**Major Gift Philanthropy –
Individual Giving to the Arts**

**Professor Adrian Sargeant, Stephen Lee
and Elaine Jay**

Centre for Voluntary Sector Management,
Henley Management College

A report commissioned by Arts & Business

A&B

Arts & Business

September 2002

Introduction

In 2002 Arts & Business commissioned the Centre for Voluntary Sector Management at Henley Management College to undertake a study of the available academic and practitioner literature on individual giving to arts organisations in the UK.

The main aims were:

- **To identify, categorise and review the existing literature**
- **To provide guidance on literature and resources which should be included in any 'seed' library resource on this subject area**
- **If required, to conduct primary research to provide further data on the motivations of UK major givers to the arts**

In this report we therefore attempt to survey and to summarise the available literature on major gift philanthropy from individuals to the Arts. Where the information is available, we have provided details on who gives to arts causes, and on what motivates them to do so. As the literature relating directly to this subject is very limited, we have broadened the survey to include literature on related but somewhat tangential subjects (such as the characteristics of Arts patrons, and the motivations of wealthy givers to general charitable causes) where the information is of interest and can be felt intuitively to have some bearing on the core topic.

Very little has been published in the UK on major giving, and almost nothing relating to major giving to the arts specifically. Most of the information for this report was therefore drawn from the library of the Center on Philanthropy at Indiana University in the USA.

It was decided, having become familiar with the available information, that it would indeed be beneficial to conduct some primary research to provide additional data on the giving experience of major arts donors in the UK. We therefore proceeded to develop an outline interview schedule and conducted eight semi-structured interviews with individuals who are currently major givers to UK arts organisations. These interviews are summarised and analysed in Section 2 of this report.

The implications of our findings for practitioners are drawn out in Section 3, which highlights some key recommendations and action points for arts fundraisers.

The Appendices to the report provide background information on available resources and materials that might be included in a seed library on individual giving to the arts.

Section 1 - Literature Review

1.1 Marketing, Fundraising and the Arts

Marketing theory has been applied to the arts since the 1960s. The initial involvement of marketing with the arts can be identified in a seminal work by Baumol and Bowen (1966) on the economic issues surrounding the performing arts. The study identified a demographic consistency in audiences from art form to art form, that audiences for the performing arts were drawn from a very narrow segment of society and that, in general, arts organisations operated in deficit which often threatened the quality of their artistic product.

Since this early study arts administrators, economists and marketers have published studies on the arts as a marketplace phenomenon and on every aspect of the marketing function applied to the arts context. The first writings tended to be from a management perspective. A controversial article by Kotler and Levy (1969) suggested that attention should be focused on applying marketing to the arts – through a clarion call for the extension of marketing application to non-traditional contexts. Arts professionals began to apply marketing philosophy, market research techniques and traditional marketing strategies to their decision-making (Stahlecker and Steele 1973). From the start, the core attraction of the application of marketing to the arts for the arts professional was the hope that marketing tactics might improve the economic conditions of arts organisations.

Market research was used in the segmentation of arts audiences and the development of media strategies (Michaelis, 1976) and work continued on areas such as pricing and pricing tactics. In the late 1970s marketers re-engaged with the fundamentals of marketing in the arts. Laczniak and Murphy (1977) were the first to describe the 'distinct differences in marketing the performing arts and in marketing economic goods and services'. Each aspect of the marketing mix was reinterpreted in the arts context. Having noted that in the arts the product is artist inspired rather than market inspired, that below-cost pricing is acceptable, that location is driven by the needs of the company rather than the consumer, and that promotional budgets were tiny, the authors concluded that classic marketing concepts are not strictly applicable at all.

'There can be few management scenarios in which a marketing executive would choose not to have a major input into product design; in which the producer would disregard market preferences in the interests of product quality and integrity, and in which a successful product would be withdrawn in favour of a certain loss-maker. While such oddities would confound most marketers, they are common in marketing the arts.' (Butler, 2000)

Later work has not significantly challenged these observations, but has merely elaborated on the differences and specific challenges involved in the application of marketing principles in an arts context:

'They tend to outline (often too briefly) why arts marketing is different from consumer goods marketing, and then proceed through the standard series of textbook marketing

topics from environmental analysis through research and planning processes to the marketing mix.' (Butler, 2000)

The fundamental peculiarities and the opposing imperatives of commerce and culture are agreed, but few additional insights have been offered (Searles, 1980, Lovelock and Weinberg, 1984). Thus, though there is a well-established literature on economic and managerial issues in the arts, including reports from organisations like the National Endowment for the Arts in the USA and the Arts Councils in the UK, and dedicated journals such as the *Journal of Cultural Economics* and the *Journal of Arts Management, Law and Society* there is an acknowledged gap between the marketing 'experts' who attempt to bring a marketing toolkit from consumer goods to the arts, and the arts marketing practitioners who argue with the arrogance and short-sightedness of this approach. (Diggle, 1994)

The first specific promotion of fundraising as an issue in the arts marketing conundrum comes from Kotler (1980) when he states that the major marketing challenges for arts organisations are audience stimulation, audience development, membership development and fundraising. Nielson (1982,1983) suggests a funding strategy whereby 'a profitable position (is established) in a market unrelated or marginally related to an institution's primary mission in order to self-subsidize the socially worthwhile but deficit-producing primary mission' (1983 p44). In other words, rather than looking to increase funding from government or charitable donations, organizations should develop secondary funding sources such as retailing.

Practitioner arts marketing guides from both the US and the UK offer little information on fundraising theory and technique, tending either to merge fundraising in with the pursuit of earned income (Reiss, 1979, Diggle, 1994) through ticket and subscription sales, to present case studies of fundraising success stories without commentary (Reiss, 2000) or to gloss over the issue of fundraising in a couple of paragraphs. (Hill et al, 1997)

Those few texts that specifically deal with fundraising for arts organisations (Kotler and Scheff 1997, Hopkins and Friedman, 1997) do not go very far in customising standard nonprofit fundraising techniques for the arts world. It can be concluded that arts fundraisers and marketers continue to struggle with (and rejoice in) the peculiarities of their sector, using and adapting 'generic' fundraising techniques. This view is compounded on reading general fundraising texts, which offer examples of case studies from arts organisations alongside those from healthcare, welfare and environmental nonprofits, all illustrating common fundraising tactics, strategies and trends.

1.2 Arts Funding in the UK

O'Hagan (1998) has demonstrated that whilst most European states emphasise public funding of the arts, and the US prefers tax-encouraged private support, the UK lies in between the two, encouraging private sponsorship and maintaining an 'arm's length' approach of state support via autonomous semi-state agencies. Despite increasingly creative forms of business sponsorship, the range of funding sources, all of which have different application procedures and timeframes, makes for a very difficult planning and strategy development situation for arts organisations in the UK:

'*A persistent crisis exists in arts organisations as a result of the incremental nature of grants and funds.*' (Butler, 2000)

A study of the UK museum sector (McLean, 1995) illustrates the complexity of UK arts funding:

- The UK museum sector consists of the national museums which receive approximately 75% of their funding from central government; local authority museums which are 85% funded by local taxation; and independent museums which, though independent in terms of governance and commonly having charitable status, are dependent on local authority grants for survival.
- The number of museums doubled between the 1960s and the 1980s. Competition for increasingly scarce funds has been made worse by local authority funding squeezes, and the political debate in the sector turned to funding issues, with ministers exhorting museums to access funding sources beyond the funding system, looking to sponsorship, charitable grants and 'spin-off' income from retail and publishing.
- Museums are now being scrutinized financially by funders requiring value for money and accountability, whilst stakeholders at all levels demand acceptable returns for public subsidy.
- As a response to funding pressures, many museums have introduced services such as shops, mail order retail and cafes, which raise profits and add value to the public.
- Entrance fees have been introduced in some cases and have been hotly debated. Those London museums which introduced entrance charges in the late 1980s saw a 40% drop in visitor figures as a result.
- The sense of resentment at asking the public for money is still strong amongst museum curators.
- There is obviously a long way to go in introducing marketing or fundraising concepts to the museum sector in the UK (there are over 2000 museums registered in Great Britain, employing only 40 full time marketing, fundraising or development officers).

1.2.1 Fundraising for the Arts in the UK

The charity marketplace

The UK charity market is characterised by high levels of competition, caused by an increase in the number of charities (there are now 210,000 registered charities in the UK) and a reduction in the number of people or households donating. The market is static at best with many commentators predicting a likely decrease in charitable participation over the next five-year period. These commentators also agree that levels of voluntary income will continue to rise as those that do give offer larger sums.

A majority of the public in the UK gives to charity, and public giving has come to be seen as a key social indicator, shedding light on levels of selfishness, public spiritedness, faith and trust, and on the state of social capital at any given time. Data on public giving is available mainly through voluntary sector agencies, with government data restricted to broader measures such as the Family Expenditure Survey. Any estimation of total giving is therefore an approximation based on a composite of estimates from different sources.

CAF's latest estimate for total giving in the UK gives a figure of £6.1 billion a year, plus £1.5 billion a year in legacies. There are indications of an overall decline in giving, primarily stemming from the annual NCVO/NOP polls, which show that charitable giving declined overall throughout the 1990's.

Broadly, the available data suggests that throughout the last decade fewer donors made larger and more numerous gifts, with more gifts being given tax effectively. A number of factors contribute to this, such as the fundraising techniques being employed, the impact of demographic change, the increasing polarisation of wealth and the value of legacy gifts given to charity.

The number of adults donating to charities is declining. This is most apparent in the 15-24 and 35-54 age groups, and in the C1 and D socio-economic groups. The only group to show increased levels of donation is the over 65s. In the future there will be fewer donors if younger people are not encouraged to change their giving habits.

History and development

Any review of the development of modern giving in the UK has to start in the nineteenth century. The pace and principles were set by rich men from the UK and the US who spanned the turn of the centuries. John Davidson Rockefeller, Israel Seiff, the Quakers George Cadbury and Joseph Rowntree, Henry Wellcome and Andrew Carnegie. Many of these were motivated by religion, replaced amongst many major donors today by humanist and secular motivations.

Income tax was introduced to England in 1799, and since that date fiscal inducements to giving have been used opportunistically by various governments. The charitable covenant system, and the new Gift Aid regulations enable charities to reclaim tax and reduce the cost of giving for donors. This can be compared against the more liberal US system that has always been based on tax deduction.

Popular fundraising techniques developed in the UK in the late 1940s, with charities such as Save the Children (established in 1919) and OXFAM (1942) recruiting large numbers of regular supporters. Direct marketing techniques were increasingly utilised, with the power of TV being harnessed by telethons high profile initiatives like Comic Relief and Children in Need. In the late 1980s the universities of Oxford and Cambridge each mounted appeals for more than £250 million, unprecedented at that time in the UK. In 1984 the NSPCC launched its Centenary appeal, combining the full range of techniques for national and regional fundraising from major gifts to mass marketing and events, and raising £15 million. This was used as a model for Great Ormond Street's Wishing Well Appeal.

Since 1945 and the introduction of the Welfare State there have from time to time been tendencies to marginalize charities and to belittle charitable giving. However, charities remain essential organs of civic society in the UK, sustaining independent values against centralising pressures for conformity. The expansion of the charity universe has been made possible and sustained through gifts from companies and trusts, with some encouragement and support from governments, but in the main, support has come from individuals.

'In England, where government support for the arts has been in decline in recent years, arts organisations are reaching out to individuals for contributions for the first time in their history.' (Kotler and Scheff, 1997)

It appears from the literature that effective ongoing fundraising from individuals for the arts in the UK is still comparatively rare. Practitioner literature is scarce, and case studies almost exclusively feature capital campaigns.

The fundraising techniques employed in the UK arts sector are largely identical to those employed by non-arts charities. The barriers between the two areas are increasingly being broken down, as fundraising professionals from the 'mainstream' charity sector move to posts within arts organisations. Where the solicitation of individuals has been undertaken, arts organisations have begun with the 'great and the good'; utilising face to face big gift techniques as per the US, special events and capital campaigns. For most non-arts charities, this is a new development – they have built their funding on smaller gifts given by a mass of individuals through one-off and committed giving campaigns promoted via the mail and telephone.

'*Strangely, the direct marketing revolution that transformed charity fundraising through the 80s largely passed the arts world by. This is particularly surprising as many…were already using direct mail in their ticket marketing…they have ready-made databases of thousands of people who they already know are interested enough to spend money to see their performances or exhibitions.*'(Dixon, 1999)

With the advent of National Lottery funding, many arts organisations faced a financial demand to raise significant sums in partnership funding. Many have ventured into direct marketing, using the mail or telephone to solicit small and medium-sized donations, regular gifts, membership (sometimes through structured membership benefit programmes) and affinity purchases from their database of attendees.

Major Gifts

The biggest gifts from wealthy people over the last fifty years have gone to universities, and to museums, galleries and cultural organisations such as the Royal Opera House. The NSPCC Full Stop campaign, launched in 2000, is the first time a welfare charity in the UK has attempted to secure the very major sums attracted for higher education and the arts.

Big gifts have been sought in the UK mainly through capital campaigns, using the US model. A case study from the Tate presented in 1999 (Ballard, 1999) recommended a seven-step process for donor cultivation: identify, research, plan, cultivate, ask, conclude, and reciprocate. The Tate worked through a US style fundraising development committee structure using high-level volunteers to introduce and cultivate prospects. Funding was attracted from individuals in the UK and overseas for capital projects to create the Tate Gallery of Modern Art and the Tate Gallery of British Art:

'The fundraising campaign was planned to follow the strategic model established by major fundraising campaigns in the US, the big gift pyramid. The focus was to begin with the biggest gifts and the supporters closest to the gallery, moving through to smaller gifts and donors who are not quite so warm and culminating with appeals to the Tate membership and general visitors.'

As in US campaigns, the main effort was expended in obtaining leadership gifts of £1 million and more. Gifts were solicited against named spaces in the gallery – many of the TGMAs individual galleries, education facilities and public spaces have been named after donors.

