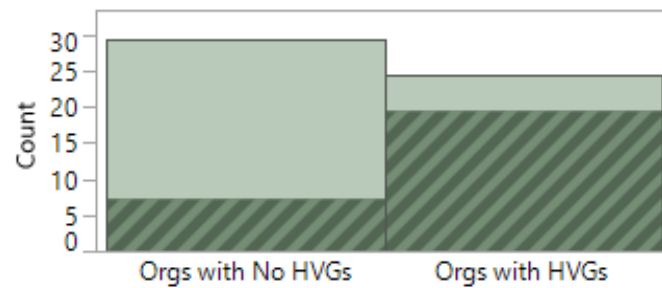


Figure 10. Number of Survey Respondent Organizations with/without HVGs

(Deep color: Same Organizations with Many Unique Donors Shown in Figure 9)

Another topic of interest is the effect of a low price on SNACs. If organization C's declaration was the case, 500 JPY should be suitable for monthly gifts from new donors to SNACs. It should lead to the result that the interaction term between SNACs and recurring appeal scale (minimum) should be negative in regression analysis.

The author built the multiple regression analysis for SNACs and ASNACs (N=571) and confirmed the effect of the variables (Table 26). The model was significant ( $F(10, 560) = 55.46$ ,  $p < .0001$ ), and the interaction effect between MF count and Recurring appeal scale (Minimum) was significant and negative, confirming the prediction. Tax deductibility was also significant and showed that the investment in tax-deductible legal status was related to the higher total donations.

Table 26. MRA Result in SNACs and ASNACs

Term	Estimate	Std Error	t Ratio	VIF
Intercept	9.767	0.152	64.06 ***	
TaxDeductibility[1-0]	0.478	0.176	2.71 **	1.092
FR period (hundred days)	0.220	0.015	15.07 ***	1.208
P2P count	0.129	0.052	2.48 *	1.180
MF count	1.581	0.231	6.86 ***	1.091
CF count	0.478	0.082	5.83 ***	1.098
AnimalProtection[1-0]	0.764	0.295	2.59 **	1.031
Disability/Care[1-0]	-0.292	0.184	-1.59	1.024
One-off_AS_Min(thou.)	0.214	0.058	3.67 ***	1.108
Recurring AS_Min(thou.)	-0.188	0.116	-1.63	1.290
(MF count-0.10333)*(Recurring AS_Min(thou.)-0.72336)	-1.382	0.575	-2.40 *	1.240
RSquare Adj	0.489			
F Ratio	55.46 ***			
Observations (or Sum Wgts)	571			

p<0.05\*; p<0.01\*\*; p<0.001\*\*\*

#### 4.7 RESEARCH QUESTION FOUR: ELEMENTS FOR EXECUTION

Lastly, we compare the unsuccessful cases of underperforming organizations with the above cases to investigate the essential elements for executing effective nonprofit fundraising strategies. We use MSDO (Most Similar, Different Outcome) comparison here.

Previous literature indicated that relationship management, human resource investment, and fundraising education were the candidates for the elements to be successful in digital fundraising as we see in 2.9.4. The author chose the similar competitors to make matched pairs (Eisenhardt, 2021) in Environmental protection (4.7.1), International cooperation (4.7.2), and Children's education (4.7.3) causes (Table 27). In addition, we see the comparison among similar organizational sizes (Table 28) later in 4.7.4 and 4.7.5.



Table 27. MSDO Comparison Cases in Terms of Cause Similarity

<b>Environmental Protection Organizations</b>												
Case ID	Legal status	Tax deductibility	FR period (Days)	Total donation raised	Gifts via CF	Gifts via P2P	Gifts via MF	Recurring	HVG	HVG (%)	Main donation income	Other Causes
B	GIA	<b>No</b>	1598	3,701,731	<b>0</b>	153,000	<b>0</b>	2,710,674	298,148	8.1%	<b>Recurring</b>	Local industry, Disaster relief,
b1	PIF	Yes	1141	2,338,108	<b>0</b>	0	<b>0</b>	1,259,883	616,550	26.4%	<b>Recurring</b>	International cooperation, Civic activities
b2	SNAC	<b>No</b>	1262	1,689,001	433,300	0	<b>0</b>	702,268	500,000	29.6%	<b>Recurring</b>	Civic activities
<b>International Cooperation Organizations</b>												
C	<b>SNAC</b>	<b>No</b>	1383	2,882,961	<b>0</b>	952,801	1,835,718	2,110,500	50,000	<b>1.7%</b>	MF	Women's aid, Civic activities
c1	ASNAC	Yes	1675	1,326,145	32,700	1,263,250	0	78,000	330,000	24.9%	P2P	Children's education, Disaster relief
c2	<b>SNAC</b>	<b>No</b>	634	115,681	<b>0</b>	0	0	95,681	0	<b>0.0%</b>	Recurring	Children's education
<b>Children's Education Organizations</b>												
D	ASNAC	<b>Yes</b>	452	4,615,445	<b>0</b>	4,563,711	<b>0</b>	306,898	600,730	13.0%	P2P	<b>Childbirth/Parenting</b> , Medical care
d1	SNAC	No	1369	3,406,747	<b>0</b>	389,974	<b>0</b>	1,018,276	1,272,910	37.4%	HVG and Recurring	<b>Childbirth/Parenting</b>
d2	VO	No	774	1,440,128	<b>0</b>	0	<b>0</b>	1,317,906	50,000	3.5%	Recurring	
d3	SNAC	No	1337	406,126	<b>0</b>	0	<b>0</b>	283,000	0	0.0%	Recurring	Others, Human rights protection
d4	SACESNA	<b>Yes</b>	1540	318,219	86,269	500	210,500	239,180	0	0.0%	Recurring	<b>Childbirth/Parenting</b> , Social education

Case ID: Capital letters mean successful cases, and small letters mean unsuccessful cases

Bold: Common organizational attributes between successful and unsuccessful cases

Table 28. MSDO Comparison Cases in Terms of Organizational Size

<b>Small Organizations</b>														
Case ID	Legal status	Tax deductibility	Annual budget (thou. JPY)	Number of paid employees	FR period (Days)	Total donation raised	Gifts via CF	Gifts via P2P	Gifts via MF	Recurring	HVG	HVG (%)	Main donation income	Causes
A	GIA	No	5,000	0	1808	8,386,913	0	0	0	8,229,000	7,100,000	84.7%	Recurring	Local industry, Social education, Economy
e1	SNAC	No	7,600	1	1036	1,903,582	0	0	1,481,500	1,811,500	0	0.0%	MF	Others
<b>Large Organizations</b>														
4	GIF	No	220,000	15	1071	10,965,541	0	24,500	0	10,724,226	0	0.0%	<b>Recurring</b>	Local industry, <b>Children's education</b> , Social education
D	<b>ASNAC</b>	<b>Yes</b>	120,000	10	452	4,615,445	0	4,563,711	0	306,898	600,730	13.0%	<b>P2P</b>	<b>Childbirth/Parenting</b> , Medical care, <b>Children's education</b>
b1	PIF	<b>Yes</b>	140,000	11	1141	2,338,108	0	0	0	1,259,883	616,550	26.4%	<b>Recurring</b>	International cooperation, Civic activities, Environmental protection
c1	<b>ASNAC</b>	<b>Yes</b>	140,000	9	1675	1,326,145	32,700	1,263,250	0	78,000	330,000	24.9%	<b>P2P</b>	International cooperation, <b>Children's education</b> , Disaster relief
d1	SNAC	No	180,000	24	1369	3,406,747	0	389,974	0	1,018,276	1,272,910	37.4%	<b>HVG and Recurring</b>	<b>Childbirth/Parenting</b> , <b>Children's education</b>

Case ID: Capital letters and 4 mean successful cases, and small letters mean unsuccessful cases

Bold: Common organizational attributes between successful and unsuccessful cases

#### 4.7.1 *Environmental Organizations*

We used three environmental organizations that answered the survey questionnaire. These three organizations had headquarters in the same city, responded equally in relationship management investment, set the exact pricing of donations (Table 29). They had not conducted any MF, but all had recurring gifts as the main donation source (Table 27). The highest recurring gifts to B made it the best-performing organization.

Table 29. Fundraising Behaviors and Appeal Scales of Three Environmental Organizations

Case ID	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
B	11-14.	2, 7, 12, 13.	<b>1, 2.</b>	4. 5.	<b>500-10000</b>	<b>500-10000</b>
b1	12, 13.	6, 12.	<b>1, 2.</b>	None	<b>500-10000</b>	<b>500-10000</b>
b2	2, 10-13.	2, 6, 7, 12.	<b>1, 2.</b>	1, 4.	<b>500-10000</b>	<b>500-10000</b>

Table 30. Budgets, Targets, and Staffing of Three Environmental Organizations

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count
B	Late 2000s	60,000	45,000	1,500	5	1.5	1
b1	Early 1990s	140,000	-	-	11	0	0.1
b2	Late 1990s	16,000	3,000	100	2	0	1

Organization B had the lowest HVG rate (Table 27), which was not surprising because B had the shortest organizational age (Table 30), and the oldest organization, b1, had tax deductibility. However, B outperformed the two similar organizations regarding total funds raised. The staff and annual budget of b1 were more than double of B. Organization b1 neither invested in fundraising education nor fundraising staff, and they did not have a target amount of donation. Organization b2 had the same level of investment in the public relations (PR) staff as B did, but it lacked the fundraising (FR) staff. Considering the above, human resource investment in FR staff was critical for the fundraising of B.

The time-series analysis of accumulated funds raised by these organizations is in Figure 11, which describes B's fastest growth speed.

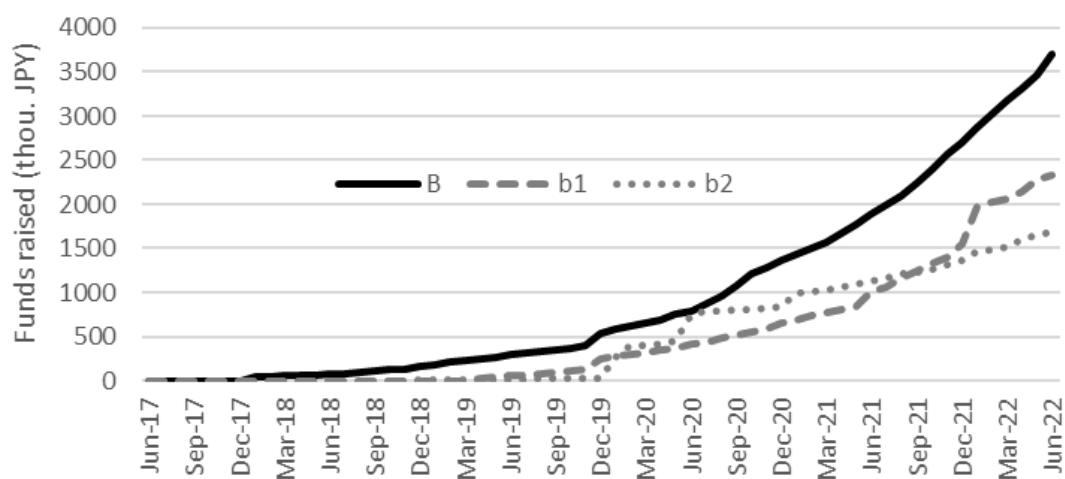


Figure 11. Accumulated Funds Raised by Environmental Organizations

#### 4.7.2 *International Cooperation Organizations*

We also use MSDO comparison in the international cooperation organizations with exactly the same appeal scales for recurring gifts (Table 31). Organization c1 had longer organizational age than C, had tax deductibility, was 14 times the size of the annual budget of C, and more than double in staff numbers (Table 32). The campaign count was similar between C (6 times)

and c1 (7 times), but only C conducted MF. Organizations C and c2 shared the same legal status as they were SNACs. The annual budget was 10,000 thousand JPY in C and 8,500 in c2. Educational investments were similar among these organizations.