A case study from the British Museum Development Trust evidences the same influences and techniques (Marland 1999): 'Look to the US as a model and use periodic big pushes with capital campaigns' and warns that most UK arts organisations need to undergo a change of culture before they are ready to fundraise successfully.
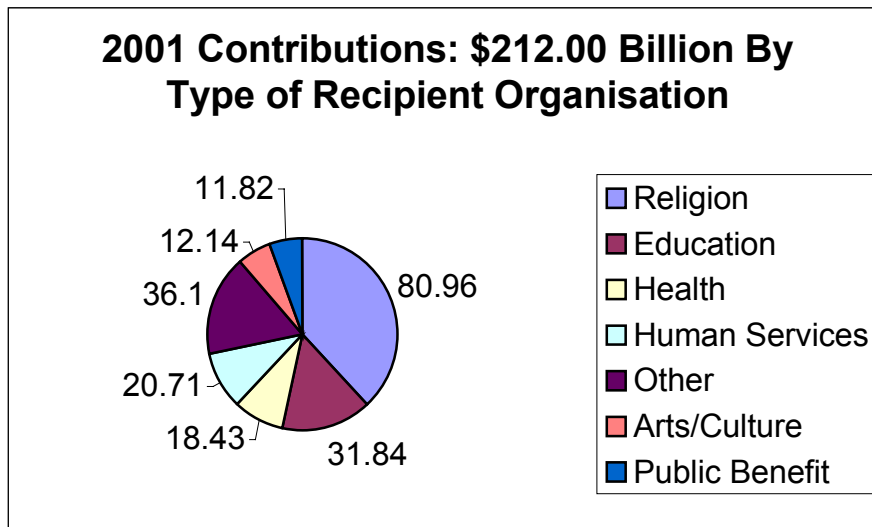
The wealth profile of Britain has changed over the last twenty years, and there are now many more people who are seriously rich. These newly rich people are making gifts, sometimes in millions or tens of millions. A new intermediate group of prospects who are not 'rich' but have significantly greater means than the majority is also evident. Like the rich, this new affluent group can be targeted to give large sums if they are sufficiently motivated.

1.3 Arts Funding in the USA

According to the latest published annual survey of philanthropy in the USA total giving to arts, culture and humanities organisations[1] increased from $11.07 billion to $12.14 billion between 2000 and 2001. This represents a 5.6% increase. Gifts to arts, culture and humanities organisations represented 5.7% of total philanthropic giving in the US in 2001 (AAFRC Trust for Philanthropy, 2002).
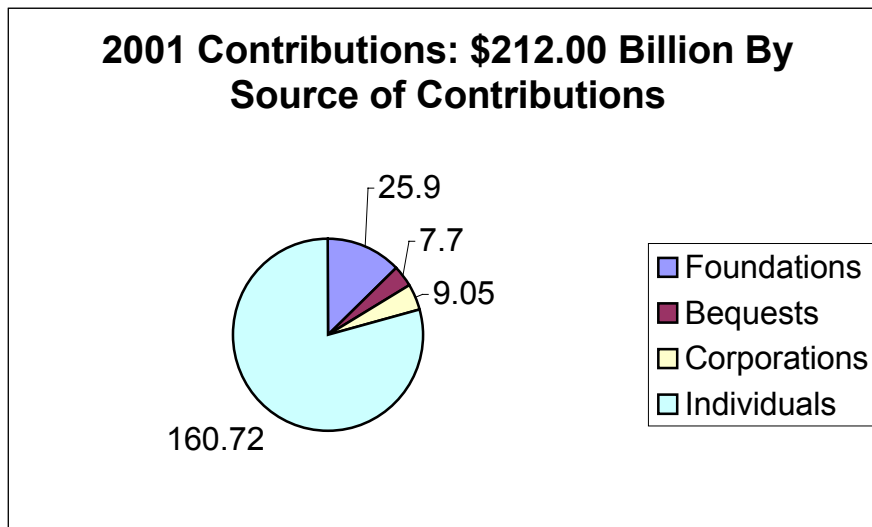
Figure 1

2001 Contributions: $212.00 Billion By Type of Recipient Organisation

- Religion — 80.96
- Education — 31.84
- Health — 18.43
- Human Services — 20.71
- Other — 36.1
- Arts/Culture — 12.14
- Public Benefit — 11.82

Over 75% of total philanthropic giving in the US in 2001 came from living individuals. A further 7.7% came in the form of Bequests, with Foundations providing 12.2% and Corporations the remaining 4.3%.

---

[1] In the US nonprofit organisations are classified via the National Taxonomy of Exempt Entities. Arts, culture and humanities activities comprise: arts and culture, media and communications, visual arts, museums, performing arts, humanities and historical societies.

Figure 2

2001 Contributions: $212.00 Billion By Source of Contributions

Foundations: 25.9
Bequests: 7.7
Corporations: 9.05
Individuals: 160.72

Historically, personal giving has been the primary source of charitable contributions in the USA. Through willed and lifetime gifts, individuals have been responsible for 83.8% to 90.2% of giving over the past three decades. It should be remembered that Foundations are also largely vehicles through which individuals achieve their philanthropic objectives.

It is predicted that a huge intergenerational transfer of wealth will occur in the US in the next fifty years. In October 1999, the Boston College Social Welfare Institute (SWRI) reported that the transfer of wealth in the US over the 55-year period from 1998 to 2051 will be at least $41 trillion and could be as high as $135 trillion. The researchers concluded:

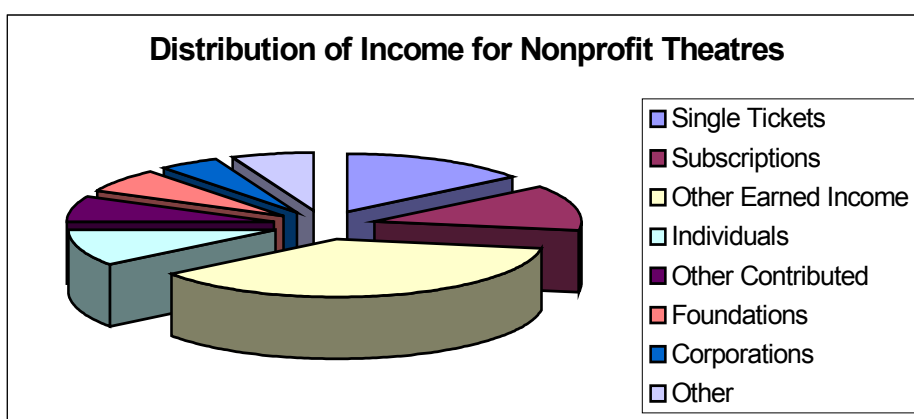 *'A golden age of philanthropy is dawning, especially among the wealthy and the upper affluent.'*

Giving to the arts has increased slowly since 1992, but it has grown very substantially over three decades. In 1969, giving to the arts was under $1 billion (AAFRC Trust for Philanthropy, 2002).

Figure 3

Giving To Arts, Culture and Humanities
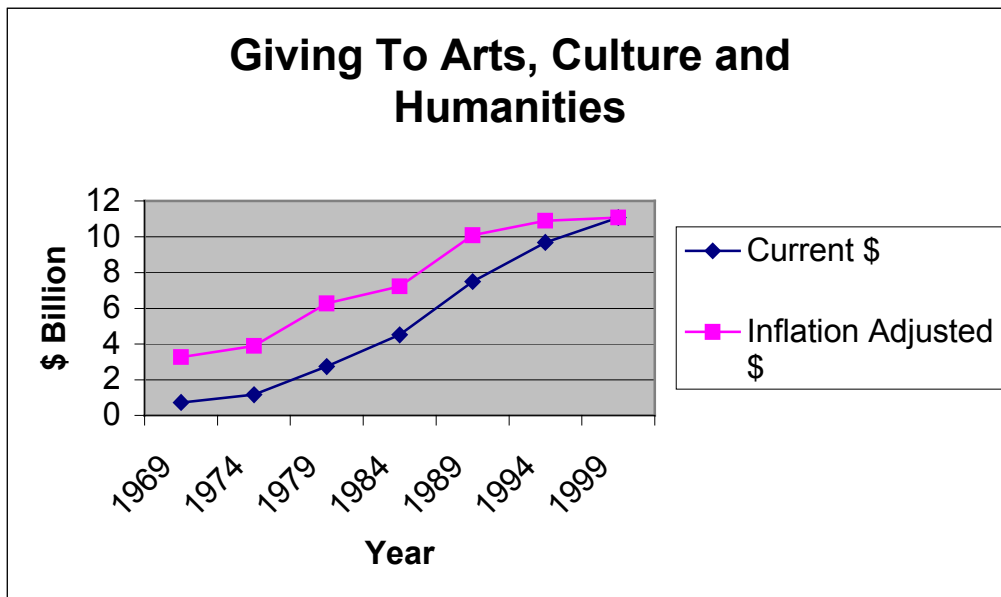
A key report on US nonprofit theatre finances in 1999 (Theatre Communications Group, 2000) found that total income outpaced inflation by 13.9% between 1997 and 1999 and that giving by individuals continued to be the largest source of contributed income for theatres. Individual giving increased by 26.2% between 1997 and 1999. Earned income covered 3.3% less of total expenses in 1997 compared with 1999. Expenses grew fast – nearly every expense area grew by double-digit percentages.

Figure 4

Distribution of Income for Nonprofit Theatres

- Single Tickets
- Subscriptions
- Other Earned Income
- Individuals
- Other Contributed
- Foundations
- Corporations
- Other

1.3.1 Fundraising for the Arts in the USA

History and development

Fundraising for arts and culture causes in the USA is a challenging and increasingly complex process. In the current uncertain economic climate, it is predicted that Americans will re-examine their charitable contributions and tighten their belts in all areas of support for nonprofit institutions.

There are 733,790 nonprofit organisations registered with the IRS in the USA, all dependent on the support of businesses, the government, foundations and individuals to survive and function. No other nation in the world has as large a number or as great a diversity of not-for-profit organisations – including hospitals, religious organisations, universities, colleges, social service agencies and cultural organisations. Nearly all Americans believe it is their obligation to support charitable causes. This altruistic philosophy stands in marked contrast to that of many other countries where philanthropic giving is often exclusively a government responsibility. The democratic ideal that each person should do his or her fair share, combined with the more prosaic notion of income-tax incentives, has encouraged a wide range of Americans to become philanthropists. Currently more than 80 million Americans contribute time or money to the not-for-profit sector.

The earliest US donors were individuals contributing to religious organisations established to alleviate human suffering. By the start of the twentieth century, secular organisations had begun to take over many of these charitable functions. Individuals such as Andrew Carnegie and John D Rockefeller amassed huge fortunes. These and other wealthy individuals were instrumental in establishing the all-purpose private foundation as a new vehicle for philanthropic purposes. During this period, healthcare and education were the primary beneficiaries of foundation funds.

With the outbreak of World War I, Americans for the first time began to make individual contributions on a massive scale. Four hundred communities throughout the US established War Chests, and the American Red Cross astonished the nation by raising $115 million in one month in 1917. World War I also served as a catalyst for the first substantial giving by US corporations.

The Depression of the 1930s created a new role for government as the primary provider of human services. Private philanthropists turned their attention to seeking remedies for human suffering. Corporate giving to charitable causes was encouraged by the passage of the 1935 Revenue Act, which authorised companies to deduct these contributions from their taxable profits.

In the aftermath of World War II and during the 1950s, both incomes and taxes skyrocketed; one result being the proliferation of family and company-sponsored foundations established to gain tax advantages. At this time, Americans began to contribute substantially to the arts and humanities. In the 1960s, Lyndon Johnson's Great Society initiatives laid the foundations for the widespread support of culture. The establishment of both the National Endowment for the Arts and the National Endowment for the Humanities in 1965, coupled with increased foundation and individual giving, enabled culture to flourish.

Today there are thousands of arts and cultural organisations in the US, and as the number of organisations has grown, so have their audiences. Typically the income earned from the sale of tickets, merchandise and service covers only 50-60% of the operating expenses of a cultural organisation. The balance of funding relies on voluntary contributions. Since the early 1990s government agencies have come under increasing pressure to decrease, and in some cases eliminate, support for arts and culture.

The controversy in the federal government began in 1994 when a small group of senators and representatives singled out a few NEA-funded exhibitions that they believed contained objectionable material and were therefore inappropriate recipients of government funds. A political storm around the issues of government funding and censorship ensued, and, by 1995, the budget for the NEA had been cut by 40% (Kahan, 1997.) This upheaval in government funding has resulted in 'intense competition for the contributed dollar, forcing cultural organisations to develop extremely aggressive fundraising operations in order to continue their work' (Hopkins and Friedman, 1997)

The cuts to the NEA represented more than the immediate loss of funding. For fundraisers, the diminished enthusiasm of the federal government to support culture increased the difficulty of the 'sell' to the private sector and to state and local government agencies. State funding has proved uncertain and unpredictable. In response to a general fiscal crisis, the Massachusetts legislature halved the funding to its arts council in 1990 after nearly abolishing cultural funding altogether (Useem 1991). Increasingly contributions from individuals have filled the gap where government and corporate dollars have been lost. From 1990 to 1994, individual giving to nonprofit theatres, for example, increased by 33% (Janowitz, 1995) and theatre development departments were concentrating their resources on cultivating and soliciting individuals, capitalising on the personal relationships developed with long-term subscribers and theatregoers.

The impact of the post 9/11 economic and political situation on Arts giving in the US is discussed on page 27 of this report.

1.3.2 US Individual Fundraising techniques

The main donor markets for arts organisations are individuals, foundations, corporations and governments. Smaller organisations tend to concentrate their fundraising efforts on wealthy individuals. Larger organisations tend to solicit all sources, employing staff to be responsible for each market. (Kotler and Scheff, 1997)

In soliciting funds from individuals, US nonprofits typically distinguish between small, intermediate and major donors. Many fundraisers prefer to concentrate on large potential donations, citing the rule that 20% of donors produce 80% of gifts. However, it is also recognised that reliance on a very small pool of major supporters can mean that a programme is completely destabilised if even one supporter is lost to the organisation, so a balance needs to be struck. Many organisations have put themselves at risk by counting exclusively on the generosity of a small pool of donors.

In soliciting smaller gifts, US nonprofits rely on the 'classic' Annual Fund drive.

Annual Fundraising

Small gift solicitation focuses on the organisation's annual and shorter term needs – small gift givers tend to be treated as customers of the organisation (whereas major givers are stakeholders). Small gifts tend to be made regularly, usually annually, and may range from one dollar to a few thousand dollars. Small gift prospects are contacted by mail or telephone, and are asked to donate in cash from current income. The donor is typically given a short-term deadline for response and will be asked for an unrestricted gift to be utilised at the discretion of the organisation. An annual fundraising campaign is thus a step-by-step process to raise a specific amount of money over a specific timeframe (usually the organisation's financial year).

The difficulty in sustaining response rates to annual drives is in holding interest over the years in a very similar call for support. Various creative methods are used to attain this. Unrestricted giving requests can be augmented with specific 'shopping list'; The Lyric Theatre of Chicago has the annual appeal fronted by a different star performer each year. (Kotler and Scheff, 1997)

Annual fund drives serve several purposes; they provide income, increase public awareness, and gather in a broad supporter audience which will include potential new volunteers and major gift givers. Responders to an Annual fund drive typically do not receive recognition rewards beyond an acknowledgement of thanks. When they are financially able, some will go on to give major gifts.

Other direct mail or telephone appeals requesting small gifts and recruiting new small-gift supporters will also typically be run each year, timed so as not to coincide with the annual subscription drive.

The vast majority of donors to an organisation will share the same interest in and enthusiasm for its programmes that major donors do – but they may not have the same financial resources. Over time, and as their personal circumstances alter, these annual donors may be encouraged to give more substantial amounts. Typically membership or Friends schemes have proved a successful route for arts organisations in the solicitation of gifts of an intermediate level, and to encourage donor loyalty. The accepted 'pyramid' of giving relied upon by US donor development staff posits:
'The donor first gives through a small annual gift. Over time and based on capability, the donor is moved upward in gift size and type. Using this model, the development officer begins with the annual gift program and later introduces major and planned gift opportunities. It is assumed that major and planned gift prospects will thus emerge from the annual fund.' (Dean, 1998)

Membership/friends schemes

These serve to bring lower level donors further into the organisation. Programmes generally offer donors the choice of a different range of contribution levels, each of which is accompanied by its own package of benefits. At higher levels of support the donor qualifies for premiums of a more exclusive or unique nature. Like the Annual

fund drive, these are essentially low to mid-value products and as such are communicated by relatively low-cost routes, such as via direct mail or over the telephone.

Major Gifts

Major donors are individuals who make sizeable personal contributions. The definition of a major giver varies from one organisation to another – defined by past giving and future goals, and the donor will also have their own perspective on what constitutes a significant gift for them personally at any time. These donors are amongst the most desirable sources of support for arts and cultural organisations. Major donors tend to be a reliable source of funding, making financial commitments that frequently extend over a number of years.

Unlike companies and foundations, major donors are not regulated by time frames, restrictive giving policies or committee judgements. They can give as much as they wish, with few or no bureaucratic strings attached. As major donors will have extensive contacts in business, political or social circles, they can themselves be vital sources of new prospects, and can be the most valuable of ambassadors.

Major donor support can have drawbacks – they may exert excessive influence if they are a major giver and are also a member of the board of directors, for example, and may wish to influence programming in such a way that compromises the mission of the organisation. Despite this possibility, the pursuit of the major gift remains the holy grail of US fundraising.

Major gift solicitation is the most prominent, and most frequently discussed area of fundraising in the US. As such there are a large number of practitioner texts available which deal with the process of solicitation, though very little information is available on major gift giving in the context of the arts in particular. It appears that the solicitation process is virtually identical across all nonprofit causes, though obviously the details of recognition, involvement and reward programmes will differ, as will the fundraising case for support.

For Kotler and Scheff (1997) 'Large gift prospects are the lifeblood of any fund-raising campaign'. A six-point plan is recommended for successful solicitation of major gifts: *discover and qualify, plan, involve, ask, negotiate and close, thank and plan.* Fundraisers firstly, through desk research, identify a wealthy individual who could conceivably have a strong interest in the organisation. They identify others who could supply information and arrange an introduction. They cultivate the person's interest in the organisation without requesting a gift and evaluate his or her capacity for making a large gift. Eventually they make the 'ask'. Upon receiving a gift they express appreciation and lay the groundwork for establishing further involvement. Throughout the process approaches are made on a personal level through face-to-face contact.

Hopkins and Friedman (1997) likewise map out the major gift process. They stress the importance of research and the involvement of the board of directors as well as development staff in the identification, cultivation and solicitation of big gifts. Research amongst current low-level donors for prospective big givers is

recommended, the theory being that some of these donors may have the financial capacity to make substantial gifts after appropriate involvement and cultivation. This view is upheld elsewhere in the practitioner literature:

'A person may give ten times the amount they give through the mail if they're asked face to face. Gifts through the mail are impulse gifts - when asked in person the donor must give a major gift more serious consideration. You have potential major donors hiding on your donor base'. (Reuther, 1998)

In the early 1960s G.T 'Buck' Smith developed a five-step process (with each step usefully beginning with the letter 'I') which has been described as the 'secret to securing major gifts'. : Identification, Information, Interest, Involvement, and Investment. These steps should comprise a continuing cycle seeking to nurture and develop those people who are committed to the nonprofit's mission. This has become known as the cultivation cycle or moves management theory, and is still taught today as the route through which an individual can be 'moved' through a cycle until the relationship is developed to the point of investment (Smith, 1997).

The old 80/20 rule is actually an understatement for many nonprofit organisations in the US, (Heetland, 1992) as it is now not unusual for 90% or more of the money to come from 10% of the donors. A proportionate share of development resources should be allocated accordingly.

'In most successful fund-raising efforts, the top gifts form10-15% of the goal, the top ten gifts are equal to approximately 40% of the goal, and the top 100 gifts will be responsible for 90% of what is raised – so a simple definition of major gifts then becomes the top 100 prospects' (Brock, 1989)

The five 'I's are actually the four 'R's: research, romance, request and recognition according to Ernest Wood (Wood, 1997) and the process parallels courtship and marriage. 'Recognition is probably the most important element of the fund-raising program' (Harrison, 1996).

'After pouring over volumes and volumes of do's and don'ts' Michael Luck (Luck and Evans 1992) recommends the following as key pointers in major gift solicitation: Be kind, courteous and fair (as the attitudes we take for granted in personal life are those that will make us successful in gift solicitation); remember that individualisation is everything and no two prospects are alike; keep donors informed and involved so that they know their gift is making a difference; let the prospect set the rules and make the pace, guide but do not limit them; listen to the donor, keep communications open and constant, and be patient.

Many texts on major giving emphasise the importance of the board directors and trustees and senior staff in the process. (Williams, 1991, Smith, 1997)

'Board member leadership is the action ingredient in major gift acquisition – an organization with a noble and important mission goes nowhere without personal commitment from a volunteer board.' (Dean, 1996)

The board of directors, trustees and the CEO are key in researching and providing links to high-level prospects, and in the solicitation and cultivation of their peers. Board members are also expected to contribute funding themselves, to provide 'lead gifts', to set an example of giving. The creation of a major gift committee is widely recommended where committee members agree to represent the charity to the community, contribute a personal leadership gift and work to provide and cultivate potential major donor contacts. Such a committee may also be responsible for identifying and researching projects for big gift funding, becoming almost a mini-capital campaign (Maude, 1997)

'*Studies show that strong, committed, informed boards that are involved in resource building make for financially healthy and respected organizations. Weak, inactive boards make for financially troubled and short-lived organizations.*' (Lawson 1995)

So 'Who should ask Whom for What amount When?' (Goettler, 1996). Each prospect may require a different solicitation strategy. The ask should be made by someone who is personally known to the prospect, and should sometimes be backed by more than one person. The prospect should suggest the gift size – any guidance by the solicitor may restrict the size of the gift, and the timing of the ask should also be set by the prospect, who will signal when the moment has come. The finding of major donors requires access (you must know them personally or at least know someone who can make the introduction), belief (the prospect must believe in your organisation's work) and ability (the financial ability to make the gift) (Reuther 1998).

Beyond the practical 'how to' guides, some recent practitioner texts begin to discuss the major gift decision-making process from the donor's point of view. It is accepted that the decision making process associated with major gifts is far more elusive than that entailed with the making of a small annual gift in response to a direct mail piece or telephone fundraising call. Major gifts are 'Stop and Think' gifts (Sturtevant, 1996) and involve a far more complex and lengthy process. As the gift decision grows in magnitude the donor will require a stronger set of motives for giving. There are likely to be more influences and inputs into the gift decision, and whilst the decision is emotional the donor is more likely to express decision-making parameters in rational terms.

'*A major gift is not something that donors do on a whim or a lark, or on the spur of the moment…They do not flow into an organization at the rate of one a week, and in all likelihood they do not materialize without a great deal of time, talent or effort attached.*' (Fredricks, 2001)

Any major gift is a well thought out personal decision, an investment, a bond or contract that binds the donor to the organisation.

Planned Giving

Arts and cultural organizations can offer donors a number of ways to give that are beneficial to both the organization and the donor. Planned giving options are vehicles by which major gifts can be given over time and with tax advantages. Planned giving is a huge growth area in US fundraising across all types of nonprofit causes. Also referred to

as Deferred Giving, Organized Giving or Charitable Gift Planning, it relates to the process by which gifts are encouraged and produced where:

- The gift is legally provided for in the lifetime of the donor
- The recipient organization has an interest in the gift, but full benefit is usually deferred until a point in the future (often the death of the donor) This date is specified in a legal agreement between the organization and the donor
- The donor may receive tax benefits as a result of their gift provision

Planned giving typically includes the use of (sometimes complex) tax advantage vehicles in gifts of capital rather than cash, and therefore requires the involvement of financial and legal professionals. Some gifts are revocable, others irrevocable commitments. 90% of planned gifts in the US come from individuals. (Tueller, 1994) Planned giving vehicles include bequests, gifts of Life Insurance, Charitable Remainder and Annuity Trusts, Charitable Lead Trusts and Pooled Income Funds.

Planned giving is typically a fairly low-profile part of US fundraising, relying as it does on long term development and a permanent presence – unlike capital campaigns which involve fixed date targets, high profile PR campaigns and events. The nature of planned giving is such that it works to projections rather than to fixed income goals, it is impossible to budget income with any precision – the process is characterised by patient long term development and investment. In accounting, a distinction is commonly made between revocable and irrevocable gifts, with income from revocable sources like legacy bequests categorised as very much a secondary output from planned giving activity. Capital rather than cashflow is the aim of planned giving programs, with nonprofits seeking to build the value of their endowments.

Like Big Gift solicitation, planned giving is research intensive and very time-consuming – desk research and face-to-face visits are used to gather data on the family circumstances, financial background and philanthropic ambitions of prospects. The planned giving fundraiser is expected to spend most of their time 'on the road' visiting prospective donors.

In seeking likely planned giving prospects from the database of existing donors overlaps occur with other fundraising sections, primarily relating to the annual fund and to big gifts. Overlaps are unavoidable; often the best prospects for planned gifts are the most faithful/generous annual fund donors, and many planned giving solicitations result in a big cash gift. The practitioner literature does not suggest any concrete routes for avoiding overlaps/conflict, but stresses that the various giving routes should be mutually supportive and that donors increasingly require that all the giving options be made available to them in an integrated presentation.

From the point of view of the nonprofit, planned giving can provide long- term finance and stability for the future. It is likely to be an area of fundraising with a very low cost/benefit ratio once an effective and professional program is established It is a high risk activity in some ways, as any mistakes are likely to be very costly, and could potentially even involve the nonprofit in litigation if bad advice or faulty administration can be proved.

Planned giving opportunities are marketed to existing donors and to other prospects primarily through face-to-face contact. Advertising is used to a limited extent, with creative executions commonly focusing on the financial advantages of a planned gift for the donor. As with big gift solicitation, the gift is always 'closed' at a face-to-face meeting. Literature is normally left behind at the face-to-face meetings to leave the prospective donor with detailed and tangible information for consideration after a visit. The proposition carried in the fundraising literature tends to position planned giving as the provision of financing tools which can fulfill a donors gift intent in a cost effective manner – a route through which donors can make gifts to nonprofits and simultaneously enjoy favourable tax consequences. Some fundraising literature places the service element to the fore, characterising a planned giving program as offering tax-exempt planning concepts and services which will also contribute funds to the chosen charity cause.

As with Major gift solicitation, several standard stages are likely to be followed through in the solicitation of a planned gift. Prospective donors will be identified and researched, especially in terms of their financial situation. The research may be part desk-based, and may also involve face-to-face interviews which would both be fact-finding and would also start the cultivation process. Prospects are then evaluated and ranked, in terms of net worth, likelihood to take out a planned gift, closeness to the charity and its mission etc. A prolonged and intimate one-on-one cultivation process is then undertaken, sometimes by the planned giving staff person, often by a volunteer representing the charity who is on a similar social and financial level to the prospective donor.

The cultivation process has to incorporate an element of education with reference to the financial products available for the planned giver. Again, this is likely to happen in a face-to-face charitable financial planning interview, where the planned giving fundraiser/volunteer may be joined by the donor's financial adviser.

When the time is judged to be right, the solicitation is made, usually by the volunteer, and often in the presence of a financial adviser. If a gift is made the last stage is a process of thanks and recognition, which is likely to be high level and perpetual, as a planned giving donor has in essence made a large investment in their chosen nonprofit.

Capital Campaigns and Special Events

Special events such as galas and benefits, have been a popular fundraising tool for many years. In theory they both generate income and raise awareness. Special event fundraising usually only requires the selling of the event itself, at premium prices. They are a good way to attract and retain donors who are attracted by the social networking aspects of philanthropy, and are part of every major donor programme as a means of recognition and cultivation.

Special events are notoriously labour-intensive and can lose money because of the high costs involved. As with all US major gift work, the most effective events employ volunteers at every level of operation, and involve a group of 'leaders' in event committees – prominent individuals with wide influence who will help generate funds through their prestige and encouragement of friends and colleagues to attend.