Table 31. Fundraising Behaviors and Appeal Scales of Three International Cooperation Organizations

Case ID	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
C	2, 4, 6-8, 11-14.	2, 4, 6-8, 12, 13.	1-7.	3-5.	500-10000	<b>500-10000</b>
c1	1, 2, 13, 14.	1, 2, 6, 7, 12, 13	1, 2, 4.	2, 3, 5.	1000-50000	<b>500-10000</b>
c2	1-4, 6, 7, 11-14.	1, 2, 4, 6, 7, 12, 13.	1, 3-7.	1-5.	3000-120000	<b>500-10000</b>

Table 32. Budgets, Targets, and Staffing of Three International Cooperation Organizations

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count
C	Late 2010s	10,000	7,000	1,500	4	2	2
c1	Early 2000s	140,000	27,000	-	8.5	0.5	0.5
c2	Early 2010s	8,500	3,000	300	1	0.3	0.3

Organization C changed the campaign strategy and started MF in May 2021. It was the direct reason for its outperformance (Figure 12). In addition, c2 had different appeal scales among the three; the high-price strategy started at 3000 JPY as the minimum amount of one-off gifts. Though C and c2 were both SNACs, it was contrasting that C offered 500 JPY to one-off donors. The total number of paid staff was highest in c1, the FR and PR staff investment was the most intensive in organization C (Table 32). The reason for the low performance of c1

seemed to be the lack of relationship management investment or MF campaigns. The organization c1 needed more FR and PR staff to achieve their high targets. The organization c2 lacked campaigns or reasonable pricing strategy for a SNAC.

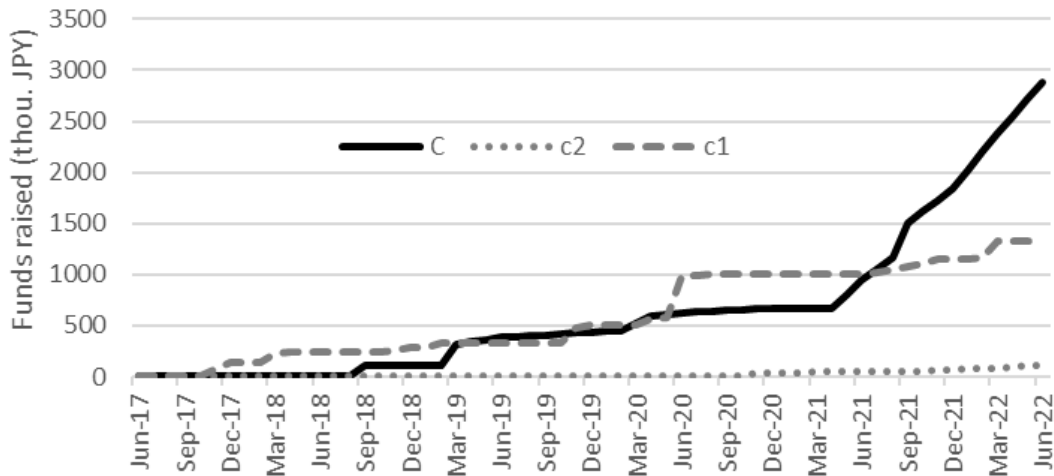


Figure 12. Accumulated Funds Raised by International Cooperation Organizations

#### 4.7.3 *Children's Education Organizations*

All five organizations shared the Children's education as their cause. In addition, D, d1, and d4 had Childbirth/Parenting as the common cause (Table 27). Comparing the organizations D and d1, the annual budget and the number of employees were larger in d1 (Table 34). All the organizations had headquarters in large cities. D and d4 had tax deductibility. Organizations D, d1, and d4 conducted campaigns; the only organization with MF was d4. The investment in FR staff was the most intensive in D, but the relationship management was similar between D and d4 (Table 33). However, D used the donor database to set individual meetings with important donors (on-site and online), which was a feature of relationship fundraising.

As we can see the failure of d4, the recurring gifts campaign did not work well in the Children's education cause. The best performer, D, was not outstanding in recurring gifts, but it attracted one-off gifts the best. Surprisingly, D had used Syncable for only 452 days, the

shortest period among the five organizations. The enormous success of a one-off campaign led D to the top (Figure 13).

The pricing strategy was different among these organizations. Organization D set the minimum amount of one-off gifts as 5,000 JPY, ten times larger than d2 and d3. The maximum amount of one-off gifts was 300,000 JPY, thirty times larger than d2 and d3 (Table 31). Remember that D uses the images of facility animals, a factor of the popular cause. It might enable D to predict a higher willing-to-pay of donors.

Table 33. Fundraising Behaviors and Appeal Scales of Five Children's Education Organizations

Case ID	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
D	2-8, 12-14	2, 4-8, 12, 13.	1-3, 6, 7.	1, 2, 4, 6. Education by NPO center	5000-300000	2000-10000
d1	2, 6-8, 11-13	2, 6, 7, 12, 13.	1.	1, 2, 4.	3000-50000	1000-50000
d2	2, 7, 12.	2, 7, 12, 13	3, 7.	1, 4.	500-10000	500-10000
d3	6, 12-14.	5-7, 12, 13.	1, 3.	None	500-10000	500-10000
d4	1, 2, 8, 11-14.	7, 12, 13.	1-4, 7.	None	3000-50000	3000-50000

Organizational age was longest in D and d3, PR staff counts were the same between D and d1 (Table 32), so these factors did not seem to be the decisive in fundraising success. The D's fundraising target was highest among five organizations, but it meant that D had the organizational capacity which was good enough to aim higher. Their appeal scales also showed the organization D's confidence in fundraising.

Table 34. Budgets, Targets, and Staffing of Five Children’s Education Organizations

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count
D	Late 2000s	120,000	90,000	20,000	10	4	1
d1	Early 2010s	180,000	4,500	-	24	1	1
d2	Late 2010s	4,500	90	50	1	0	0
d3	Late 2000s	6,000	3,000	-	0.5	0.1	0.1
d4	Late 2010s	3,000	2,000	-	0	0	0

In time-series analysis of accumulated donation amount, we can see the strong effect of one-time gift campaign of D. The organization d1 also collected much money with a campaign in a short period, but the effect was weaker than that of D (Figure 13).

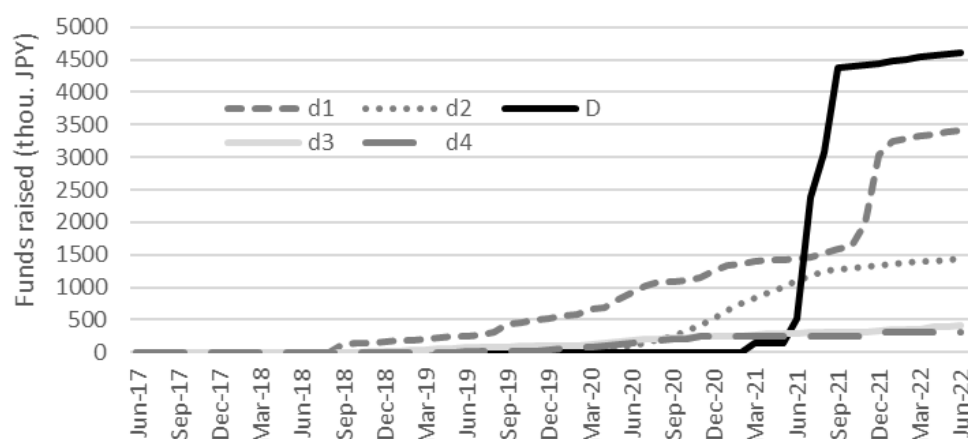


Figure 13. Accumulated Funds Raised by Children’s Education Organizations

If we look at organizations b1 and c1, the same pattern was observed in the two causes; large organizations with tax deductibility and more staff had low or no target amount of donations, and had a lower number of FR and PR staff. Smaller, newer, and non-tax-deductible organizations, B and C, outperformed these peers by intensive investment in FR/PR staff and



a strategic focus on recurring gifts. Regarding the short-period campaigns, organization D outperformed its larger peer, d1, by intensive investment in FR staff. These are partly the problem of the organizational priorities. Since the organizations b1, c1, and d1 had other income sources, they did not allocate many human resources to FR.

The MF was not the only factor to success, as the d4 failed to outperform the larger peers. Their appeal scale for recurring gifts might be too high compared to the donors' willingness to pay.

#### 4.7.4 *Organizational Size and Fundraising Target: Small*

Then, we compare the organizations with similar levels of fundraising targets. The organization A and e1 had exactly same appeal scales, so it was not a candidate to explain the difference of the two (Table 35). The organization e1 was founded in the late 2010s, a few years later than A, and it worked as the support organization for youth in a local city. Organizations A and e1 had similar annual budgets (Table 36), and the organization e1 solicited donations for their fund that could be used for a long-term activity (it was why their fundraising target exceeded the annual budget). They both focused on recurring gifts, and neither had tax-deductible legal status (Table 28). The organization e1 conducted MF, but it could not outperform A with the similar organizational size.

Table 35. Fundraising Behaviors and Appeal Scales of Two Small Organizations

Case ID	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
A	1-8, 11-14.	1-6, 8, 12, 13	1, 2.	6. Representative director represents his marketing firm.	500-10000	500-10000
e1	1, 3, 11, 13.	1, 2, 7, 13.	1-3, 7.	2-4.	500-10000	500-10000

The board chairman of the organization e1 also had his own business and used his business's human relationships for fundraising. However, he had the opposite opinion about overhead expenses to the representative director of A, which let him include 20% overhead in the gifts to the organization e1. Both A and e1 used individual meetings to recruit new donors, but only A had individual meetings to retain existing donors. Human resource investment, relationship management, and fundraising education were better in e1 than A (Table 35), but the latter outperformed the former.

Table 36. Budgets, Targets, and Staffing of Two Small Organizations

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count
A	<b>Late 2010s</b>	5,000	5,000	5,000	0	0	0
e1	<b>Late 2010s</b>	7,600	20,000	10,000	1	0.5	0.5

One possible difference between A and e1 was the network they had. Organization A was in Tokyo, but e1 was in a local city with a population of 120,000. In addition, A aimed to promote specific seasonal festivals in Japan, so it could look for high-value donors from geographically broad areas. Organization e1 had been working for the local city, which limited the geographical scope of fundraising to smaller than A. Indeed, though A did not use campaigns, it used far more methods to recruit new donors than e1. The methods A used but e1 did not use were online events, online meetings, telephone calls, direct mail, e-mail solicitation, press releases, and referrals from acquaintances.

Time-series analysis of A and e1 shown in Figure 14 describes the accumulated funds raised by two organizations. Organization A periodically raised much money at the end of the

year. The representative director of A told the author that he concentrated on fundraising during specific months in a year because his organization annually promoted a seasonal event. In other words, his volunteer work was temporary.

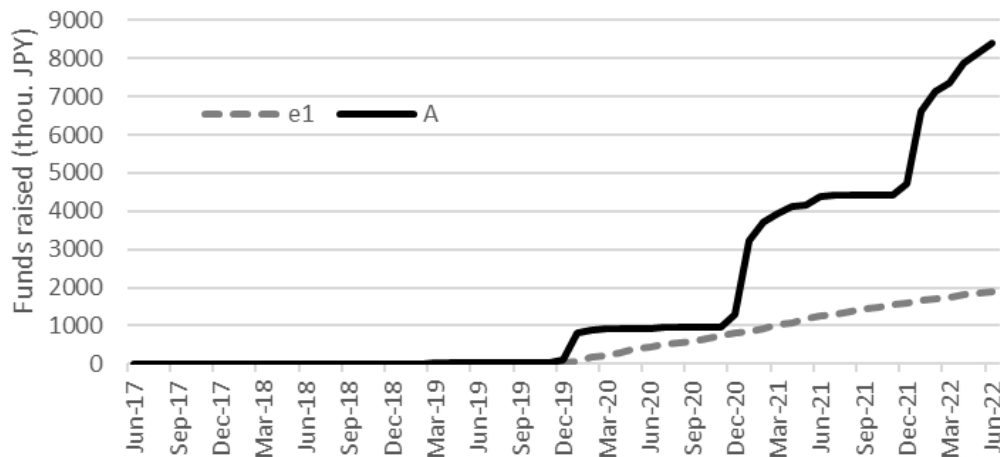


Figure 14. Accumulated Funds Raised by Small Organizations

#### 4.7.5 *Organizational Size and Fundraising Target: Large*

Now, we compare relatively large organizations, namely 4, D, b1, c1, and d1 with various legal statuses (Table 28) and appeal scales (Table 37). All these organizations had annual budgets of 120 million JPY (Table 38). Among five organizations, 4 and D were successful, and had the target amount of donations via Syncable. Organization c1 had a target, but it was for donation in general. The two high-performing organizations used donor databases for the same objectives: “3. Aggregate past donation history by month or year” and “7. Forecast the number and amount of future donations based on past donation history.” These implied that better fundraising management was the difference in performance among large organizations.

We should pay attention to the legal status here. According to organization 4, it had stayed as GIF because they were cautious about the cost of obtaining and sustaining the tax-deductible legal status as PIF. It meant that their managerial capacity was allocated to marketing management, not documentation and fiscal reporting as PIF. Since they relied on

recurring gifts and were not a SNAC, the absence of tax relief did not appear to hinder their fundraising. Contrastingly, if D had not obtained tax deductibility, it had to operate as a SNAC, which was disadvantageous for fundraising, as we saw in research question two.

Organization 4 did not invest in fundraising to existing donors as they answered in Q8 (Table 37). Their fundraising education was not better than low-performing organizations. They seemed to be cautious in resource allocation.

Table 37. Fundraising Behaviors and Appeal Scales of Two Small Organizations

Case ID	New donors recruit (Q7)	Deepen relationships with donors (Q8)	CRM behavior (Q16)	Fundraising education (Q18)	One-off appeal scale (Min-Max; JPY)	Recurring appeal scale (Min-Max; JPY)
4	2, 7, 11-14.	2, 7.	1, 3, 5, 7.	1, 4.	1000-30000	1000-30000
D	2-8, 12-14	2, 4-8, 12, 13.	1-3, 6, 7.	1, 2, 4, 6. Education by NPO center	5000-300000	2000-10000
b1	12, 13.	6, 12.	1, 2.	None	500-10000	500-10000
c1	1, 2, 13, 14.	1, 2, 6, 7, 12, 13	1, 2, 4.	2, 3, 5.	1000-50000	500-10000
d1	2, 6-8, 11-13	2, 6, 7, 12, 13.	1.	1, 2, 4.	3000-50000	1000-50000

Low-performing organizations had roughly 25-38% in high-value gifts (Table 28), meaning their strategy was not disciplined. The rate of recurring gifts was 98% in case 4 and less than 10 % in cases D and c1. If an organization does not focus on high-value gifts and chooses a one-off gift campaign strategy, it faces many small donors in a short time. Organization D had four fundraising staff, but c1 had only 0.5 full-time equivalents. In addition, the minimum one-off gift size was 1000 JPY in c1, only one-fifth of that in D (Table 37). The maximum one-off gift size in D was six times higher than that of c1, which would be associated with the difference

in average gift size. Organization 4 had only one fundraising staff (Table 38), which appeared to work because it focused on only recurring gifts and used no campaign.

Table 38. Budgets, Targets, and Staffing of Five Large Organizations

Case ID	Year founded	Annual budget (thou. JPY)	Annual target of donation (thou. JPY)	Annual target of donation via Syncable (thou. JPY)	Number of paid employees	FR staff count	PR staff count
4	Late 2010s	220,000	94,000	40,000	15	1	0.5
D	Late 2000s	120,000	90,000	20,000	10	4	1
b1	Early 1990s	140,000	-	-	11	0	0.1
c1	Early 2000s	140,000	27,000	-	8.5	0.5	0.5
d1	Early 2010s	180,000	4,500	-	24	1	1

The organization b1 was founded in the early 1990s and had the longest organizational history, but their minimum amount of one-off and recurring gift size was just 500 JPY. Though b1 had tax-deductible legal status, the unreasonable appeal scale and lack of campaign might hinder the acceptance of high-value gifts. Organization d1 was slightly better in fundraising education than organization 4, and D was the best in fundraising education.

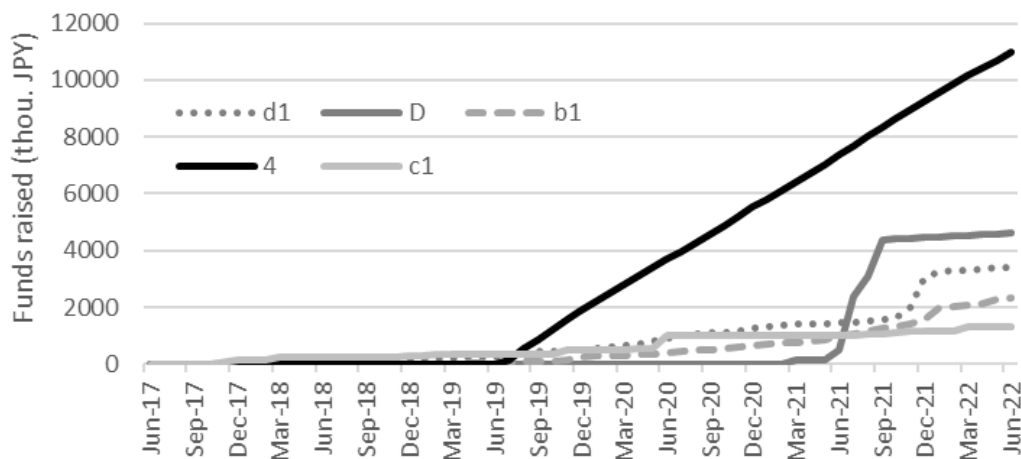


Figure 15. Accumulated Funds Raised by Large Organizations

The time-series analysis of the accumulated funds raised by five organizations showed the simple strategy of the organization 4 (Figure 15). The organization D realized a short-term success as we saw in the 4.7.3. We can see that even large organizations need strategic focus on a specific fundraising method.

#### 4.7.6 *Hypotheses Confirmation*

From the comparisons above, we now confirm the hypotheses for research question four. The H4-1 was: Strategic investment in relationship fundraising leads to success in digital fundraising for nonprofits. If we measure relationship fundraising by CRM investment, this does not explain the difference between successful cases and failures. Comparison among the environmental organizations did not provide any information about relationship management, as they responded similarly. International organization C was the best in relationship management, but c2 also invested similarly. As C did, the relationship management might be fruitfully combined with MF campaigns. Organization D used the donor database to set individual meetings and one-off gift campaigns among the children's education organizations. Thus, the combination of relationship management and campaigns was also replicated here. The H4-1 should be modified to mention the combination effect with campaigns.

Our second hypothesis, H4-2, was: Paid staff is the element for the effective implementation of nonprofit digital fundraising strategies. The intensive investment in human resources, especially fundraising staff, led to success in digital fundraising. In cases B, C, and D, fundraising staff played a critical role, meaning that the effect could apply to both one-time and recurring gifts. Since B did not use campaigns, FR staff could be adequate even for organizations without campaigns. The exception was case A which operated fundraising without any paid staff and attracted overhead-free recurring high-value gifts. Organization 4

had only one FR staff, but it was careful in resource allocation, which resulted in successful fundraising. Employment of FR staff was not sufficient for success, and it required strategic focus and fundraising management.

H4-3 was “Fundraising education is the element for the effective implementation of nonprofit digital fundraising strategies.” Among all the cases, there were no comparisons that fundraising education appeared to be a decisive factor. However, among large organizations, fundraising management seemed to play an important role. Note that the representative director of A was a marketing professional. Not education but marketing capability (including marketing management) might be required, especially in large organizations. Marketing capability for fundraising can be the element for the effective implementation of nonprofit digital fundraising strategies, but the concept of “marketing capability for fundraising” is too broad. It should be investigated in further research.

The last hypothesis was as follows. H4-4: Nonprofit organizations without other income streams should persuade donors to pay their overhead costs to implement digital fundraising strategies successfully. The organization that more than 70 % of the annual budget came from donations were: A, B, C, D, and e1. It means that four out of five high-performing organizations had a higher donation income rate than their peers. Apart from A, four organizations had decided to secure overhead costs from donations, and importantly, they invested intensively in FR staff. The organization e1 was in the process of increasing recurring gifts by MF, so it would enter the high-performing group if the overhead expenses were used for FR staff and their fundraising was strategically disciplined to deal with the fragmentation of donation market.

## Chapter 5. DISCUSSION AND IMPLICATIONS

### 5.1 DISCUSSION

There are four research questions in the present study. The RQ1 and RQ2 were analyzed quantitatively, and we found some significant interaction effects between “product,” “price,” and “promotion.” The RQ3 and RQ4 were qualitatively investigated, and the former taught us different fundraising strategies to meet long/short-term needs. The latter revealed the combinations of marketing investments that made each strategy successful.

#### 5.1.1 *Interpretation of Quantitative Analyses*

The first research question confirmed the effectiveness of campaigns, online events, and media coverage. The campaign counts and fundraising periods explained the 42% variance in total funds raised according to the MRA (Table 11). It was the evidence to confirm the power of asking (Andreoni & Rao, 2011; Yörük, 2009) in fundraising. The overall effectiveness of a campaign was highest in Monthly funding (MF), which was consistent with the previous empirical study on recurring donations (Minguez & Sese, 2022) and theoretical prediction (Strahilevitz, 2011).