Capital campaigns can likewise be considered a subset of major gift fundraising. Institutions embark on a capital or endowment effort when they have a significant one-time need. These campaigns are intense efforts to raise a large amount of money over a finite period of time (typically three years). The emphasis in capital and endowment campaigns is on face-to-face solicitation of well-qualified prospects by volunteers. Outside consultants are often used to provide advice, and extra staff are often drafted in at every level.

Capital campaigns typically utilize a volunteer campaign chair and committee, who work through the operational side of the campaign and develop recognition and naming opportunities. Essentially the solicitation process is identical to that employed in any major gift work, with the difference being that in a capital campaign a specific 'product' can be offered to the potential donor. A pyramid of giving is often developed, whereby the organization calculates how many gifts of a particular size will be required in the timeframe. A 'lead' or 'challenge' gift will be sought, often from the volunteer committee members. 'Matching' gifts will then be sought, with contributions decreasing in size as the target amount decreases.

The specific, usually visually demonstrable nature of the need, and the time-limited nature of the campaign lend themselves to PR and events work – US capital campaigns are usually occasions for high profile 'hoopla'.

1.4 Individuals supporting the Arts – who are they?

Arts Patrons

Whilst little information is available on who donates to the arts, there is an extensive literature on arts patrons. Since the majority of those who support the arts significantly through private donation are likely to be patrons, these studies are relevant.

By 1978, over 270 studies had been conducted in the US alone (DiMaggio, Useem and Brown, 1978). These first studies were concerned with demographic profiling (Kaali-Nagy and Garrison 1972; Nielson and McQueen, 1974) and they confirmed what was intuitively believed; that arts patrons were higher in income, educational attainment and financial status, and were less likely to be from a racial minority group.

Some variations on this picture of the 'upscale' arts attendee came through in studies of particular art forms. Museum patrons were found to be lower in income and occupational status than performing arts patrons (Di Maggio, Useem and Brown 1978) and theatre patrons showed less variation from the general population in demographic and socioeconomic characteristics than other performing arts patrons. Theatre audiences also demonstrated less crossover patronage of other art forms (Baumol and Bowen, 1966.)

Semenik and Young (1979, 1980) found that frequency of attendance was important in segmenting attenders of opera. The frequent attender matched the upscale patron profile, but infrequent attenders were lower in income and educational achievement. Older patrons were found to be the most frequent attenders of ballet (Sexton and Britney, 1980). Studies of frequency of attendance were used in market segmentation. Belk and

Andreasen (1980) also looked at non-attendees, and found that the more traditional products, and 'famous' performers, were most likely to attract attendance. Levy and Czepiel (1980) identified variations in preferences for and attendance of musical events amongst middle-class patrons by age 'The consumers of opera, symphony and chamber music tend to be more mature and established members of the upper middle class' (p45).

In addition to these baseline studies of patronage additional empirical evidence has been gathered on specific aspects of patronage behaviour. Michaelis (1976) found that patrons begin as single ticket buyers, progress to multiple ticket purchases and eventually go on to become season ticket subscribers. Ryans and Weinberg (1978) found that the behaviour was not quite this rigid, but found that season ticket subscribers could be segmented into groups based on age and years of residence in the community. Barnossy (1982) also identified length of residence as a factor in season ticket purchase. Semenik (1982) found that season ticket holders to one performing art form tend to hold season tickets to several art forms, and Bhattacharya et al. (1995) proved a strong correlation between membership, visiting frequency and donating activity.

Levy (1980) looks at influences on patronage, and concludes that participation in the arts is related to mobility, aesthetic yearning, and social mobility. Andreasen and Belk (1980) have related life cycle to patronage of theatre and symphony. Six leisure lifestyles were profiled: the passive homebody, the active sports enthusiast, the inner-directed self-sufficient, the cultural patron, the active homebody and the socially active. The cultural patron and the socially active were found to be the most likely groups to attend theatre and symphony performances. These groups were found to be less dedicated to home-based activity and to have more outwardly directed lifestyles. Belk and Andreasen (1982) reported that the early and latter stages of a family life cycle (i.e. when children are absent) present the best likelihood of arts patronage. The same authors (1980) found that parental and childhood interest in classical music and live theatre were some of the most highly correlated variables to likelihood of attending symphony and theatre. It appears that socialization influences are instrumental in promoting adult patronage behaviour.

The findings of the literature can be summarized by specifying that the art patron:

- Is likely to be older, higher in income and education
- Is even more 'upscale' when frequent attenders are studied
- Can be cultivated to attend if a traditional programme or one featuring a 'famous' performer is offered
- Is more likely to be a season ticket holder if he/she has resided in the community for several years
- Is likely to patronize several art forms
- Is socially mobile and is motivated to attend through aesthetic yearning
- Is living a lifestyle that promotes outwardly-directed leisure activities
- Is in either the early or late stages of the family lifecycle
- Has been socialized to the arts as a child

Whilst such studies are useful in identifying and segmenting arts patrons, and can be used in the formation of marketing and fundraising strategy, the issue of audience is complicated by the fact that many arts organizations (especially if they receive any degree of state funding) perceive that part of their mission is to bring art to the public at

large, gaining maximum exposure for the artist and the work. This impacts on pricing decisions especially, as it is perceived to be more beneficial to have a greater number of people paying a lower price than vice-versa, because of the importance of access and exposure to the development of the arts generally.

Major givers

Limited information exists with reference to the characteristics of major givers to the arts in the US. The AAFRC Trust for Philanthropy annually publishes a listing of gifts of $5 million or more. Those (for the last available year) relating to arts organizations are reproduced as Appendix 1.

Data on giving through personal Foundations indicates that a substantial share of foundation arts funds is channeled through a tiny number of exceptionally large grants. These went to an even smaller number of premier arts institutions. Independent foundations consistently comprise the majority of arts funders.

Similarly, limited details have been published on major givers to the arts in the UK. The capital campaign for the new Tate galleries attracted big gifts from

'the older generation of eminent benefactors in the UK, and from overseas art collectors who view themselves as global citizens supporting an important international art museum. Less predictable was the emergence of a younger generation of donors in their 40s and 50s who have created their own wealth during their lives. This group tend to want more involvement and demand more imaginative donor care programmes.'
(Ballard 1999)

In terms of philanthropy generally, there are numerous texts published in the US which refer to the socio-demographic characteristics of big gift givers. They are likely to be people with a strong interest in and good knowledge of the charitable organization, are likely to have given in the past, and to have a personal contact within the organization at some level. 'They run the spectrum from a person who wants all the fame that money can buy to an anonymous donor'. (Fredricks, 2001)

Major donors usually have assets in mixed forms such as securities, real estate, retirement funds, insurance policies and savings. They are generally protective of these assets and cautious about giving them away. Some view the gift process as an investment and expect a return. They may involve lawyers and accountants in the process of giving, which can take years. Many support a range of nonprofits, and most will expect a significant level of communication and feedback from a chosen nonprofit.

Individuals with major gift potential are likely to demonstrate some of the following factors: Over 55 years of age, male, married, conservative, religious, approaching retirement, have a history of giving and involvement, hold mixed assets, a family foundation, a business and/or inherited wealth (Williams, 1991.) One practitioner piece provides composite 'sketches of some of the 'generic types of major donors' (Lawson 1995). These are: the corporate executive, the wealthy widow, the high-net individual (self-made), and those with inherited wealth.

US fundraisers will be familiar with a set of generational archetypes said to have repeated themselves with regularity throughout US history (Strauss and Howe, 1991) that are applied to donors:

- Idealist – a dominant generation which sets new goals and seeks change and progress and often sets the ideological framework for generations to come.
- Reactive – as the name implies, a recessive generation which reacts with pragmatism to its role as scapegoat, as the generation blamed for society's ills.
- Civic – a dominant generation that wins wars, builds social institutions and overcomes social difficulties.
- Adaptive – Once again a recessive generation which refines and improves upon the accomplishments of the Civic generation.

The Lost Generation: Born between 1883 and 1900, this generation is said to be of he Reactive type. They tend to leave their estates to the institutions or groups that nurtured them, such as schools, the church or their profession.

The GI Generation: Born between 1901 and 1924, this generation is of the Civic type. This group is described as collectivist. Members of this generation are dying today.

The Silent Generation: Born between 1925 and 1942, the Silent Generation is of the Adaptive type. Some believe that this generation will leave most of its money to grandchildren.

The Boomer Generation: Born between 1942 and 1960, this dominant generation is of the Idealist type. 'The fundraiser must discover constructive ways of engaging Boomers in hand-on experience that gives moral capital to a grand moral movement' (Eastman 1995)

Generation X: Born between 1961 and 1980, this generation is again Reactive.

The Millenials: Born beginning in 1982, this generation is (or will be) of the Civic Type.

Each of these generations has their own distinctive financial style, and each require very different communications from fundraisers if they are to be encouraged to give. Judith Nichols (1995) recommends that this information be utilized in major donor research and cultivation, especially in gaining an understanding of the triggers involved in effective communication with the different generational groups. She also predicts that planned giving will become key to 'unlocking major gift commitments' amongst maturing individuals in the years ahead.

The same generational archetypes are relevant in the UK although the experiences of previous generations have obviously differed from their US counterparts and the bandings would therefore have to be altered to reflect this. The central precept of this sort of segmentation, i.e. that philanthropic and communication habits are often formed in youth, and that each generation will tend to react against the values and practices of the generation that went before it in a cycle, hold just as true in the UK. The use of generational archetypes is especially relevant in discussions on shifting communication routes, with many charity organizations now attracting younger cohorts of donors and in

consequence having to add Internet, email and SMS to their portfolio of communication vehicles as this younger audience do not respond to the mail or the telephone as their predecessors did.

Research conducted by the Boston College Social Welfare Institute (Schervish and Havens, 1995) examined the connections between philanthropic giving and wealth in the USA. One important contribution of the analysis was to correct the popular misconception that lower-income households were more generous than upper income households – it showed lower and upper-income households to be equally generous, whilst very high-income households were shown to be markedly more generous. Amongst the wealthy:

'Virtually all the rich are contributors, they donate very large amounts to charity, and they give greater proportions of their income to charity than the poor or affluent. Fundraisers generally do not need to turn the wealthy into donors, usually that has already occurred'. (p87)

1.5 Why do they give?

Nonprofit donors

Many studies have looked at specific aspects of giving to charity (Buzzell 1970, Fox and Kotler 1980, Lovelock and Weinberg 1984, Kotler and Andreasen 1987, Fraser et al 1988, Varadarajan and Menon 1988 and Guy and Patton 1989). A few have tried to bring together the literature and put forward a broader view of why people give to charity.

Burnett and Wood (1988) in particular moved this work forward, but concentrated only on the differences between givers and non-givers. They did not look at how particular causes are chosen, or at aspects such as the likely level or duration of support. Sargeant (1999) has consolidated the marketing, economic, clinical psychology, anthropology and sociology literatures and has put forward an inclusive and convincing model of donor giving behaviour**,** reproduced here in Appendix 2.

Some US authors put forward a functional approach as the best way to understand charitable giving (Clary and Snyder, 1995), looking at what purposes are served from the donor's point of view by giving money and seeking to guide nonprofit organizations in the task of matching motivations that are important to the donor with the opportunity to give a donation.

Schervish has published a number (for example Schervish and Havens, 1997) of pieces developing and testing a multivariate causal model of the social, demographic, economic and cultural determinants of individual charitable giving which detail identification and the centrality of communities of participation in successful fundraising.

Major givers

'What motivates the wealthy is very much what motivates someone at any point along the economic spectrum. Identify any motive that might inspire concern – from heartfelt

empathy to self-promotion, from religious obligation to business networking, from
passion to prestige, from political philosophy to tax incentives – and some millionaires
will make it the cornerstone of their giving' (Schervish, 1997)

Those who hold great wealth and direct it to social purposes also invariably want to shape rather than just support a charitable cause. Schervish has summarized this tendency by labelling wealthy big givers as 'hyperagents' – people capable of establishing the institutional framework in which they and others live. His research has also looked at the spiritual foundations of giving by the wealthy, and at the associations and identifications which motivate giving by this group. To summarise, he has found that the level of contribution depends on the frequency and intensity of participation, volunteering and being asked to contribute, that larger gifts are generated from those already making substantial gifts, and that generally, charitable giving amongst the wealthy derives from the forging of associational and psychological connections between donors and recipients (Ostrander and Schervish 1990.) The main determinants of charitable giving by the wealthy are outlined as follows:

- Communities of participation
- Frameworks of consciousness (beliefs, goals and orientations that shape values and priorities)
- Invitations to participate
- Discretionary resources (time and money)
- Models and experiences from one's youth
- Urgency and effectiveness (the desire to make a difference, a sense of how useful or necessary charitable assistance is)
- Demographic characteristics
- Intrinsic and extrinsic rewards (including taxation) (Schervish 1997)

Schervish (1993) has found that self-identification is the key to the donation behaviour of this group:

'Donors contribute the bulk of their charitable dollars to causes from whose services the donors directly benefit. It is not by coincidence that schools, health organizations and (especially) churches attract so much giving. It is here that donors, because they are also recipients, most identify with the individuals whose needs are being met by the contributions.'

Hyperagency does not mean that all wealthy major givers achieve major innovative philanthropic interventions, but they are more likely to than givers in general. Some become proactive producers of philanthropy rather than passive supporters of existing projects or causes – when a wealthy contributor provides a sizeable enough gift the whole agenda of a nonprofit may be changed and the giver becomes the producer or architect of the work.

As well as the inclination to make a difference in a significant way, the top wealth-holders also have the material wherewithal and the tax incentives to do so. There is clear evidence of a growth in wealth in the US. There are now almost four million millionaires, and every indication that the percentage of affluent and wealthy households will continue to grow, with larger and larger numbers of American household achieving the resources for modest to substantial philanthropic giving:

'It is the first time in history that large proportions of a population can materially afford to consider charitable giving as a principal component of their financial strategy and moral agency.' (Schervish 1997)

Other literature on the reasons for giving major gifts apply classic theories of motivation to fund-raising (Williams 1991) and map out motivations as: religious belief, guilt, recognition, self-preservation and fear, tax benefits, obligation and pressure (Schneiter, 1990), with other factors listed as: acceptance, altruism, appreciation, enlightened self-interest, approval, being asked, belief in the cause, community interest, competition, gratitude, immortality and sympathy. The practitioner literature promotes involvement as the primary motivator for a major gift.