The second research question added causes (Neumayr & Handy, 2019) and legal statuses as “product” and appeal scale (De Bruyn & Prokopec, 2013; Goswami & Urminsky, 2016) data as “price” into the MRA. The full model explained approximately 47 % of the variances in total funds raised (Table 15). Consistent with prior research by Zenkyo and Sakamoto (2017), SNACs were found to suffer from lower donations if the other variables



were equal. This result was contrary to the theoretical prediction by Hansmann (1980), implying the importance of context in fundraising research.

Regarding the interaction between “price” and “product,” organizations with popular causes such as Animal protection could set larger minimum donation sizes to be more successful. However, Disability/Care organizations also had such a positive interaction effect. It was consistent with a small donor’s “unprofitability (Bennett, 2018),” but further investigation is needed to confirm the interaction more profoundly. The higher maximum price in the one-off appeal scale was related to the higher donations in the full model, but the interaction term was significant and negative when combined with an unpopular legal status, SNACs. It meant that SNACs could not enjoy the effects of a higher maximum price, which showed the possibility of a difference in the internal reference point of donors. De Bruyn and Prokopec (2017) did not mention the heterogeneity among various legal statuses, so this finding had a significant implication for theoretical progress. SNACs could deal with their disadvantage (i.e., the negative main effect in Table 15) by choosing the low-price and recurring gift strategy or obtaining tax deductibility by becoming ASNACs (Table 26). The former lowers the required trust and is consistent with the recommendable strategy in the fragmented donation market discussed in 2.7. The latter, tax deductibility, reduces the net price of gifts and reinforces the organization’s credibility. Being an ASNAC increases managerial expenses, so organizations should cover them.

When we look at the interaction between “product” and “promotion,” P2P fundraising had a negative interaction effect with being a SNAC, but other campaign types did not record significant interaction effects. The positive main effect of Animal protection was consistent with the result of Kubo et al.(2021), which used crowdfunding data in Japan. Though previous literature pointed out that the power of P2P campaigns (Chapman et al., 2019; Sepehri et al., 2021), this study found significant positive (i.e., Animal protection) and negative (i.e., SNACs)

interaction effects between P2P campaigns and organizational attributes. Why did only P2P have such interaction effects? Or rather, why didn't CF and MF have such interactions? One possible explanation is that P2P campaigns tended to be small in target and less planned by the nonprofits, meaning that strategic management did not cover the disadvantage of unpopular causes and legal status. Alternatively, the effect of P2P may rely on the popularity of the cause or organization. Conspicuous donations (Wallace et al., 2017) may explain this phenomenon more clearly.

We should consider the possible explanations for the insignificance of interaction effects between unpopular organizational attributes and price or promotion. One interpretation is that such disadvantageous organizations were generally unpopular, but they had a specific segment of donors willing to give to them. The interaction effects should be observed if the donors' preferences were perfectly homogeneous. It implies the importance of detailed targeting strategy for organizations with disadvantageous attributes.

Next, we analyzed the performance of campaigns by MRA. The author divided the campaign data into three types (CF, P2P, and MF). They were used to check if CF and P2P were effective for short-term causes and if MF was effective for long-term causes. However, no significant positive effect of cause difference was observed apart from one combination. Environmental protection and crowdfunding were found to be a bad combination, but another long-term cause, Arts/Sports, did not have such a negative effect with crowdfunding.

The MRA using the other two crowdfunding platforms confirmed the significance of content-related variables, such as the target amount of donations and sentence count. In these analyses, legal status as SNACs was not significant (Table 19). In addition, it was shown that SNACs could effectively utilize MF and a low-price strategy to overcome the disadvantages (Table 26). Some organizational attributes are advantageous, and others are disadvantageous, but the precise choice of promotion and price can alleviate the latter.

### 5.1.2 *Interpretation of Qualitative Analyses*

In the RQ3, we compared the behaviors of top organizations in terms of the total funds raised. It was not a random sampling but rather a theoretical sampling to expect the theory development (Carson et al., 2001; Eisenhardt, 1989). This section analyzed most different but similar outcome cases (i.e., high-performance). We found at least two paths for success; long-term accumulation of small recurring gifts or short-term one-off gift campaigns to meet urgent needs. It was not a short-term mission but an urgent need that matched with high-value gifts. Consistent with previous literature, overhead-free (Gneezy et al., 2014) donation and trust (Chapman et al., 2021) between donors and recipients played a vital role in describing the cases with a high rate of high-value gifts. The short-term success of the P2P campaign by one of the interviewed ASNACs was the combination of multiple factors: tax deductibility, animal images, high-price strategy, and intensive investment in fundraising staff.

One of the surprises in this section was that most organizations perceived themselves as long-term oriented, which means their production function did not provide donors with instant utility by the gift impact (Duncan, 2004). Such organizations must rely on the warm glow (Andreoni, 1990) that donors feel from their giving behavior, so dividing donations into small recurring gifts (Minguez & Sese, 2022) appeared to work to increase total utility (Strahilevitz, 2011) and lessen the perceived pain. The cases of an environmental organization and an international cooperation organization described the recurring small gift strategy well. The price was carefully decided, and they realized growth regardless of the disadvantages: short organizational age or non-tax-deductibility. It was consistent with the recommendable strategy in the fragmented market (Porter, 1980); strategic discipline.

Contrastingly, when a nonprofit organization solicits donations for urgent needs to be fulfilled just after the fundraising (i.e., heart operations for children), donors can feel instant

satisfaction (Dees, 2012) from the production function of nonprofits. Therefore, such organizations do not need to evoke the warm glow of the donors, meaning they can attract donations without prestige (Harbaugh, 1998a) or large endowments discussed in 2.3.5.

Interestingly, one organization that a marketing professional headed had realized high-value recurring gifts. The success factors of small-recurring and high-value-recurring gifts were different in terms of overhead costs, and the latter required a combination of overhead-free donations and a temporary volunteer workforce with high marketing capacity.

The last research question was investigated using a comparison of MSDO (most similar, different outcome) (De Meur et al., 2006). Successful cases were compared with similar organizations regarding cause, organizational size, and marketing variables. The combination of relationship management and campaigns was one of the processes that led the analyzed nonprofits to successful fundraising. However, as pointed out in the literature (Sieg & Zhang, 2012), human resource investment in fundraising staff was a decisive factor in explaining the difference between failure and success, even in organizations without campaign investments. The only exception was the organization that attracted recurring high-value gifts without paid staff, but there might be substitute factors for success: marketing capacity, human relationship with donors, active fundraising behavior, and geographically broad area in fundraising.

Some organizations had advantages in terms of trust because they had been founded earlier than others and obtained tax-deductible legal statuses. However, newer and smaller organizations outperformed them by focusing on monthly gifts and strategic choices of fundraising investments. Among large organizations, marketing management such as donation amount target by each fundraising channel and utilization of donor database for gifts amount prediction distinguished the high-performing and low-performing organizations. In most successful cases, organizations tended to focus on donation income that accounted for 70% or more of their annual budget. The informants of these organizations commonly stressed the

importance of overhead expenses, and their recurring gifts were used partly as the source of overhead.

## 5.2 IMPLICATIONS

### 5.2.1 *For Practitioners and Policymakers*

One of the topics that this study investigates is the strategic choice between aggregate high-value gifts vs. regular low-value gifts in digital fundraising. We found that both strategies can lead to successful fundraising under certain conditions. However, we observed that some combinations were disadvantageous: crowdfunding and environmental protection, P2P fundraising for SNACs, and high-price strategy in recurring gifts without marketing capacity. Practitioners should avoid such combinations in digital fundraising.

Economic studies investigated the effect of tax relief in the context of monetary donations (Peloza & Steel, 2005). However, we found multiple cases that covered the lack of tax deductibility by strategic marketing, which aligned with the fragmented structure of the donation market. Since obtaining and sustaining tax-deductible legal statuses require high managerial expenses, nonprofits should be cautious about when to step up to the tax-deductible organizations. Fundraisers should carefully allocate resources to be successful.

The result of this study implies that fundraising staff investment can be a good choice for nonprofits. However, only one full-time equivalent for fundraising must be a great step for small organizations. This study's new evidence will support nonprofit leaders in making such decisions. Notably, the cause and legal status are not easily changed after the organization starts running. The disadvantage of SNACs and how to cover their shortcomings (i.e., choosing suitable campaign types and focusing on small recurring gifts) should be taught to aspiring entrepreneurs before starting their organizations.

### 5.2.2 *Theoretical Contributions*

Theoretically, this study has three contributions. Firstly, it sheds light on the boundary condition of the effectiveness of dividing donations into smaller gifts temporally (Strahilevitz, 2011) in the context of digital fundraising. The high-performing nonprofit organizations may know it from their experiences, as none of them were trying to collect recurring gifts to meet urgent needs. Crowdfunding projects to meet immediate human needs can provide enough utility to donors because their production function derives outputs soon (Duncan, 2004). As shown in appendix 2, such donations are referred to as “charity” in humanities (Dees, 2012; Frumkin, 2008; Ostrower, 1995). This study bridged the gap between economic models and concepts in humanities through empirical findings.

Secondly, this study showed the distinction between small and high-value gifts regarding marketing strategy. Experimental studies of monetary donations often use small gifts. They are suitable for examining the difference in utilities because they can be captured in the lower end of the utility functions. Since marginal utility gradually diminishes as the size of the gift increases, a donor’s utility does not vary much with the high donation amount. Instead, the choice among different utility functions, in other words, the choice among different causes (Neumayr & Handy, 2019) or organizations, plays a decisive role. The empirical findings about organizational attributes in this study addressed this point. Making a large gift into smaller ones was confirmed to be effective in overcoming the disadvantageous organizational attributes. Thus, the appeal-based approach is more valuable than the utility-based approach (Haruvy et al., 2020) in analyzing high-value gifts. The appeal-based approach requires targeting to find suitable prospect donors for each organization, but most nonprofit organizations in this study preferred broad civic participation. A broad donor base was associated with the occurrence of one or more high-value gifts. Very few organizations chose efficient high-value gifts strategy.

Among the interviewed organizations, only one with a marketing professional as the representative director was found to keep high-value gifts recurring, which was insufficient to generalize. Therefore, effective targeting and proper appeal to high-value donors is one of the future directions of this line of research.

Thirdly, this study contributed to understanding demand-side heterogeneity or organizational heterogeneity of monetary donations and will help applications of public economics theories to fundraising research and practice. In the context of crowding in/out, there are important works such as De Wit et al.(2017). Regarding fundraising strategy research, organizational heterogeneity has not yet been considered systematically. Though missions and causes had already been known as the source of heterogeneity because of the difference in production functions, specific legal status was found to be another source, verifying the previous literature (Zenkyo & Sakamoto, 2017). In addition, this study found that the effect of fundraising promotions can be affected by such heterogeneity, confirming the previous literature (Sasaki et al., 2019).

### 5.3 LIMITATIONS OF THE STUDY

#### 5.3.1 *Causal Relationships among Variables*

This study was based on observational data, not on experimental data. Therefore, we cannot discuss the causal relationship among the variables. For example, organizations that conducted campaigns were associated with higher funds raised, but it can be interpreted that higher funds motivate organizations to fundraising campaigns. In this study, such shortcomings were covered by qualitative analysis. For example, some analyses were based on the racing design (Eisenhardt, 2021), and a strategic choice of MF showed a clear income increase in a successful case under certain conditions. To generalize such findings from successful cases, we should

employ panel data analysis, experimental intervention, or action research as research methods. The mixed design of such methods will enable a solid investigation of causal relationships and the process for success. Moreover, interaction effects should be scrutinized to rule out the possibility of adverse direction, but this study could not obtain enough data for verification.

### 5.3.2 *Parsimonious Combination of Conditions*

The number of combination patterns of marketing mix variables increases exponentially as a researcher wants to cover a broad dimension of marketing with more variables. Such complex combinations can be analyzed in a more parsimonious manner by Qualitative Comparative Analysis (Rihoux & Ragin, 2008; Seny Kan et al., 2016). We captured some decisive factors, so applying QCA to the Syncable dataset may accrue simpler managerial implications. By briefly presenting the necessary and sufficient conditions, we will promote a clearer understanding of fundraising strategies and their boundary conditions.

Among the service marketing 7Ps, physical evidence was not covered in this study. The legal status and website design were considered as its components, lack of theoretical literature prevented us from discussing this issue.

### 5.3.3 *Effect of Other Income Sources and Beneficiary Communication*

In nonprofit studies, donations are one of the financial sources of organizations. Other income sources such as government grants, fees for services and goods from government or private sources, and investment income (Chang et al., 2018) are the possible source of overhead and fundraising expenses. Overhead costs can have an optimal level (Altamimi & Liu, 2021), but this study cannot reach an empirical examination of overhead optimization.



In addition, relationship marketing with beneficiaries affects the adoption of it to fundraising (Bennett, 2005). Such factors were not included in models and cases in this study, precluding a discussion of nonprofit organizations as a whole. This kind of shortcomings may cause the omitted variables bias. Managerial capacity (Sieg & Zhang, 2012) and market orientation (Bennett, 2005) are candidates for such omitted variables. This study cannot cover the proper operationalization of it before the research design, which led to a partial discussion about it.

#### 5.3.4 *Societal Perspectives*

Fundraising research has three approaches; utility-based, appeal-based, and societal-based (Haruvy et al., 2020). This study used data from only Japan and did not cover the societal-based variables such as cultural differences among countries. The fundraising environment (Okuyama & Yamauchi, 2015) and fundraising practice (Onishi, 2007) differ in each country, but this study cannot clarify the external validity for other countries. However, we can apply the findings in this study to countries with a fragmented donation market, such as U.S. and Australia.

## 5.4 CONCLUSION AND FUTURE DIRECTION

This study showed various interaction effects among service marketing mix variables in digital fundraising exist. The overall implication is that even disadvantaged nonprofit organizations, in terms of legal status, cause popularity, and tax deductibility, can enter the donation market by combining marketing mix variables congruent with the organization's mission or beneficiary needs. Conducting a MF campaign after preparing a relationship management system is one of the promising methods, considering the fragmented structure of the donation

market (Watanabe, 2022a). If an organization is to address urgent human needs, one-off gifts strategy might work, but it requires human resource investment to deal with the short-term workload. If it focuses on high-value gifts, proper targeting, overhead-free donations, and trust from donors might be the combination for success. Clearly, overhead-free donations cannot be sustained by other income sources or the volunteer work of fundraising staff. A more generalizable method is to focus on recurring gifts and gradually increase fundraising investment.

Marketing strategy research requires broad and deep data to cover the difference in strategies, and this study aimed to build such a data set by combining multiple data sources. Importantly, this study was possible with the cooperation of STYZ. Inc., which aimed at the success of each user organization. The platform company and researchers can collaborate to understand fundraising behavior more deeply, improve the online donation platform, and realize a better match between potential donors and recipient nonprofits.

The future direction of this research can be described as follows. Firstly, each organization or platform can engage in action research (Erro-Garcés & Alfaro-Tanco, 2020) with nonprofit marketing scholars to implement the research findings, confirm its external validity and create value through the results. More engagement with platform companies enables experimental research methods, which will cover the limitation of this research. Second, the simulations can be utilized to model the behavior of fundraising organizations and donors on the platform. It can safely investigate the radical change in platforms, such as overhead prohibition for all organizations, monthly recurring gifts as a default setting, and automatic optimization of appeal scales or gift frequency options. It can also model the rate of failure in the production functions of nonprofits, which will be useful in predicting academic research fundraising. Lastly, more theoretical perspectives can be applied to fundraising, such as entrepreneurial marketing (Morris et al., 2002) and effectuation (Sarasvathy, 2009). Starting

up a nonprofit organization is an entrepreneurial process, and can be meaningfully analyzed using such theoretical lenses. These future studies will enrich our understanding of fundraising activities and consequently leads to better resource allocation in fundraising to produce public goods more efficiently.

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## APPENDIX 1. SURVEY QUESTIONNAIRE

This survey was conducted by Professor Yasunaga Wakabayashi of the Graduate School of Business Administration, Kyoto University, and Ph.D. student Fumitaka Watanabe (Associate Certified Fundraiser, CiRA Foundation) working with STYZ Inc.

We ask people who have been in charge of fundraising at their organizations to respond to the following questions.

We would be grateful if you could provide one response per organization.

### **What is the purpose of this survey?**

This survey will ask you about your organization's fundraising activities. It will take approximately 10 minutes to complete.

This survey is designed to obtain data from as many organizations as possible on the factors that make fundraising successful and unsuccessful so that you can improve your fundraising practices.

Regardless of whether your fundraising efforts are successful or not, we sincerely appreciate your response.

(This survey has been approved in advance by the Research Ethics Committee of the Graduate School of Management, Kyoto University)

### **Benefits for organizations responding to the survey**

The organizations that responded to the survey will receive a summary of the survey results by email later. Please use this information to improve your fundraising activities.

If you agree with the above, please select 'I agree' and proceed to the survey.

The deadline for completing this survey is 23:59 on 3 September 2021. Thank you for your time and cooperation.

### **Notes**

You can only answer the questionnaire once per person.

Please be sure to click the [Complete Survey] button to complete your answer.

Please enable JavaScript in your browser.

### **Recommended browsers**

Microsoft Edge, Mozilla Firefox, Google Chrome, Safari

### **Data handling**

The data and analysis results obtained from this survey will be used by Professor Yasunaga Wakabayashi of the Graduate School of Management in Kyoto University, Ph.D. student Fumitaka Watanabe, and STYZ Inc. will handle the data under their respective privacy policies.

If the results of the analysis of the data obtained from this survey are published in a paper, the organization's name will not be disclosed in principle.

If it becomes necessary to publish the organization's name, we will ask each organization again whether it is possible to publish.

For inquiries regarding this survey, please contact  
Professor Yasunaga Wakabayashi / Ph.D. student Fumitaka Watanabe, Graduate School of Management, Kyoto University  
(gsm.donation.research+01@gmail.com)

**Q1. Please enter the name of the organization you are registered with Syncable.**

**Q2. Please enter the name, title, and email address of the representative respondent.**

**Q3. Which websites does your organization primarily use to solicit donations?  
Please provide the URL of the website you use most often for fundraising.**

**Q4. Please indicate the approximate amount of your organization's annual budget and annual donation goal (overall/via Syncable).**

**Q5. Which of the following is your organization similar to? Please choose one that applies to you.**

1. Organizations that provide urgent support to people in need.
2. Organizations that make long-term or challenging efforts toward a better society
3. Organizations that provide both urgent support and long-term or challenging initiatives.
4. None of the above apply to my organization.

**Q6. What are the characteristics of your organization's goals and the extent to which they are communicated to prospective donors?**

	Applicable	Somewhat applicable	Somewhat not applicable	Not applicable
My organization has a big goal that will take a long time to achieve.				
My organization has a big goal that will take a long time to achieve, and we communicate that to prospective donors.				
My organization has a big goal with a risk of failure.				
My organization has a big goal with a risk of failure, and we communicate that to prospective donors.				

My organization has a big goal that requires much money.				
My organization has a big goal that requires much money, and we communicate that to potential donors.				
My organization has the goal of solving critical issues within the structure of social problems.				
My organization has the goal of solving critical issues within the structure of social problems, and we communicate that to prospective donors.				

**Q7. What communication methods does your organization use to recruit new donors? Please select all that apply.**

1. In-person events
2. Online events
3. In-person individual meetings/visits with donors
4. Online individual meetings
5. Phone calls
6. Letters/DM mailings
7. Emails
8. Press releases/press conferences
9. TV/radio commercials
10. Newspaper/magazine advertisements
11. Online advertisements
12. Organization website or the official blog
13. SNS
14. Referrals from acquaintances and friends
15. None that apply

**Q8. What communication methods does your organization use to deepen relationships with donors? Please select all that apply.**

1. In-person events
2. Online events
3. In-person individual meetings/visits with donors
4. Online individual meetings
5. Phone calls
6. Letters/DM mailings
7. Emails
8. Press releases/press conferences

9. TV/radio commercials
10. Newspaper/magazine advertisements
11. Online advertisements
12. Organization website or the official blog
13. SNS
14. None that apply

**Q9. Please indicate the approximate amount of your organization's annual advertising expenditures (overall/online).**

**Q10. Please indicate the approximate total number of times per year your organization has been exposed to the media (TV, radio, newspapers, or magazines).**

**Q11. Please indicate the approximate number of events (in-person or online) your organization holds for donors or potential donors per year.**

**Q12. Please provide the URL of the SNS (social media) account your organization uses to call for donations.**

Twitter:

Facebook:

Instagram:

LINE:

Other:

**Q13. How does your organization use social networking (social media)? Please select all that apply.**

1. Planning and preparing the content of the post in advance
2. Considering the appropriate frequency of posting
3. Considering the appropriate time of day for posting
4. Use of images and videos to make posts visually prominent
5. Carefully examining the wording of posts to ensure that they are emotionally moving
6. Posts use graphs, illustrations, etc. to show social issues and activities
7. Sending out requests for donations in my posts
8. Communicating with other users by replying to their posts
9. Other (please specify)
10. None of the above apply to my organization

**Q14. How is Syncable being used in your organization? Please select all that apply.**

1. My organization uses it as a simple homepage for my organization.
2. Linked from my organization's homepage and used as the main payment system
3. My organization uses it as a payment system for campaigns.
4. My organization has registered but does not use it much.
5. Other (please specify)

**Q15. For your organization's fundraising activities, are there any other channels or websites where your organization can accept and deposit donations other than Syncable? Please select all that apply.**

1. Payment slip (bank transfer form)
2. Donation application form (give the account number to the applicant)
3. Make my organization's account number public and accept donations
4. Donations at convenience stores
5. Donations via PAY-EASY (Internet banking/ATM)
6. Donation by electronic money
7. Donations by hand, hand delivery, or registered mail
8. Continuous donations by account transfer (paper application)
9. Continuing donations by account transfer (online)
10. Donations in wills and trusts
11. Donations via a purchase of charity products (cause-related marketing)
12. Payment system other than Syncable (please specify)
13. Other (please specify)
14. None of the above apply to my organization

**Q.16 How does your organization manage and utilize the donation history? Please select all that apply.**

1. View past donation history from donors
2. View the history of our communication with donors
3. Aggregate past donation history by month or year.
4. Summarize past donation history in the form of a donor pyramid (a table of the number of donors by cumulative donation amount)
5. Analyze past donation history by donor attributes (age, etc.) and recipient channel
6. Respond to individual donors who are likely to make major gifts based on their past donation history.
7. Forecast the number and amount of future donations based on past donation history.
8. Other (please specify)
9. None of the above apply to my organization.