There is a debate in the literature on the importance of tax incentives in the giving of major gifts. It is agreed that tax is important, especially with regard to the timing and the size of any gift. Practitioners appear to conclude that tax incentives are unlikely to 'spark' the giving of a gift, although they are important in enabling the donor to retain control of their money. As such, legal and financial advisers are seen as important as players in the major gift scenario. Affluent people are accustomed to making financial decisions based on reason, so although the initial prompt to give may be emotional, a nonprofit has to be prepared to provide a valid and fact-based rationale to affirm the initial emotional response (Goettler, 1996)

'Major donors give because they are asked, they give to people, and they give to meet opportunities not to meet needs. They want to make an impact; they want to change the world.' (Lawson, 1995)

1.6 Current US Fundraising Debates

September 11th and the Economy

For the current US generation September 11th 2001 has become what Pearl Harbor was to their parents and grandparents, a date of stunning sorrow followed by a huge patriotic and philanthropic response. After September 11th and the outpouring of donations for relief and recovery efforts, many thought that giving would be undermined by the sour economy and by concerns about the effective distribution of the donations. In fact, giving rose slightly by an amount consistent with US economic recessions since 1971.

Giving in the US in 2001 remained above 2.0% of Gross Domestic Product, as has been the case since 1998. Individual giving remained at 1.8% of personal income, and corporate giving rose to 1.3% of pretax profits. The economic slowdown produced giving levels from individuals (where decisions are based on income and assets) very close to the average seen in previous recessions. Foundation giving is closely tied to asset values and hence to the stock market. However, new gifts to foundations and grantmaking in response to 9/11 produced growth of 5.4% in 2001. Corporate giving was powerfully motivated by 9/11. The total amount given by corporates in 2001 fell by 12.1%, but because pretax profits fell more sharply, corporate giving is 1.3% of pretax profits, a higher level than last year. Lower stock prices might explain the drop in bequest giving of 4.5%.

The difference between recession-year giving and giving in years of economic growth is less pronounced in the arts sector than in any other.

Demographic change

Traditionally major gifts have been funded by older wealthy donors who usually give from their assets and reserves rather than from their income. Fundraising managers in the US are now being encouraged to target baby boomers (those aged 30-54) with planned giving products such as insurance endowments, enabling these often very affluent people to support charities significantly at a reasonable cost, and in a way which doesn't consume very much of the donor's time (Warr, 1993)

Women

'*Success in capital campaigns and other major gift appeals will depend more and more on womanpower in the decade ahead. Women are gaining a growing importance in campaign leadership and as a source of big gifts.*' (Whitley and Staples, 1997).

The increasing importance of women in US philanthropy is a current topic of debate in US fundraising circles. In the realm of major gifts, many women are due to become the wives and daughters of wealthy men – or to have a huge income in their own right. According to the IRS, over 40% of top wealth holders are women. Models have been developed to aid in the development of a different fundraising approach tailored towards female philanthropic prospects:

'*Women's motivations for giving are different and can be summarized in six words beginning with the letter c: create, change, connect, collaborate, commit and celebrate.*' (Taylor and Shaw, 1997.)

Wealth transfer

A 1993 study of Federal Reserve wealth data (Avery and Rendall, 1993) estimates that baby boomers ranging in age from 30 to 49 will share a $10 trillion transfer from their aging parents. Not surprisingly much attention has been devoted to this in philanthropic circles. 25-35% of the intergenerational transfer will occur among the wealthiest families.

Stewardship

A key and current concept in US fundraising is that of 'stewardship' – the idea that, as best practice, fundraisers should become responsible guardians of donor assets that are held on trust for the public good. As such stewardship focuses primarily on concern and respect for the needs and rights of those who give and of those who receive – the beneficiaries of the charity organization. The ultimate extension of stewardship would be a scenario whereby a fundraiser would be employed by donors rather than by nonprofits.

Stemming from Judeo-Christian tradition, (Jeavons 1997) stewardship now implies a deep burden of trust, responsibility and accountability for the proper management and administration of the resources under the steward's care. Within the context of contemporary nonprofit governance and management, the role of steward and its corresponding obligation of stewardship is used to apply to any person in a position to manage or account for financial resources: trustees, the Chief Executive Officer, the Finance Director, and fundraising staff.

Fundraising stewardship incorporates acknowledgement, recognition and gift management and is closely bound with ethical philanthropy practices.

'Stewardship is trust, responsibility, liability, accountability, integrity, faith and guardianship.' (Conway 1997)

Planned giving sits particularly within this construct of stewardship, with estate and financial planning seen as an opportunity to service the needs of the donor and facilitate their philanthropy, requiring the nonprofit to look towards the longer term and take an active role in the stewardship of the assets entrusted to them. Reports on asset management and investment performance are fed back to the donor as stewardship reports, increasing the confidence of the donor in the investment advice of the nonprofit/the nonprofits financial representatives.

'Major gift stewardship is the continuous personal interaction and information exchange that you and others from your organization have with your donors. It paves the way for your donors to make repeat larger gifts. It is a form of cultivation.' (Fredericks, 2001)

Planned giving

Planned giving is the fastest growing field of philanthropy in the US, and represents some 40% of all fundraised income. Increasingly, financial products for planned giving are being promoted by financial and legal advisors and representatives as well as by fundraisers (Hartsook, 1993.) There are concerns in philanthropic circles that this may mean that planned giving may become a technical and depersonalized area of fundraising, and that the marketing of planned giving products may become overly aggressive, commercialized and competitive.

1.7 Current UK Fundraising Debates

Testing the US Major Giving Model

Relatively few UK charities currently undertake major giving programmes though the numbers are growing. Most are reliant on regular giving and one-off donations solicited through direct mail, and on legacies. In the legacy field, many charities are now developing face-to-face techniques in terms of legacy officers and volunteer legacy visitors.

Although the size and success of major gift solicitation programmes and techniques in the US is well known, a huge cultural leap has still to be taken before the UK nonprofit world follows suit en masse. One of the main problems faced by UK charities lies in the

lack of recognition amongst Trustees and Board members that they are required to become personally involved in donor solicitation if major giving is to run successfully.

Tax Incentives and Planned Giving

The Gift Aid regulations introduced in 2000 have been welcomed by UK charities. Although the tax incentives offered to individuals through the new regulations should encourage major giving (through the tax effective giving of stocks and shares, for example) UK charities have not so far utilized this advantage to the full. The Giving Campaign and several of the major charities are working to encourage giving through these routes.

The new tax regime in the UK means that charities and financial service providers are now well placed to begin to design and develop the sort of planned giving products which are so successful in the US.

In the U.K. to date charities have tended to fight shy of links to a financial service institution because of the poor publicity accruing to the financial service industry in recent times. There are also fundamental cultural hurdles to jump since the majority of charities do not view themselves as yet as being in the business of providing stewardship of their donors. Whilst the sector understands all too well the necessity of providing adequate stewardship of the gifts it receives, it has yet to offer a more holistic approach to its donors where their needs are more adequately taken into consideration.

It may therefore be argued that the broadened concept of stewardship that has done much to fashion the design, acceptance and success of financial services products within the US fundraising process in the last 20 years, is little understood by the fundraising community or the financial services sector in the UK.

The most forward-thinking UK charities and financial institutions will doubtless be investigating and testing planned giving ideas in the near future. Those that succeed in designing and marketing suitable products are likely to find new donor audiences and release significant new funding.

Section 2 – Primary Research

2.1 The Primary Study

Having ascertained that there is a lack of available information available on major giving to arts causes in the UK, we developed a question guide to be used in semi-structured interviews with a sample of major donors.

Interview Schedule

What do you see as the most worthy causes for support?

Why?

How did you first hear about (the organization/s you support)?

How did they contact you to solicit your first major gift?

How did the approach make you feel?

What would you consider the strengths and weaknesses of the approach?

How were the details of the gift decided upon?

Did you have any specific objectives in giving the gift? (Recognition, hyperagency)

How has the organization maintained contact with you subsequently?

Would you support them again? Why?

Why do you feel that the arts are particularly worthy of your support?

How would you describe your relationship with the arts and with arts funding?

Have you ever refused to give after a bad solicitation experience?

The questions were designed to probe the motivations for giving to the arts, to look at how interest and support had originated and developed and to examine the donor's experiences of solicitation and their reaction to the various methods to which they had been exposed. Using some of the US theories and findings as a guide, it was hoped that we could draw some conclusions about the differences there might be between US and UK arts donors, and give some guidance for UK practitioners as to what forms of fundraising and fundraising message might be most effective.

2.1.1 Methodology

Eight interviews were conducted over a three-month period, seven over the telephone and one face to face. Two of the respondents were female, six male. The donor names were provided by Arts & Business, who obtained them from arts organisations affiliated to A&B. All respondents are currently classified as 'major donors' by the organisations they support, and all had given more than one significant gift. The prospective respondents were sent a letter explaining the research and requesting their participation. This letter was followed up with contact from the researcher to set appointments. All those approached proved happy to participate in the exercise, although work and other commitments prevented the participation of some prospective respondents. All the donors interviewed proved open, approachable, well informed, and very happy to take part in the project.

2.1.2 Results

The results of the interviews are presented first by examining the responses grouped under several key themes that emerged during the interview process. We then go on to examine the results against some of the theories presented in the literature to reveal similarities and differences between (mainly US) theory and the experience of talking to UK donors.

Organisations supported

The donors interviewed supported a range of different arts organisations, namely opera companies, a theatre, national and local art galleries, national and local orchestras and a college of music. Each respondent reported that they concentrated their support on one or two 'favourite' organisations, and that these organisations (where more than one received support) tended to work in the same branch of the arts – i.e. the respondents could be categorised broadly as supporters of opera, theatre, the visual arts or music.

I support a gallery which operates near my home in London – that has been my major project for a couple of years now and has absorbed most of my charity giving and energy

I just give to one group – that is the best way I can help

In every case the association with the favoured organisation/s was of fairly long standing, and originated either from attendance at events as a patron and/or through personal contact with performers, staff or existing donors/founders. One respondent had begun their support through a family link to an organisation.

All the respondents viewed themselves as supporters of the arts in general, and were attendees/patrons at a variety of arts events, ranging across the different disciplines. However, respondents also tended to define themselves in terms of the particular form they were most supportive of, for example; opera, contemporary art or music.

Development of relationship

Respondents were then asked how the relationship with the chosen beneficiary organisations had started, and how it had developed over time. As mentioned above, in the majority of cases the first contact for the donor with the organisation had been as an audience member or visitor.

I can't recall a time I wasn't involved in Opera – I grew up with it. I was first involved purely as a member of the audience

The orchestra is very high profile – I guess I came to it through attending performances but it is one of those national institutions that you just absorb in your youth! The gallery is one that again I visited – but I only really got involved when I moved to the same area of London and it became very local to me

Even where this was not the case, and the donor was introduced to the organisation through a personal contact, direct experience of the 'artistic product' was an early and key part of the process.

For most of the respondents the first fundraising 'ask' was low key, and was linked to their patronage:

I don't remember a specific approach – all the literature makes you aware that the company is dependent on sponsorship and private donations and this also comes through in conversations – I don't think I ever came across a professional fundraiser – or if I did they were effectively hidden away!

The experience of the progression of 'asks' tended to be that the supporter was first offered the opportunity to become a 'friend' or 'member', with such 'introductory' products offered primarily as a means to acquire regular news on events and programmes, and/or to benefit from preferential booking arrangements. Many of the respondents reported that they tended to give at the highest levels requested in these approaches, and/or to give an additional donation at this point (e.g. They would become 'Life Members' rather than 'Ordinary Members' or 'Patrons' rather than 'Friends') This did not at this stage indicate any 'special' interest, but was due to the donor feeling that they were comfortably able to give at the higher levels, and broadly that they wished to demonstrate support for the organisation and the work it produced. The respondents who discussed this thought it was likely that this initial gift had probably singled them out as a 'wealthy prospect' and had no problem with this.

I think I signed up as a Friend of the Gallery – really at that stage just as a means to getting sent information about exhibition programmes and so on. They offered the opportunity to give at various levels. I think I was then asked to 'sponsor' a new acquisition

Many of the respondents reported that the fundraising process whereby they were encouraged to give more and more significant or committed gifts over time was experienced as a 'natural progression'. Some mentioned that they felt that the

organisation could have approached them for a greater commitment at an earlier stage, and criticisms and comments were offered about some aspects of the fundraising techniques utilised (these are reported later) but overall the approach to fundraising taken by the organisations was viewed as appropriate and inoffensive.

I'm sure I have been a 'Friend' or a 'Patron' along the way and have followed the usual steps in giving more and getting more involved – being brought closer in – but this seemed a natural development and I didn't feel imposed upon at any point. Sometimes I think this was achieved through professionalism – sometimes exactly the opposite – sometimes the staff seem quite amateur – but charming and well-meaning and passionate and that gets the same result

The importance of personal contact in major gift solicitation

I have enough money to be able comfortably to support at a fairly high rate on a regular basis so I have subscribed to a few organisations as a patron or sponsor or benefactor (whichever terminology they use). With the gallery I am invited to viewings and discussion events – after these I have got into conversation with the staff and with the artists themselves at times – and the conversation naturally turns to the needs of the gallery and the various ways that individuals can help

In the majority of cases the first gift considered by the donor to be significant was given in response to a face to face approach. The only exceptions to this were gifts given in response to a mailed invitation to donate to a high-value committed giving product e.g. 'Sponsor a work of art'.

If I was asked face to face for help with a project I support – and <u>by a person I knew was genuine and knowledgeable</u> – I don't think I would ever refuse unless my financial circumstances changed radically

In addition to this, many of the donors reported that they tended to discount the paper-based fundraising communications they received, especially after the first major gift had been given and they felt that the relationship with the beneficiary organisation had moved onto a more personal level. Communications from the organisation were still welcomed as information and feedback, but tended not to be seen as appropriate.