**Q17. Regarding your organization's staffing structure, please indicate the approximate number of people working in each role.**

Number of paid fundraising staff (converted to full-time equivalents)

Number of paid public relations staff (converted to full-time equivalents)

Total number of paid staff (converted to full-time equivalents)

**Q18. How does your organization provide education/training on fundraising? Please select all that apply.**

1. Have received training or consulting from outside experts.
2. Have received training from the Japan Fundraising Association
3. Have obtained a certification (certified or associate certified fundraiser) from the Japan Fundraising Association.
4. Exchange information and opinions with fundraisers from other organizations.
5. Conducting internal on-the-job training
6. Other education/training (please specify)
7. No education/training is provided.

**Q19. Does your organization operate or own its own facilities or buildings?**

**Q20. Does your organization have a donor nameplate on its facilities or buildings?**

**Q21. Please describe any specific events that you feel triggered an increase in donations in your activities to date.**

(e.g., the representative published a book, received exposure on TV or in the media, etc.)

**Q22. How has the spread of the new coronavirus infection affected the amount of donations to your organization compared to previous years?**

1. Donation amount increased compared to previous years
2. Donation amount is not much different from previous years
3. Donation amount decreased compared to previous years
4. Don't know

**A question from Syncable**

Syncable offers fixed-fee spot consulting services in addition to performance-based accompaniment support. If you would like to learn more about our spot consulting services, please check the box below, and one of our representatives will contact you at a later date.

## APPENDIX 2. CONCEPT ANALYSES OF CHARITABLE AND PHILANTHROPIC GIVING

### 1. Introduction

Philanthropy is an essentially contested concept (Daly 2012). Though the definition of philanthropy is often regarded as synonymous with a “charitable donation” (Sulek 2010), much literature argues that philanthropy and charity are different (e.g., Frumkin, 2008). If there is a difference between “charitable giving” and “philanthropic giving” as the aim of monetary donations, scholars should investigate the characteristics of the two “products” when applying marketing theories in fundraising. There are at least two reasons that we should scrutinize the difference. The first reason is that a specific marketing technique might be effective in the “promotion” of charitable giving but not effective in philanthropic giving. Nonprofit marketers are always looking for effective promotions for their specific “products,” not for various products in general. Just as different nudge techniques can promote “impulsive” and “deliberative” monetary donations (Karlan et al. 2019), charitable and philanthropic giving may have effective “promotions,” respectively. The second reason is that specific segmentation of donors might show a stronger preference for philanthropic giving than for charitable giving. Just as the specific causes attract donors with specific attributions (Srnrka et al. 2003; Neumayr & Handy 2019), charitable and philanthropic giving may have suitable “segmentations” to aim at in marketing. Generally, nonprofit marketers and fundraisers cannot easily change the “products,” which is the usage of the donation. If there is a difference in donor response between the products, it is the first thing that nonprofit marketers and fundraisers should know to determine their appropriate targets and promotions.

As I show in this article, charitable giving and philanthropic giving are different “products” in the monetary donation market, just as shares and bonds are different products in the financial market. The difference is related to the risk and similar to the difference between service and products (Murray 1991). Service marketing literature has produced fruitful insights for service marketers. Similarly, distinguishing philanthropic giving from charitable giving will produce implications for practitioners. This paper reviews the extant literature to clarify the difference between the two types of monetary donations in nonprofit marketing.

## **2. Method: Concept Analysis Approach**

Booth et al. (2012) argue that concept analysis is a way to explicitly “seeks to define, expand and extend the theoretical underpinnings” of target concepts (p. 17). Many researchers use concept analysis in the field of nursing (Xyrichis & Ream 2008). Since the present paper aims to clarify the concepts and apply the implications into practice, there is much to be learned from nursing, which implements medical research into reality. Fundraising is an emerging profession that requires “a formal body of knowledge based on theory and research” (Brown, 2004, p. 86), as nursing was in the past. Concept analysis works as a foundation of theoretical progress in fundraising and enables fundraisers and nonprofit marketers to communicate more straightforwardly. Among the various concept analysis methods, eight steps that Walker and Avant (2005) organized are practical. The rest of this article follows their eight steps.

### **2.1. Selection of Concepts to Analyze**

We need to break down “products” in the marketing of monetary donations into at least two categories: “charitable giving” and “philanthropic giving.” Since we are interested in monetary donations, “charity” and “philanthropy” are too broad as concepts. Indeed, “charity” often means a nonprofit organization. “Philanthropy” often includes actions without money transfer.



The term “philanthropy” has a contested and broad meaning (Daly 2012), so the term “philanthropic giving” is more appropriate for specifying monetary donations to philanthropic objectives.

## 2.2. Determine the Purpose of Analyses

This concept analysis aims to establish operational definitions of two terms—charitable giving and philanthropic giving—that enable recommendable marketing strategies for each. Many authors argue the distinction between charity and philanthropy (Frumkin 2008; Payton & Moody 2008; Phillips & Jung 2016). We will obtain a more scrutinized comparison of the two terms by this concept analyses.

## 3. Results

### 3.1. Identify the Uses of the Concepts

The number of search results shows that “charity” and “charitable giving” are more common than “philanthropy” and “philanthropic giving (Table 2-1).”

Table 2-1. The Number of Search Results as of August 22, 2021

	Web of Science	Google Scholar	EBSCOhost
charity	36,976	983,000	273,911
charitable giving	4,453	296,000	27,175
philanthropy	8,892	81,000	125,225
philanthropic giving	874	81,000	733

We can find that the comparative popularities of the words. According to Ma et al. (2021), “charity” is more popular than “philanthropy” among Humanities Metaparadigm (Ma et al., 2021, Figure 4). “Charitable giving” is much more popular than “philanthropic giving” among Social Science Metaparadigm, and we cannot find the term “philanthropic giving” in the figure that visualized the knowledge structure of nonprofit and philanthropic studies. The Figure 4 by Ma et al. (2021) implies that most articles in social science describe monetary donations using the term “charitable giving.” The present study is an attempt to subdivide charitable giving based on the literature review.

As we cannot find direct definitions of “charitable giving” and “philanthropic giving” in dictionaries, I examined the definitions of “charity” and “philanthropy” in four English dictionaries (Cambridge Dictionary; Macmillan Dictionary; Merriam-Webster Dictionary Online; The New Oxford Dictionary of English) and four encyclopedia articles (Anheier 2005; de Paiva Duarte 2013; Saukko 2014; Cheek et al. 2015) to find the defining attributes of the two. De Paiva Duarte (2013) cited the book by Visser et al. (2010) and Cheek et al. (2015) cited Gunderman (2009) to describe the definitions of the concepts. In these definitions, we can see that philanthropy is sometimes regarded as the synonym of charity.

Next, I searched review articles on “charity,” “charitable giving,” “philanthropy,” and “philanthropic giving” using the Web of Science, GoogleScholar, and EBSCOhost to determine how the two concepts are used. The literature was limited to articles published in English. I also did ancestry searches by scanning the reference list of the review articles.

### **3.2. Philanthropy/Philanthropic Giving**

In philanthropic studies, one widely accepted definition of philanthropy is “the private giving of time or valuables (money, security, property) for public purposes” by Salamon (1992, p10). In an academic context, the word “philanthropy” is used as an “essentially contested concept”

(Daly 2012). Sulek (2010) explored the meaning of philanthropy in modern academic literature and pointed out that most scholars use the word “philanthropy” as a synonym for “charitable donations” and that there are some notable exceptions. Philanthropy is now expanding in combinations with the words such as strategic, venture, entrepreneurial, catalytic, and so forth (Phillips & Jung 2016). In a review article in public economics, philanthropy encompasses “donating time, helping a stranger, participating in a community event, and even helping one’s family members” (Andreoni & Payne, 2013, p. 5). This definition might be the broadest use of philanthropy. The term “philanthropic fundraising” is used in a review article by Lindahl and Conley (2002), and the term covers fundraising for various causes. The term “philanthropic giving” or “philanthropic gift” has been used in previous studies primarily to describe giving by corporations (Bose et al. 2017) or foundations (McClure et al. 2017). Regarding the recipient of the gift, the higher education sector tends to use “philanthropic” to describe donations to universities (McAlexander et al. 2014; Thompson & Burnett 2019). This is reasonable considering the definitions by Worth (2015), who described philanthropy as “investment in the infrastructure of society.” Indeed, philanthropic giving often benefits organizations outside the nonprofit sector, such as public schools and for-profit hospitals through nonprofit affiliates that accept monetary donations (Barman 2017). According to Wright (2001), philanthropy is an increasingly commanding act in the U.S.

### **3.3. Charity/Charitable Giving**

In contrast, the word “charitable organizations” has a limiting connotation to be “organizations concerned with helping those in need of food, shelter, and other necessities of life (Steinberg & Powell, 2006, p. 2).” The single word “charity” means a nonprofit organization as a legal entity in the U.K. (Anheier 2014). However, “even charities are trying to disassociate themselves from charity” because of the limiting connotations (Phillips & Jung, 2016, p. 11).

A highly cited interdisciplinary review article defines charitable giving in a broad sense as “the voluntary donation of money to an organization that benefits others beyond one’s own family (Bekkers & Wiepking, 2011a, p. 925).” Notably, most charitable giving is directed to organizations in the nonprofit sector (Barman 2017). In the U.K., charity and charitable giving are the preferred terms with an egalitarian and respectful image (Wright 2001).

### **3.4. The Distinction between Charity and Philanthropy**

Many authors have argued the difference between the charitable effort to alleviate human suffering and the philanthropic effort to end them (Andrews 1950; Ostrower 1995; Sealander 2003; Payton & Moody 2008; Gunderman 2009; Dodgson & Gann 2020). In the third sector research context, the two concepts’ interchangeable use seems to be a problem to be solved. Steinberg and Powell (2006) mentioned that restricting the definition of philanthropy to the transfer of funds raises the question of its distinction from charity (p. 3). Payton and Moody (2008) proposed to use the word “charity” narrowly to express “acts to relieve suffering.” They use “philanthropy” as an umbrella word with broader meanings (p. 38).” Harrow (2010) pointed out that philanthropy is used as “a scaled-up form of charitable giving” in much of the literature and that the words “philanthropy” and “charity” are among several words that are used interchangeably by various people without explanation.

A dictionary on nonprofit sector also differentiates charity and philanthropy (Anheier 2005). The former is “temporary relief from social problems” (p. 46) to alleviate suffering people. The latter is “a longer-term, more profound commitment to public benefit that seeks to address the roots of social problems (p. 196).” Frumkin (2008) clearly described that charity as “the uncomplicated and unconditional transfer of money or assistance to those in need with the intent of helping (p. 5).” According to him, charities have long been criticized as superficial and not adequately curative without demanding change and self-help from the poor. Another

criticism of charity was that it relieves the government of a burden by taking over the work that the government should do. He insisted that self-help and opportunity creation are the fundamental notions underlying philanthropy that differentiate it from a charity. A review article on nonprofit marketing (Sargeant & Woodliffe 2007) uses the word “giving” and “monetary donations” and does not distinguish between the two concepts.

### **3.5. Philanthropy as an Investment**

According to the Havens et al. (2006), the reason why major donors in the U.S. preferred to make a gift for educational causes is due to “the increasing trend in philanthropy toward donor interest in tackling the root cause of social problems rather than ameliorating them (p. 560).” Havens et al. (2006) also pointed out that “business and investment practices” (p. 560) had reshaped philanthropy. Encyclopedia of Corporate Social Responsibility (de Paiva Duarte 2013) and Encyclopedia of Quality of Life and Well-Being Research (Saukko 2014) refer to Kanter (1999) and explain that philanthropy is not just charity but a strategic business investment. This definition of philanthropy as a kind of investment is also found in a textbook for fundraisers by Worth (2015). Thus, many authors show that philanthropy is related to business and investment.

### **3.6. Determine the Defining Attributes**

As we saw in the previous step, a part of the current literature differentiates between the two concepts. Charitable giving consists of donations for the short-term support of people in immediate need. Philanthropic giving is donations for a longer-term, scientific approach to addressing the problem’s root cause.

Now we can define charitable and philanthropic giving operationally. Compared to philanthropic giving, charitable giving is more certain to benefit the suffering people. If

philanthropy is a kind of investment (Kanter, 1999; Worth, 2015), it is natural that philanthropic giving is associated with the risk of philanthropic failure (Frumkin, 2008). Therefore, risk is one of the attributes that divide charitable and philanthropic giving. Since charitable giving works as the relief for the suffering (Payton & Moody, 2008) in the short term, a longer-term monetary donation is not charitable giving but philanthropic giving. If philanthropic giving is a kind of investment, it inevitably takes time to produce a sizeable public benefit. Thus, the second defining attribute is time. Philanthropy has a broad meaning as an umbrella term (Payton & Moody 2008), so philanthropic giving should be more diverse than charitable giving.

Using risk and time as defining attributes, we can divide monetary donations into four types, as depicted in Table 2-2.

Table 2-2. Four Types of Monetary Donations

	Low-risk	High-risk
Short-term	Charitable giving	Philanthropic giving
Long-term	Philanthropic giving	Philanthropic giving

Low-risk and short-term giving belongs to charitable giving as its primary objective is to meet urgent human needs. Though the term “charitable giving” is dominant in social science (Ma et al. 2021), I propose charitable giving should be used more narrowly for monetary donations to provide immediate relief to the suffering in an almost certain manner. If a monetary donation has a high risk of philanthropic failure (Frumkin 2008) or takes a long period to produce public benefit, the donation cannot relieve the suffering. Thus, we should not call long-term or high-risk giving “charitable giving.” I propose to use the term “philanthropic

giving” based on the diversity of philanthropy and its characteristic as a kind of investment. When a nonprofit organization receives a monetary donation, the organization uses the money as either charitable or philanthropic giving. This terminology highlights the trade-off relationship between immediate small benefit and long-term benefit with a risk.

The use of the term “philanthropic” will not be out of place for donors. For example, an entrepreneur who made an extraordinary gift to Harvard University’s School of Public Health calls the resource with long-term and high-risk target “philanthropic capital” (Dodgson & Gann, 2020, p. 47).

Charitable giving is often an impulsive act for donors, but this is not a defining attribute because it is an attribute of donors’ reaction to the “product,” not the product itself. Whether a donor’s decision of monetary donations is strategic or not is also unsuitable as a defining attribute. The strategic decision is on the donors’ side, so we cannot use it as the defining attribution of “products” on the organizations’ side. A longer time frame or higher risk of philanthropic giving requires nonprofit organizations to manage the uncertainty, but charitable giving also requires a strategy to deal with urgent situations that threaten immediate human needs.

### **3.7. Related Concepts**

Once we determine the defining attributes, we can identify the related concepts of the two terms. The former is the alleviation of the suffering of the poor. The latter is “addressing the root causes of poverty to bring about permanent solutions to it and other social ills.” International Encyclopedia of the Social and Behavioral Sciences (Cheek et al. 2015) refers to Gunderman (2009) and points out that three paradigms of giving can be distinguished in the current academic discourse. The first one is “Egoistic Giving,” which is from a donor’s egoism. The second is “Compassionate Giving” (Charity) which aims to addresses immediate human

needs. The last is “Scientific Giving,” which addresses the long-term improvement of the human condition with a systematic approach. Compassionate giving is related to charitable giving. Scientific giving is related to philanthropic giving.

### **3.8. Model and Additional Cases**

Let us review the model cases of the two concepts. Sometimes there are two different ways of using monetary donations for a single cause. If a nonprofit organization uses donated money to provide water bottles to thirsty people, it is considered charitable giving. If the nonprofit uses the money to construct a well in a village, it is a philanthropic giving. Since self-help and opportunity creation is philanthropy principles (Frumkin, 2008, p. 7), the project would be more philanthropic if the nonprofit used the money to teach villagers how to construct or maintain the well. The two are not entirely separable, and there is a middle ground between typical charitable giving and typical philanthropic giving.

Typical examples of charitable giving are the “gifts made within days of the terrorist attacks of September 11, 2001, the Haitian earthquake in 2010, Hurricane Sandy in 2012, and Typhoon Haiyan in the Philippines in 2013” (Worth, 2015, p. 8). Typical examples of philanthropy are “gifts made to construct new hospitals, endow universities, or sustain museums” (Worth, 2015, p. 8).

There exist some related cases. Think about monetary donations to support COVID-19 affected students at a university. These are gifts for immediate needs of the students, but it is also a long-term investment for society. Another example is a crowdfunding campaign to sustain a community center in a financial crisis. The campaign has a short-term effect (overcoming the crisis) and a long-term effect (a better community). Considering the above cases, although charitable and philanthropic giving often consist of contrary cases, there are ambiguous cases.



### **3.9. Identify Antecedents and Consequences**

The antecedents of pure charitable giving are the existence of victims with immediate human needs. Of course, the assumption that monetary donations can meet the need is necessary for charitable giving. Also, the potential donors must perceive the need before charitable giving. The typical antecedents of charitable giving are news coverage of a natural disaster, a civil war, or a terrorist attack. Donors' moral identity (Hardy & Carlo 2011) becomes salient before they decide to make a charitable gift or not. Before charitable giving, it is rare for fundraisers to show off the returns to the donor in exchange for the gift. Indeed, moral preferences in monetary donations are attenuated when exchange norms are made salient (Goenka & Van Osselaer 2019).

Contrary to this, an antecedent of philanthropic giving is a person's vision who wants to address society's long-term improvement. As Bremner and Boor (1988) argued, poverty has not been philanthropy's only or even its primary concern. In philanthropic giving, the person with the vision often becomes the primary donor to realize it. Another critical antecedent of philanthropic giving is that the vision is explained to potential donors. Then, the potential donors judge the extent to which they stand to gain if the vision is realized. A study of Chinese subjects asked to rate advertisements soliciting donations for cancer research, a typical philanthropic gift. Subjects rated the advertisements in which the in-group was the beneficiary more positively (Suzuki et al. 2020). It is natural that people feel higher risk when they purchase services than goods (Murray 1991). People might search for the information of the nonprofit organization before they make a philanthropic giving.

Consequences of the two types of giving make a clear difference. After pure charitable giving, immediate human needs will be met. Worry often arises that continuous charitable

giving may result in less governmental support to the needy or that the beneficiaries will rely on self-help less (Frumkin, 2008, p. 5).

After philanthropic giving, the infrastructure of society improves. Social innovation is also a possible outcome of philanthropic gifts (Dodgson & Gann 2020). Since many prestigious organizations accept philanthropic giving, an increase in the donor's social status is often followed when a major philanthropic gift is made publicly. Criticism often arises after this kind of philanthropic gift (Odendahl 1991). Philanthropic gifts to art museums might be criticized as non-effective by the effective altruism movement (Singer 2009). Sometimes, a vision to attract philanthropic giving is political, so donors share the same political ideologies and continue supporting the same vision. For example, female donor networks support female Democrat candidates financially in congressional campaigns (Crespin & Deitz 2010).

### **3.10. Empirical Referents of Risk and Timing**

Considering the previous discussion, I examine the empirical referents (Walker & Avant 2005) of the two concepts in previous literature on monetary donations. If there is a difference between charitable and philanthropic giving as concepts, and if risk and time are appropriate for defining the two's attributes, risk and time will affect donors' giving behavior. As time goes by, risk and ambiguity inevitably increase. However, since risk and time preferences are different (Andreoni & Sprenger 2012), I would argue these two factors separately.

### **3.11. Risk**

Dictator game participants give less when there is a greater risk that their donation will have less impact (Brock et al., 2013). Unknown randomness: ambiguity also makes room for the moral wavering of potential donors. The embezzlement of donated money is one of the worst things for donors, but such risk is difficult to estimate, and it is one of the inhibitors of donor

behavior (Sargeant & Woodliffe, 2007). Donors tend to choose a safer strategy in giving because donors generally have regret aversion (Brest & Wolfson, 2020).

Pure charitable giving is expected to be a safer choice because the gift will be used to alleviate the recipients' needs immediately. Indeed, charitable giving donors respond very sensitively to slight risk. Loewenstein and Small (2003) conducted a field experiment in a typical charity setting. Participants made a gift to the organization Habitat for Humanity to support a needy family. The participants were divided into two groups in which the family either “has been selected” or “will be selected” from the recipient list. Contributions were significantly larger when the recipient family had already been determined than when they were yet to be determined. In a laboratory experiment, Exley (2016) examined how participants evaluated the risk that donated money may not reach the American Red Cross and the risk that the participant could not obtain the money. When there is a trade-off between money for a charity and the participants, they acted more averse to charity risk. The author called this tendency “excuse-driven responses to risk.” This concept illustrates how a slight risk in charity can be used as an excuse not to donate.

Philanthropic donors may experience a relatively higher risk that their small gift is meaningless for a philanthropic cause, making a specific “promotion” effective on this “product.” Cialdini and Schroeder (1976) experimented with fundraising for the American Cancer Society, a typical philanthropic organization. The confederates dressed as the organization’s solicitors and visited prospects for donating money. The authors found that adding a short phrase (e.g., “even a penny will help”) to a direct request nearly doubled the compliance rate without decreasing the mean donation size. This short phrase is known as a “Legitimizing Paltry Favor” (LPF), and this promotion is studied disproportionately many times in philanthropy. A meta-analytic review by Lee et al. (2016) showed comparatively more LPF experiments on medical research causes and fewer on poverty causes (See Figure 2-1.

Experiments on non-cash donations were excluded from the graph). There are fewer studies that demonstrate the effectiveness of LPFs on charitable giving.