I receive countless mailings – most of which I don't get time to read but they are welcome. They only really need to keep me informed – as I said I'm very keen anyway so I will tend to turn up at events and they can talk to me then

I ignore paper-based requests all the time – I don't really count that as a refusal as I never feel it is really aimed at me

Contact with 'creative' staff and performers

Several respondents mentioned the importance of personal contact with the 'doers' at the organisation, and said that these staff were in their opinion the most effective spokespeople and fundraisers. Gifts were consequently given in response to requests from curators, artistic directors or performers – people admired by the donors and felt

to be part of the creative product. Interestingly, though all of the respondents were aware of the existence of fundraisers and administrators, these staff were consigned to the background and it was commonly felt that fundraisers (though necessary and important) should remain invisible in the process.

I have never been aware of talking to a fundraiser as such – they have remained in the background – my contacts on a personal level have been with the 'doers' – the Director and curators and so on – they are the people who I love to see because they can teach me so much and they also talk about the needs of the Gallery with such straightforwardness and vision

Involvement

The ability to be involved at first hand with the artistic product was cited by every respondent as a key motivation for giving to the arts. Three respondents used the word 'selfish' of themselves in that by supporting arts organisations they were funding their own entertainment – supporting an activity from which they personally derived a benefit.

In giving to them I'm being a little selfish, in a way – I directly benefit from them – whereas I don't get anything back if I support a medical charity, for example, although a medical charity may actually be more worthy in the great scheme of things. Giving to some charities probably requires a different level of altruism

I don't necessarily think that are is the most worthy cause – obviously helping the poor in the third world or finding a cure for a terrible disease is essentially more worthy – but for me personally I like to follow my own interest – which isn't terribly altruistic or awe-inspiring. For me art is important and widening the appeal of art and enabling more people to experience it and enjoy it and learn about it is something I would like to help with

One respondent expressed the opinion that arts organisations have an 'unfair advantage' because they could involve donors so easily with so many aspects of their work - as spectators or audience members, through social events, through educational programmes and so on.

It must be easier to get people to give when they will themselves be involved in the outcome, in the performance

The respondents had all attended social events such as exhibition launches or gala nights, and some were involved in other initiatives:

I enjoy being with musicians and some of the companies give the opportunity to be more involved with the people and with the performances – they involve you in the behind the scenes work and the planning – offering you the chance to view the costumes and talk to the director about the slant he is going to take on a future performance – you start to get involved as a participant rather than just a spectator

Two respondents had become active in the organisations they support, both as Board members. In both cases this had been relatively short-lived, and had not been hugely

satisfactory. In both cases the recognition was appreciated and the responsibility was welcomed, but the constraints of time and pressures of organisational bureaucracy proved heavy over time.

I served as a board member for a small local orchestra for two years – that was enough – money is much easier to give than time.

Generally the wish for involvement remained passive – the donors wanted to know more about the organisation and to 'get closer' to the artistic product, but were not interested in influencing the nature of the product themselves.

Recognition

Most of the donors interviewed said that public recognition was not important to them, though all welcomed the personal benefits that they had been offered as a result of their giving.

I wouldn't respond well to having my name on a plaque or on the back of a seat – seems rather tacky to me. I don't enjoy lavish displays of gratitude. I guess I get preference in terms of tickets which is useful in planning your year – many of the performances are over-subscribed especially at Garsington so being known as a supporter works as an insurance policy in terms of ensuring that tickets will be found for me – but my main return is the pleasure myself and my family get.

The more 'public' displays tended not to be favoured, whereas more private, discreet and personal acknowledgements were viewed as appropriate. In some cases a 'businesslike' tone was used with reference to the acknowledgement process:

I have been shocked a couple of times at the length of time it has taken to provide me with a receipt for my donation – not that I need effusive thanking – but I do like to know that it has reached them safely and I do need the paperwork for my own records.

Corporate versus personal giving

Two of the respondents were involved in giving through their companies as well as on a personal level. In both cases the motivations for giving and the reasons for the selection of a particular organisation were very similar. One gave through his family business to the same organisations he supported personally. The other talked about the differences in selecting a project for support when viewed from the 'corporate' angle:

On a personal level I am happy to give to the general work – in business terms it is more important to be able to demonstrate to the Board and to shareholders exactly what is being achieved with their money – so we tend to go for projects or for schemes or events which are directly visible and measurable. I realise that this may make life more difficult for the charities but I think it is a mistake they often make – businesses need to be accountable so the charities need to be too.

It was clear from the interviews that a very 'grey area' exists between personal and corporate giving to the arts in some cases.

My company is a family concern anyway so the dividing lines between the two are muzzy – the gifts are split more in terms of what's best for the tax return and the accountant – the causes we support through both are the same

Childhood experiences

Many of the respondents mentioned that they had been educated to appreciate and support the arts in childhood. In some cases their parents had been employed in the arts field, or were amateur performers etc. in their leisure time.

I can't recall a time I wasn't involved in Opera – I grew up with it

I was brought up in a family where art was a main hobby – both my parents were musical and my mother painted. Holidays were nearly always forays into culture and there was a regular timetable of visits

My mother was a theatrical agent so I was always taken to the theatre and I always understood how difficult the finances can be

I can hardly remember – I visited galleries with my father when I was a child

Family/social aspects

All of the respondents cited the importance of the arts socially, either, if they had a family, as a source of shared family entertainment, or, if they were single, as the bridge into a social network. There was agreement that this tended to be linked to their support, in that social events were a main forum for introduction to individual representatives of the organisation and hence to solicitation and giving. There was also a feeling that both events and giving were partially linked to the availability of leisure time.

My whole family gets the benefit

In recent years my wife and I have had the time to catch up a bit and go to some of the functions – many of our friends are the same so it's something that tends to bring us together.

Educational aspects

One of the respondents viewed her involvement with arts organisations as a means to advance her own education. Several mentioned the value of the arts in education more generally.

My main leisure interest is in the arts – I have always regretted not having studied more in that area so it is really a process for me of learning and experiencing and appreciating along the way

Socio demographic and lifestyle information

We did not seek to gather any information on socio demographics or lifestyle in the interviews. However, some information of this nature was offered and/or was evident through the interview process.

All of the respondents were aged over 45, and were extremely well-educated, articulate and self-confident. All lived in London or the South East, and all regularly visited London socially. All the respondents proved very aware of some of the issues surrounding arts marketing, management and fundraising, either purely through observation, or through experience and knowledge gained through business. Whilst most of the respondents had been involved in business and had generated their wealth themselves, they clearly also came from 'comfortable' family backgrounds.

Criticisms of fundraising

As mentioned above, the respondents were generally happy with their experiences of the fundraising process. However, some criticisms were offered, primarily in two areas.

Tax

Four of the respondents felt that the organisations they support had not taken full opportunity to exploit the tax allowances available to encourage charity giving. These respondents were very well-informed on tax and financial issues, and felt that charities generally may be losing potential income.

One thing that I've not been approached about, which has surprised me, is about tax incentives and the tax arrangements that I understand can now be made. I'm aware that the costs of giving have gone down in recent years – but noone has got in touch with me to talk about that, which is a shame and I suspect a big missed opportunity.

The charities I have experienced have also been pretty slow on the uptake on tax – both personally and especially on the corporate side – I have often been in the position where I am teaching them about the routes that are available. I spend a lot of time in the States and they are much more developed out there in terms of letting donors know what the options are and how the cost of giving can be managed for them.

Reticence

Many of the respondents said that they could have been approached and asked to give earlier in their relationship with an organisation. They cited a 'Britishness' in terms of reserve and reluctance to ask for a gift. This was especially the case once donors had attended events – with the feeling being that once money had been spent on entertaining them they should really be asked to 'pay back'.

It was quite funny – we were invited to go several times to events by the Principal – nice events – and we ended up having to go to the Principal ourselves and say 'Do you want any money?' Quite extraordinary – someone has got to close the deal!

The need to ask for specific amounts was likewise raised, with respondents saying that they tended to be asked for less than they would be prepared to give. The importance of asking for repeat gifts was also stressed, and two respondents mentioned that they would be prepared to commit over a long period if the case was made to them.

I'm a businessman – I'm aware that it must cost time and money to keep having to go back and ask. If the case was made I would be prepared to give a gift, say over a three of five year period – I would invest over time. And it wouldn't need to necessarily go to a definitive area'.

Reaction to bad experiences

The donors interviewed demonstrated a great deal of loyalty to their chosen organisations. This loyalty was expressed as being felt towards the organisation, the cause or the artistic product rather than to staff members or individuals. They took a long term and mature view, and seemed more likely to be upset by change in artistic direction or policy than by an ill-judged fundraising approach. Again, their experience in business plays a part in this as they were generally very aware of how organisations are structured and how communications can break down.

I think it would take a great deal to put me off – I would be annoyed if the fundraising became insensitive or openly salesy but I am giving because the product and the experience is good and I would keep that at the front of my mind

Section 3 – Practical Lessons and Recommendations for Practitioners

Broadly speaking the interviews bore out the main theories put forward in the literature on the likely attributes of a major giver to the arts. Our respondents corresponded to the specifications of a 'typical' arts patron in being:

- Older, higher in income and education
- Likely to patronise several art forms
- Socially mobile and motivated to attend through aesthetic yearning
- In the early or late stage of a family lifecycle (late stage in the case of those interviewed)
- Socialised to the arts as a child

Other common attributes identified in the US literature on arts patrons refer to the importance of locality and length of residence in a given community. UK geography is such that this was always likely to be less relevant here, and only one respondent mentioned locality as an important factor.

The main determinants of charitable giving by the wealthy in the US have been identified by Paul Schervish as:

- Communities of participation
- Frameworks of consciousness (beliefs, goals and orientations that shape values and priorities)
- Invitations to participate
- Discretionary resources (time and money)
- Models and experiences from one's youth
- Urgency and effectiveness (the desire to make a difference, a sense of how useful or necessary charitable assistance is)
- Demographic characteristics
- Intrinsic and extrinsic rewards (including taxation)

Amongst those interviewed most of these aspects were important. Respondents were definitely prompted by preferences formed in their youth; time and money were key in terms of the ability to give and to participate, and the donors interviewed tended to feel part of a close-knit association of supporters of specific organisations, as well as feeling that they were part of a wider group of 'those interested in the arts'.

Invitations to participate were important in prompting giving, though the line between the opportunity to give and the opportunity to view/patronise was blurred. To an extent the respondents evidenced similar 'world views' and value systems, though this area was not probed. This was also the case in terms of demographic characteristics, although as mentioned above, locality/local community was not important in the same way as it might be in the US state system.

The other major finding in the work of Schervish amongst US major givers, namely that self-identification is key to the donation behaviour of the group, proved correct for the individuals interviewed, all of whom donated the bulk of their charitable monies to causes from whose services they derive direct benefit.

Although it must be remembered that our research involved a very small number of donors, whose views might well not be fully representative of the majority, several clear themes emerged from the conversations that may be of use in guiding future fundraising strategy and tactics, especially in the design of contact strategies for potential and existing major gift donors. Likewise, our survey of the (mainly US) literature might provide some valuable pointers and recommendations for future practice.

- Identifying major gift prospects

The available data and evidence would suggest that any supporter database is likely to contain a number of potential major gift prospects. The methods of identifying and cultivating these prospects are fairly well established, as are the problems associated with this exercise, which commonly involves a huge amount of desk research and is very time-consuming. However, the importance of major giving in US fundraising, where some 90% of income comes from just 10% of donors, points to the importance of this area and to the eventual profitability of this form of fundraising approach.

Most of the donors we interviewed would have been identified as potentially wealthy through research into publicly available information sources. The interview respondents tended to give at relatively high rates throughout their relationship with a charity, subscribing, for instance, at the top rate within 'Friends' schemes etc.

- Archetypes and demographic grouping

Demographic change is a major factor for consideration in longer-term strategy and planning. The rise of a new segment of affluent younger donors may require the development of new fundraising strategies and products to maximise their potential to engage and to give, and younger donors at all levels of giving need to receive communications through new routes, such as via email, text messaging and the web rather than through the post.

The gathering of information on the age of donors is obviously key to any planned segmentation of this sort. The generational archetypes utilised by US fundraisers and fundraising academics may, with UK variations, prove a useful way to think about donors and to drive forward appropriate creative messages and triggers.

- Donor motivations

Information on what motivates donors to give major gifts to arts organisations is relatively scarce and undocumented. However, there is an extensive literature available on the general motivations of charity donors that is useful in designing

fundraising strategy, and in creating fundraising communications. General observations will always require testing and validation in any particular case but can provide useful guidance and explanation for donor behaviour.

- Initial approaches

The donors we interviewed were all brought into fundraising contact with the organisations they supported through involvement with the creative product. This is unsurprising, but points to the importance of capturing the data on all enquirers/ ticket buyers/visitors/ attendees. In many cases our respondents were initially brought closer to the organisation through an event of some kind, often via an invitation to attend an event on a privileged basis. Event attendance provides the opportunity both for the prospective major giver to become more involved, and to facilitate face-to-face contact.

- The importance of tax

Generally speaking the donors we interviewed were critical of the use which arts organisations are currently making of the available tax effective giving mechanisms. Tax was not typically a major personal motivation for them, although it could affect the size and timing of any gift. The donors perceived that the charities they support should be utilising tax efficient routes heavily and were critical of those organisations that seemed to be less well informed on the subject.

The giving of stocks and shares, and the opportunities for higher value taxpayers would seem to be areas which would be of interest to many donors and which would consequently repay investigation and promotion.

- Overcoming reticence

UK arts organisations were criticised in the interviews for a lack of courage when it comes to 'closing the sale' and asking for a gift. It would seem that some UK donors are closer in attitude to their US counterparts than had been imagined. There was a marked horror of high-pressure 'sales' techniques, and a clear indication of the importance of selecting the right person to make a personal approach. There was also a very 'common sense' view that arts organisations should only invest in events and personal service levels if they are going to request funding.

The right moment to 'make the ask' is very difficult to judge and each donor will typically have different requirements. Making a face-to-face request for funds is often a hated part of a fundraisers work, and is perhaps an area where more training is required if opportunities are not to be missed.