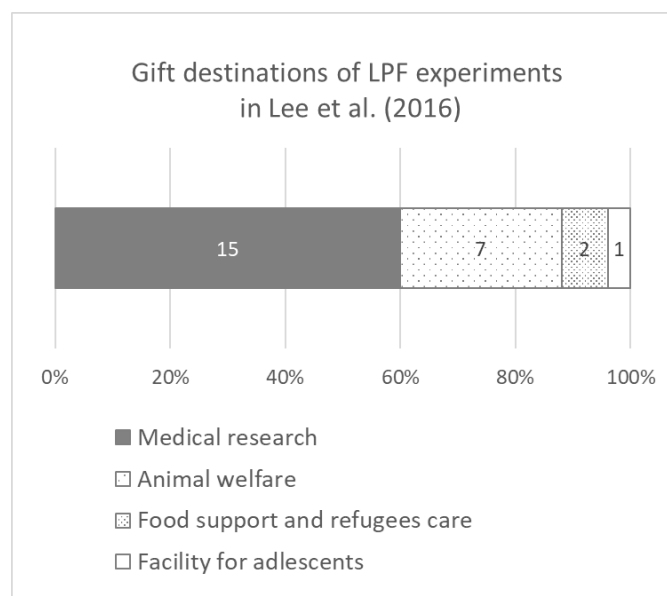


Figure 2-1. Experiments on the Legitimizing Paltry Favor and the Gift Destinations

Source: Created by the author using the reviewed articles data in Lee et al. (2016)

Categorizing animal welfare into charitable giving is questionable because charity is mainly for “human” needs. Caring for the animals leads to a better society; animal welfare can be categorized as philanthropic giving. Food support and refugees care is undoubtedly described as charitable giving.

Contrastingly, there are fewer empirical studies on philanthropic giving in a meta-analytic review of the Identifiable Victim Effect (IVE) (Lee & Feeley, 2016). IVE as a nonprofit marketing promotion is studied disproportionately many times with specific products; charitable giving such as treating the patients and feeding the poor (See Figure 2-2. Experiments on non-cash donations were excluded from the graph). Contrastingly, there was only one IVE experiment that dealt with typical philanthropic giving; medical research.

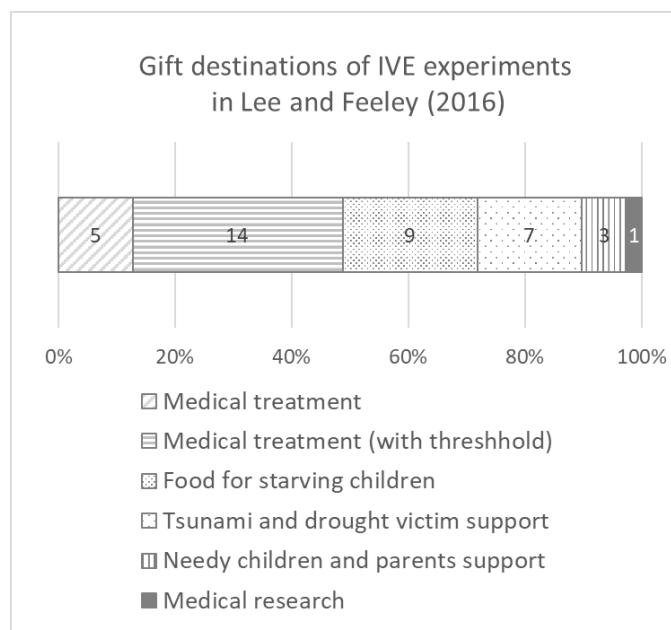


Figure 2-2. Experiments on the Identifiable Victim Effect and the Gift Destinations

Source: Created by the author using the reviewed articles data in Lee and Feeley (2016)

In IVE experiments, donations in 14 experiments were for expensive medical treatment that requires a certain amount of money to be done. These thresholds are the source of risk, so these donations are not pure charitable giving.

Major gifts are riskier for donors compared to small gifts. Philanthropic gifts are riskier than charitable gifts. Therefore, it is expected that major donors to philanthropic causes are risk-tolerant people. Indeed, according to Nwakupda (2020), major donors who make large contributions to higher educational institutions in science, technology, engineering, and math are disproportionately entrepreneurs.

### 3.12. Timing

Generally, people prefer to gain utility now than to gain it in the future. If charitable giving produces utility immediately and philanthropic giving produces utility in the future, the former would be preferred by many people. In other words, fundraisers collecting philanthropic giving

should cover this disadvantage to compete with fundraisers who collect money for immediate support.

The persuasiveness of a fundraising message is an important factor for marketers. There is a study that examined what messages were effective for near-timed (within a week) and distant-timed (within a year) donations (Tugrul & Lee, 2018). The destination of the gifts is a nonprofit organization that provides scholarships to students in Turkey. Messages that focused on the losses resulting from not donating and appealed to the feasibility of outcomes were more effective for near-timed donations. Conversely, for distant-timed donations, the message of the outcome's desirability was more effective, focusing on the gain resulting from donating.

This problem is similar to the intertemporal donation choice (Sparrow & Spaniol, 2018), which examines the choice between donating a small amount now or donating a larger amount later. The authors showed that older adults are more tolerant of postponing donations than younger adults. The destination of gifts is described as "one local charity from the list of options" in this study, so it seems that there is no option such as universities or political parties. Suppose we characterize the difference between charitable and philanthropic giving as the difference in the timing of producing the public good. Are older adults also more tolerant of philanthropic giving than younger adults? The implication from this study is helpful for nonprofit marketers in considering the target audience of their fundraising.

Next, let us imagine a situation in which a donation made today will take some time to generate actual public benefit. An example of this distant-timed donation is study 1D in Williams et al. (2014). They manipulated psychological distance by presenting participants with a charitable appeal for the Red Cross, focusing on potential hurricane victims either for the upcoming hurricane season (near condition) or a hurricane season 10 years later (distant condition). The result was that the temporal distance decreased donations by weakening one's emotional connection to the victims. This study implies that philanthropic fundraising has more

difficulty building and maintaining an emotional connection between the donors and beneficiaries in the future. In a charity advertisement experiment, Chang and Lee (2009) examined the effect of temporal framing on behavioral intention to donate. They described the problem of child poverty as “1,250 children die each hour (short-term)” and “about 11 million children die each year (long-term).” Temporal framing alone did not cause a significant effect. However, a short-term frame became effective when combined with a negatively framed message and picture. A longer-term frame was effective with positive framings.

Anisman-Razin and Levontin (2019) divided prosocial behavior into autonomy-oriented, which corresponded to philanthropic giving (support that is conducive to future success but not useful in the present) and dependency-oriented, which corresponds to charitable giving (support for coping with the current situation). They showed that consumers with different mindsets had different preferences. People who held the belief that personality could be trained (growth mindset) were less likely to provide dependency-oriented support than those who held the belief that personality does not change over time (fixed mindset). Beliefs mediate this relationship about the effectiveness of autonomy-oriented support. Ein-Gar and Levontin (2013) experimented with donations of time and money in a charity setting and manipulated temporal and social distances. The donors were more willing to make a charitable gift to an organization than to a recipient when there was greater temporal and social distance. The authors also demonstrated that empathy mediated charitable gifts to a single victim but did not mediate charitable organizations' gifts.

### **3.13. A Literature Search of Extant Review Articles**

Much literature above explains the significant effects of risk and timing on charitable and philanthropic giving. Next, I examine how the difference between charitable and philanthropic giving is considered in recent review articles. The overview of the review articles is called

umbrella review (Aromataris et al. 2015; Booth et al. 2016). Recently, a comprehensive umbrella review regarding what works to increase donations was published by Saeri et al. (2022). This article reviews 21 meta-analyses articles found by their systematic search. Out of 21 articles, there are only four articles (Peloza & Steel 2005; Lu 2016; Butts et al. 2019; Salido-Andres et al. 2021) that use the word “charity” and “philanthropy” but all the four articles omit the definitions and distinctions of the two terms. The remaining 17 articles do not use the word “philanthropy” or “philanthropic giving,” showing that social science disciplines usually do not use these words (Ma et al. 2021).

In addition to the recent meta-meta-analysis above, I search my literature database and found 11 review articles. There are three review articles (Coyne et al. 2018; Butts et al. 2019; Salido-Andres et al. 2021) that were also covered by the meta-meta-analysis (Saeri et al. 2022). The earliest review is by Bekkers and Wiepking (2007) that overviews more than five hundred studies from various disciplines. In this review, authors define charitable giving as “the donation of money to an organization that benefits others beyond one’s own family” (Bekkers & Wiepking, 2007 p2). The same definition is used in the authors’ following article (Bekkers & Wiepking 2011a) that is cited by more than 1,300 papers. The other two review articles discuss monetary donations in a broad context of prosocial behavior (Coyne et al. 2018; Laguna et al. 2020). These four articles discuss charitable giving and philanthropic giving without distinguishing between the two, though this does not diminish the value of the articles. Systematic reviews on alumni loyalty (Iskhakova et al. 2017) and religious giving (Yasin et al. 2020) use the term “charitable giving,” not “philanthropic giving,” though monetary donations to universities or religious organizations are not “charitable” in the present research. There are two systematic reviews on fundraising media, namely social media (Di Lauro et al. 2019) and crowdfunding (Salido-Andres et al. 2021). These two articles also do not divide monetary donation into charitable and philanthropic giving. There are two review articles on the



“promotion” of monetary donations. One is about social information (van Teunenbroek et al. 2020), and another is about the human tendency to help one victim more than many victims (Butts et al. 2019). These review articles also use “charitable giving” to describe monetary donations.

Thus, there is a research opportunity when researchers divide donations into the charitable and philanthropic giving because the different attributes of the two might better explain the existing result of previous studies.

### **3.14. Proposal of Operational Definitions of Monetary Donations**

The risk and timing of monetary donations are influential factors in human giving behavior. Thus, we propose operational definitions of monetary donations by these two factors. They allow us to divide donations into four quadrants (Table 2-2). We can operationally define monetary donations in the second (upper left) quadrant as charitable giving and define monetary donations in the remaining quadrants as philanthropic giving. There has been much research on LPF, but we found that most of it has been on the philanthropic giving (Lee et al. 2016). We also found that much research on IVE is on charitable giving (Lee & Feeley 2016). This tendency implies an opportunity for potentially fruitful analysis in the literature of monetary donations. To date, extant review articles found by systematic search (Saeri et al. 2022) do not address the difference between charitable and philanthropic giving. The proposed operational definition enables a more detailed product analysis in fundraising studies.

## **4. Conclusion**

Two defining attributes constitute the main difference between charitable giving and philanthropic giving: risk and timing. Regarding the risk of giving, charitable giving has lower risk because the gift recipients are now suffering in poverty and are expected to be highly

responsive to the benefits. This perception leads to the donors' overhead (Gneezy et al. 2014) and indirectness aversion. Since philanthropy is a kind of investment, the risks are inevitable. Philanthropic organizations should have the power to realize the vision and capacity. The social benefit realized by philanthropic giving is larger than charitable giving, but it takes time. Since the time–discount rate and risk preference differ across the population, there must be a fit between philanthropic giving and a specific personality or mindset of a potential donor segment.

Fundraisers for philanthropic giving have more difficulty in making the effect of the gift tangible than charitable giving. Philanthropic organizations should therefore supplement their incentives to donate with their brand and reputation. Overall, there is a practical benefit in distinguishing between charitable and philanthropic giving. These are different products in nonprofit marketing, and each requires a specific marketing strategy to collect monetary donations effectively. More empirical evidence is required to clarify the differences between charitable and philanthropic giving. Time and risk can be used to organize operational definitions of the two, which should become the basis of further empirical studies on this crucial difference of the “products” of nonprofit marketing.

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