- Face to face contact

In every case amongst our sample the first major gift was made in response to a face-to-face approach. The literature likewise points to a personal approach as the only effective way forward in major gift solicitation. One further point of interest in our interviews was that once a major gift had been given the donor tended to expect all

subsequent solicitation to be carried out in the same way, tending to view subsequent postal appeals as not 'for them'.

- Use of creative staff/performers in the process

Many of our interviewees were not aware of the fundraising staff at the organisations they supported, tending to have contact with senior management staff or artistic/creative staff. Donors repeatedly cited 'knowledge, passion and sincerity' as important in the person making the ask. This fits in with US experience, where donor involvement and interaction is often viewed as emotional as well as rational. Events are commonly viewed partly as opportunities to come into contact with creative staff/artists.

These findings would suggest that creative and senior staff are essential to the major giving process, and must support and 'buy in' to the major gift initiative if it is to prove successful.

- Donor loyalty

The donors we interviewed typically supported one or two organisations only as donors (although they were likely to take part in a range of different art forms. They evidenced a great deal of loyalty to their chosen organisations. It was clear that in most cases this loyalty was to the product or artistic mission rather than to any individual or group of individuals. As any such mistake in fundraising communication would be likely to be forgiven over time, but might affect levels or frequency of giving. It was notable that the donors tended to assume that the administration and fundraising costs of the organisations were low and that their charitable gift would be put to work efficiently and directly. This contrasts against general welfare charities where donors are very sensitive to costs and tend to assume that the amount spent directly on programmes is lower than it actually is.

- Possibilities in planned giving

Arts organisations are well placed to move forward on the design and testing of new initiatives with partners from the financial services sector. Whilst the fiscal regime in the UK still differs fundamentally from the US we now have opportunities to move forward on the sorts of 'planned giving' products that account for some 40% of US fundraising income.

Planned giving products are likely to be most successful, and to generate new giving, amongst younger segments of the population who are affluent and tax and savings literate.

- Donor involvement and hyperagency

It is clear from the interviews and from the literature that donors need to be engaged and involved with an organisation on a very personal level before they will commit a significant amount to them. Events and personal contact are used successfully already, as are opportunities to engage donors on a voluntary level as trustees or committee members.

The concept of 'hyperagency', much discussed in the US, may be valuable to future thinking in this area. US researchers have found that many of the very wealthy younger donors in the US are 'hyperagents' – i.e. they are used to changing and exercising influence on the world around them. This is a positive factor in their giving in as much as they will give to charity rather than let the state allocate their wealth through the tax system. These 'hyperagents' can prove to be manipulative and eventually damaging, as, in the context of an arts organisation, they may try to influence the artistic product. Donors of his type may also typically wish to fund new endeavours rather than to support existing initiatives, and are likely to manifest impatience at the perceived bureaucracy and conservatism of established organisations.

Issues of donor intent and organizational independence have been prominent in the US press over the last year. In reaction to corporate and individual gifts to the Smithsonian Institution, an advocacy organization called Commercial Alert initiated a letter to the Board of Regents. Signers of the letter included curatorial staff, historians and researchers. They questioned the Secretary of the Smithsonian about funding agreements which they believed ceded the museum's control of exhibit content. In another incident, a $38 million pledge was withdrawn by a donor who stated that she could not see a way of reconciling her priorities with the priorities of the curators who would be responsible for the exhibit.

- Stewardship

Stewardship is a key concept in US major gift fundraising and is likely to be increasingly adopted in the UK as major giving techniques move into the mainstream. The care of a donor's assets and the responsible and ethical guardianship of resources for charitable good provide an interesting and valuable way of thinking about the fundraiser's role and about how we should present the fundraising mission to donors.

References

AAFRC Trust for Philanthropy, 2002, *Giving USA*

Adams-Chau, Lynda Lee, *'The professionals guide to fund raising, corporate giving and philanthropy: people give to people'* Greenwood Press 1988

Avery, R.B and Rendell, M.S, *'Estimating the Size and Distribution of Baby Boomers' Prospective Inheritances'* Department of Economics, Cornell University NY 1995

Ballard, Fay, 'The Balance of and Difference between Revenue and Capital Campaigns', presentation at '*Fundraising for Museums, the Arts and Heritage'* Henry Stewart Conferences, June 1999

Barnossy, Gary, 'Socializing Experiences as Predictors of Performing Arts Patronage Behavior' *Journal of Cultural Economics*, Vol 6 No 2 December 1982 pp37-44

Baumol, William J and Bowen, William G, '*Performing Arts – The Economic Dilemma'* MIT Press 1966

Belk, Russell W and Andreasen, Alan, 'A Study of the Potential for Broadening the Appeal of the Performing Arts' in Jerry C Olson (ed) '*Advances in Consumer Research*', Ann Arbor Association for Consumer Research 1980 pp 109-113

Belk, Russell W and Andreasen, Alan, 'The Effects of Family Life Cycle on Arts Patronage', *Journal of Cultural Economics*, Vol 6 No 2 December 1982 pp25-36

Bhattacharya, C.B, Rao, H and Glynn, Mary Ann, 'Understanding the Bond of Identification: An Investigation of Its Correlates Amongst Art Museum Members' *Journal of Marketing* October 1995, pp46-57

Brock, Gerald J, '*Effective Major Gift Negotiations: The Basis for Success'* Impact Books 1989

Burnett, J.J and Wood, V.R, 'A Proposed Model of the Donation Process' *Research in Consumer Behaviour*, 3 pp 1-47

Butler, Patrick, 'By Popular Demand: Marketing the Arts', *Journal of Marketing Management*, Vol 16 2000 pp343-364

Buzzell, R.D, '*How Can Research Contribute to Improved Marketing in Non-Business Organizations?'*, Boston, Marketing Science Institute 1970

Cermak, D.S.P, File, K.M and Prince, R.A, 'A Benefit Segmentation of the Major Donor Market' *Journal of Business Research*, 28, 121-130 1994

Cermak, D.S.P, File, K.M and Prince, R.A, ''Complaining and Praising in Non-Profit Exchanges: When Satisfaction Matters Less' *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 4 pp180-187 1991

Chang, Cyril F, Okunade, Albert A and Kumar, Ned, 'Motives Behind Charitable Bequests', *Journal of Nonprofit and Public Sector Marketing*, Vol 6 (4) 1999 pp69-85

Clary, E Gil and Snyder, Mark, 'Motivations for Volunteering and Giving: A functional approach', *New Directions for Philanthropic Fundraising*, No 8 Summer 1995 Jossey Bass pp27-36

Conway, Daniel, 'Interview with Henry Rosso on stewardship and fundraising', *New Directions for Philanthropic Fundraising,* Fall 1997, pp11-22 Jossey Bass

Dean, James, 'The key to major gifts: Cooperative relationships', *Fund Raising Management*, April 1996, p26

Diggle, K, '*Arts Marketing'*, Rhinegold Press 1994

DiMaggio, Paul, Useem, Michael and Brown, Paul, '*Audience Studies of the Performing Arts and Museums; a Critical Review'*, National Endowment for the Arts, 1978

Dixon, David, 'Behind the Scenes at the Theatre' *Professional Fundraising*, August 1999 p17

Eastman, Charles L, 'Philanthropic Cultures of Generational Archetypes', *New Directions for Philanthropic Fundraising*, 8, Summer 1995, Jossey Bass pp42-53

Fox, K.F.A and Kotler, P, 'The Marketing of Social Causes: The First Ten Years', *Journal of Marketing* 44, Fall pp24-33 1980

Fraser, c, Hite, R.E and Sauer, P.L, 'Increasing Contributions in Solicitation Campaigns: The Use of Large and Small Anchorpoints' *Journal of Consumer Research*, 15, pp284-287 1988

Fredricks, Laura, '*Developing Major Gifts'*, Aspen Publications, 2001

Goettler, Ralph H, 'Announcing the "four Ws" of major gift solicitation' *Fund Raising Management* April 1996, p40

Guy, B.S and Patton, W.E, 'The Marketing of Altruistic Causes: Understanding Why People Help', *Journal of Services Marketing*, 2,1,pp5-16 1989

Harrison, B, 'How do you thank major donors?' *Fund Raising Management,* July 1996 pp36-39

Hartsook, Robert F, 'Nurturing Deferred Gifts', *Fund Raising Management,* May 1993 p14

Heetland, D, 'How to Build a Major Gifts Program', *Fund Raising Management,* September 1992, p35

Hill, Elizabeth, O'Sullivan, Catharine and O'Sullivan, Terry, '*Creative Arts Marketing'*, Butterworth Heinemann, 1997

Holbrook, M.B and Zirlin, R.B, 'Artistic Creation, Artworks, and Aesthetic Appreciation: Some Philosophical Contributions to Nonprofit Marketing', *Advances in Nonprofit Marketing,* Vol 1, pp1-54 1985

Hopkins, Karen Brooks and Friedman, Carolyn Stolper, '*Successful Fundraising for Arts and Cultural Organizations'*, Oryx Press 1997

Hurd, H and Latimer, M, '*The Millionaire Givers: Wealth and Philanthropy in Britain'* Directory of Social Change 1994

Janowitz, Barbara, '*Theatre Facts 1994'*, American Theatre April 1995, p10

Jeavons, Thomas H, 'Stewards for Whom?Problems with stewardship as a model for fundraising', *New Directions for Philanthropic Fundraising*, 17, Fall 1977 pp35-42

Kaali-Nagy, Christina and Garrison, Lee C, 'Profiles of Users and Non-Users of the Los Angeles Music Center', *California Management Review*, Vol. 15 Winter 1972 pp133-143

Kahan, Stuart, 'Funding cuts mean cultural institutions need your help', *The Practical Accountant*, July 1997 pp30-38

Kotler, P ' Forward' in Mokba et al '*Marketing the Arts'* Praeger 1980

Kotler, P and Andreasen, A, '*Strategic Marketing for Nonprofit Organisations'* NJ Prentice-Hall 1987

Kotler, P and Levy, Sidney J, 'Broadening the Concept of Marketing', *Journal of Marketing* Vol 33 pp10-15 January 1969

Lawson, M, 'Major Gift development in your organization', *Fund Raising Management,* May 1995, pp18-21

Lindahl, Wesley E and Winship, Christopher, 'Predictive Models for Major Gift Fundraising' *Nonprofit Management and Leadership*, Vol 3 No 1 Fall 1992, pp43-64

Lovelock, Christopher H and Weinberg, Charles B, *'Marketing for Public and Nonprofit Managers'*, John Wiley (NY) 1984

Luck, Michael F and Evans, Gail A, 'Making Major Gifts Happen', *Fund Raising Management*, September 1992, p28

Maude, Michael, 'Catapult your development efforts with an advisory council' *Fund Raising Management* May 1997, p24

Marland, Julian, 'Developing Major Gift and Membership programmes for the British Museum", presentation at '*Fundraising for Museums, the Arts and Heritage*' Henry Stewart Conferences, June 1999

McLean, Fiona, 'A Marketing Revolution in Museums?*' Journal of Marketing Management*, 1995, Vol. 11 pp601-616

Michaelis, Donald, Untitled paper, *ACUCAA Bulletin* Vol 48 (1976) p28

Nichols, Judith E, '*Global Demographics; Fund raising for a New World'*, Bonus Books 1995

Nielson, Richard P, 'SMR Forum: Strategic Piggybacking – a Self Subsidization Strategy for Nonprofit Organizations' *Sloan Management Review*, Vol 23 (Summer 1982) pp65-69

Nielson, Richard P and McQueen, Charles, 'Performing Arts Consumer Behavior: an Exploratory study' *Proceedings of the 1974 Educator's Conference*, Chicago, American Marketing Association pp 392-395

Nielson, Richard P, 'Nonprofits can Self-Subsidize through Piggybacking', in F Kelly Shuptrine and Peter H Reingen (eds.) *Non-Profit Marketing; Conceptual and Empirical Research*, Bureau of Business and Economic Research, University of Arizona 1984 pp44-49

Odendahl, Teresa, '*America's Wealthy and the Future of Foundations'*, The Foundation Center 1987

Odendahl, Teresa, 'The Culture of Elite Philanthropy in the Reagan Years' *Nonprofit and Voluntary Sector Quarterly*, Vol 18 No 3 Fall 1989 pp237-248

O'Hagan, J.W, '*The State and The Arts: An Analysis of Key Economic Policy Issues in Europe and the United States*' Edward Elgar, 1998

Ostrander, S A and Schervish, P G, 'Giving and Getting: Philanthropy as a Social Relation', in J Van Til (ed.), '*Critical Issues in American Philanthropy: Strengthening Theory and Practice'* Jossey Bass 1990

Prince, R.A, File, K.M and Gillespie, J, 'Philanthropic Styles', *Nonprofit Management and Leadership*, 3 (3) 1993 pp255-268

Prince, R.A and File, K.M, ' *The Seven faces of Philanthropy: A New Approach to Cultivating Major Donors'*, Jossey Bass 1994

Prince, R.A and File, K.M ' Philanthropic Cultures of Mind', *New Directions for Philanthropic Fundraising,* No. 8 Summer 1995 Jossey Bass

Reiss, Alvin H, '*Don't Just Applaud – Send Money!: The most Successful Strategies for Marketing the Arts*', Theatre Communications Group, 2000

Reuther, Valerie, 'Debunking the Myth of Bill Gates; Finding Major Donors', *Nonprofit World,* March/April 1998 p46

Ryans,Adrian B and Weinberg, Charles C, 'Consumer Dynamics in Nonprofit Organizations', *Journal of Consumer Research,* Vol 5 (September 1978) pp89-95

Sargeant, A, 'Charitable Giving: Towards a Model of Donor Behaviour'*, Journal of Marketing Management*, 1999 15 pp215-238

Schervish, Paul G, 'Major donors, major motives: The people and purposes behind major gifts' *New Directions for Philanthropic Fundraising,* No 16 Summer 1997 Jossey Bass Publishers pp281-298

Schervish, Paul G, 'Philanthropy as a Moral Identity of Caritas' in P.G Schervish et al '*Taking Giving Seriously',* Indiana University Center on Philanthropy 1993

Schervish, Paul G, 'Inclination, Obligation and Association: What We Know and What We Need to Learn about Donor Motivation' in D F Burlingame (ed.) *'Critical issues in Fund Raising'*, Wiley NY 1997 pp67-71

Schervish, Paul and Havens, J.J, 'Wherewithal and beneficence: charitable giving by income and wealth' , *New Directions for Philanthropic Fundraising*, 8, Summer 1995, pp67-82 Jossey Bass

Schervish, Paul and Havens, J.J, 'Social participation and charitable giving: a multivariate analysis', *Voluntas* 8:3, 1997 pp235-260

Searles, David P in Mokwa et al, '*Marketing Principles and the Arts'*, Praeger 1980

Semenik, Richard J, 'Season Ticket Proneness Among Arts Attenders' *Journal of Cultural Economics,* Vol 6 No 2 December 1982 (December 1984) pp124-137

Semenik, Richard J and Young, Clifford E, 'Market Segmentation in Arts Organisations', *Proceedings of the 1974 Educator's Conference*, Chicago, American Marketing Association pp 474-478

Sexton, Donald E and Britney, Kathryn, 'A Behavioral Segmentation of the Arts Market' in Jerry C Olson (ed) '*Advances in Consumer Research*', Ann Arbor Association for Consumer Research 1980 pp114-120

Smith, G.T 'Buck', 'CEOs and trustees: the key forces in securing major gifts', *Developing Major Gifts,* New Directions for Philanthropic Fundraising, Indiana University Center on Philanthropy/Jossey Bass, Issue 16 Summer 1997, 5 pp123-128

Smith, Paul, 'Managing a Successful Major Gifts Program', *Developing Major Gifts,* New Directions for Philanthropic Fundraising, Indiana University Center on Philanthropy/Jossey Bass, Issue 16 Summer 1997, 5 pp67-81

Stahlecker, Winston D and Steele, Brenton H, 'A Marketing Philosophy applied to Major Events Programming' ; 'Utilizing Marketing Research to Achieve Better Programing'; 'Utilizing Marketing Strategies for Programming', *NEC Newsletter,* September – November 1973

Strauss, W and Howe, N, '*Generations: The History of America's Future, 1584 to 2069',* NY William Morrow 1991

Strehler, Giorgio, 'The marketing oriented diffusion of art and culture: potential risks and benefits' *Marketing and Research Today* November 1990 p23

Sturtevant, William T, 'The artful journey: Seeking the major gift', *Fund Raising Management,* April 1996, p32

Taylor, Martha A and Shaw, Sandra C, 'Women as philanthropists: Leading the transformation in major gift fundraising', *New Directions for Philanthropic Fundraising,* No 16 Summer 1997 Jossey Bass Publishers pp43-48

Tueller, A (1994), '*A Practical Guide to Planned Giving'* , The Taft Group, Washington D.C., USA

Useem, M, 'Corporate Funding of the Arts in a Turbulent Environment' *Nonprofit Management and Leadership*, Vol 1 No. 4 Summer 1991 Jossey Bass pp45-57

Varadarajan, P.R and Menon, A, 'Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy', *Journal of Marketing* 52, pp58-74 1988

Voss, Zannie Giraus, Voss, Glenn B et al., *Theatre Facts 1999*, New York Theatre Communication Group, 2000

Warr, Carol, 'Marketing Major Gifts to the Baby-Boom Generation', *Fund Raising Management* June 1993 p44

Whitley, Frank V and Staples, P, Womenpower, 'The growing factor in big gift fund raising in the decade ahead' *Fund Raising Management* August 1997, pp14-18

Williams, M Jane, '*Big Gifts',* Fund Raising Institute, The Taft Group, 1991

Wood, Ernest W, 'The Four Rs of Major Gift Fundraising', *Developing Major Gifts,* New Directions for Philanthropic Fundraising, Indiana University Center on Philanthropy/Jossey Bass, Issue 16 Summer 1997, 5 pp12-18

Resources

American Arts Alliance
1319 F Street, NW, Suite 500, Washington DC 20004

American Demographics Magazine
American Demographics Inc. PO Box 68, Ithaca, NY 14851

American Association of Community Theatre
813 42nd Street, Des Moines, IA 50312

American Association of Fund-Raising Counsel and AAFRC Trust for Philanthropy
10293 N Meridian Street, Suite 175, Indianapolis, IN 46290
www.aafrc.org

American Association of Museums
1575 Eye Street, NW, Suite 400, Washington DC 20005 – 1105
www.aam-us.org

American Film Institute
The John F Kennedy Center for the Performing Arts
Washington Dc 20566

American Symphony Orchestra League
33 West 60th Street, 5th Floor, New York, NY 10023-7905
www.symphony.org

Americans for the Arts
One East 53rd Street, 2nd and 3rd Floors, New York, NY 10022

American Symphony Orchestra League
777 14th Street, NW, Suite 500, Washington DC 20005

Arts and Culture Funding Report
Education Funding Research Council, 4301 North Fairfax Drive, Suite 875, Arlington, VA 22203

Arts Funding: A Report on Foundation and Corporate Grantmaking Trends, Nathan Weber (Consultant)
The Foundation Center, 1993

Arts Management: The National News Service for Those Who Finance, Manage and Communicate the Arts
110 Riverside Drive, Suite 4E, New York, NY

ARTnewsletter
48 West 38th Street, 9th Floor, New York, NY 10018

Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA)
313 Park Avenue, Suite 400, Falls Church, VA 22046
www.go-ahp.org

Association of Art Museum Directors
41 East 65th Street
New York, NY 10021
www.aamd.org

Bibliography: Resources for Prospect Development (extensive bibliography of prospect research information sources)
Bentz Whaley Flessner and Associates Inc. 2150 Norwest Financial Center, 7900 Xerxes Avenue South, Minneapolis, MN 55431

Business Committee for the Arts
1775 Broadway, Suite 510, New York, NY 10019
www.bcainc.org

The Chronicle of Philanthropy
1255 23rd Street NW, Suite 700, Washington DC 20037
www.philanthropy.com

Dance USA
1156 15th Street, NW, Suite 820, Washington Dc 20005-1704
www.danceusa.org/danceusa

Fund Raising Management and FRM Weekly
224 Seventh Street
Garden City, NY 11530
www.hokecomm.com

The Fund-Raising School
Indiana University Center on Philanthropy
550 West North Street, Suite 301, Indianapolis, IN 46202-3162
www.philanthropy.iupui.edu

Guide to Private Fortunes
The Taft Group, 835 Penobscot Building, Detroit, MI 48226

GuideStar: The Donor's Guide to the Nonprofit Universe
427 Scotland Street, Williamsburg, VA 23185
www.guidestar.org

International Society for Third Sector Research (ISTR)
Johns Hopkins University, 559 Wyman Park Building, 5th Floor,
3400 North Chales Street, Baltimore, MD 21218
www.jhu.edu/-istr

Major Donors
The Taft Group, 835 Penobscot Building, Detroit, MI 48226

National Center for Charitable Statistics
2100 M Street, NW, Washington DC 20037
www.nccs.urgan.org

National Charities Information Bureau
19 Union Square West
New York, NY 10003-3395
www.give.org

National Committee on Planned Giving
233 McCrea Street, Suite 400, Indianapolis, IN 46225
www.ncpg.org

National Endowment for the Arts
1100 Pennsylvania Avenue, NW, Washington DC 20506
www.arts.endow.gov

National Society of Fund-Raising Executives (NSFRE)
1101 King Street, Suite 700, Alexandria, VA 22314
www.nsfre.org

New Directions for Philanthropic Fundraising
Jossey-Bass Inc.Publishers, 350 Sansome Street, San Francisco, CA 94104
www.josseybass.com

The Nonprofit Federation
815 15th Street, Suite 822 Washington DC 20005-2201
www.federationofnonprofits.org

The NonProfit Times
120 Littleton Road, Suite 120, Parsippany, NJ 07054-1803
www.nptimes.com

Opera America
1156 15th Street, NW, Suite 810, Washington DC 20005-1704
www.operaam.org

Philanthropic Advisory Service
Council of Better Business Bureaus, 4200 Wilson Boulevard, Suite 800,
Arlington, VA 22203
www.bbb.org

President's Committee on the Arts and the Humanities
1100 Pennsylvania Avenue, NW, Suite 526, Washington DC 20506
www.pcah.gov

Social Register
Social Register Association, 381 Park Avenue South, New York, NY 10016

Theatre Communications Group
355 Lexington Avenue, New York, NY 10017
www.tcg.org

Who's Wealthy in America
The Taft Group, 835 Penobscot Building, Detroit, MI 48226

Who's Who in America
Marquis Who's Who, 121 Chanlon Road, New Providence, NJ 07974

Who's Who in American Art
Marquis Who's Who, 121 Chanlon Road, New Providence, NJ 07974

Appendix 1

Gifts of $5 million or more 1999

AAFRC Trust for Philanthropy occasionally publishes a listing of gifts of $5 million or more as an Appendix to *Giving USA*. The following provides details of gifts to Arts organisations from the 2000 AAFRC list. It should be noted that this is not an exclusive list – many donors would not have publicised their contributions.

Bill and Melinda Gates
$4 million to the Seattle Art Museum

Audrey Jones Beck
$80 million in art to the Museum of Fine Arts, Houston. (Audrey Jones Beck is the daughter of the late Jesse Jones, the oil and newspaper magnate who founded the Houston Endowment – the largest philanthropic foundation in Texas).

Steven Ferencz Udvar-Hazy
$60 million to the Smithsonian Institution (the largest gift the museum has ever received).

Josephine Clay-Ford, Richard A Manoogian and A Alfred Taubman
$50 million to the Detroit Institute of Arts. (Josephine Clay-Ford is a granddaughter of Henry Ford, Manoogian is chairman of the Masco Corporation and president of the museum's board of directors, and Taubman is chairman of a real-estate company, and a former chairman of Sotheby's).

W Jerome Frautschi
$50 million to the City of Madison for the creation of a downtown arts centre. This gift is one of the largest individual contributions for an arts project ever recorded in the US. Frautschi owns a Madison-based printing company.

Elmer E Rasmuson
$50 million to the Anchorage Museum of History and Art. Rasmuson is the former president of the Bank of Alaska. As Mayor of Anchroage thirty years ago he was instrumental in getting the Museum off the drawing board.

Alberto W Vilar
$16 million to the Royal Opera House in the UK, plus $1.5 million to the Vienna Philharmonic Orchestra, $5 million to Carnegie Hall, $1 million to the Vilar Center for the Arts (Colorado), and $1 million given to underwrite productions at the Kirov, the Salzburg Festival, the Spoleto Festival and the Festspielhaus.

Joe R and Teresa Lozano Long
$20 million to the Arts Center Stage in Austin, Texas.

Walter J Klein
$25 million to the North Carolina School for the Arts

Robert and Margie Petersen
$25 million to the Petersen Automotive Museum in Los Angeles.

Flora L Thornton
$25 million to the University of Southern California for its music school. Mrs. Thornton has made many other large gifts to the Arts, including $1 million to the Walt Disney Concert Hall in Los Angeles.

Robert G Mondavi
$20 million to the American Center for Wine, Food and the Arts, an educational and cultural centre to be built in Napa Valley, CA. In 1997 Mondavi gave a $2 million challenge gift to restore the theatre at the Opera House in Napa.

Maida and George Adams
$20 million to the Fogg Art Museum at Harvard University.

Glorya Kaufman
$18 million to the UCLA for the renovation of its dance programs.

Arthur M Blank
$15 million for a new Atlanta Symphony Orchestra Hall.

Richard B and Jeanne Donovan Fisher
$15 million to Bard College (NY) for a new performing arts centre.

Cyrus and Myrtle Katzen
$15 million. $10 million to the American university (DC) to construct a new arts centre and an accompanying gift of art valued at $5 million.

Clarice Smith
$15 million in operating funds to the University of Maryland for its performing arts centre.

Mort and Angela Topfer
$11 million to Arts Center Stage in Austin, TX. Mort Topfer is the former vice-chairman of Dell Computers.

David A Harrison
$10 million to the University of Virginia to create an institute for the study of American literature, history and culture.

Donna and Marvin Schwartz
$8 million to Emory University (GA) for its new performing arts centre.

Bernard and Marilyn Pincus
$6 million to the Deriot Symphony

Michael R Bloomberg
$5 million to the Metropolitan Museum of Art (NY)

Diane Feinstein and Richard Blum
$5 million to the Asian Art Museum of San Francisco

Appendix 2

Model of Individual Charity Giving Behaviour

The model presented below was developed by Professor Adrian Sargeant (1999) to illustrate what drives and influences charity giving.

Introduction

In the U.K, the need for the development of a model of individual giving behaviour has never been greater. Recent work by the Institute for Fiscal Studies clearly shows that charitable giving is continuing its 20-year decline, leaving charities with the prospect of a considerable intensification in the level of competition for funds. Perhaps the most worrying aspect of this trend is the sharp decline in giving amongst households in their twenties and thirties, suggesting that charities will become increasingly reliant on an ageing segment of donors. Charities clearly need to understand far more about the factors that can impact on giving behaviour and to tailor their approach to ensure that as wide as possible a segment of UK society can be persuaded to give.

Inputs

As the model indicates there are a number of external inputs to the decision making process. Charities currently engage in a variety of different fundraising techniques employing media such as direct mail, telemarketing, face to face canvassing, door-to-door distribution, press advertising and increasingly, radio advertising and DRTV (Direct Response Television.) The use of each of these media is potentially capable of generating a response from the prospects targeted. In the case of a number of the larger charities it has been argued that this process has been greatly facilitated by the presence of a well-known and 'trusted' brand.

Roberts Wray was one of the first to explicitly debate the relevance of branding to the charity sector, with more recent work suggesting that in the voluntary sector context a strong brand should both draw on, and project the beliefs and values of, its various stakeholders. Whilst these are perhaps rather less tangible than the facts about why an organisation exists and the nature of the beneficiary group, this latter class of variables can greatly aid a donor's understanding of the charity concerned and suggest very potent reasons why it might be worthy of support. It is only comparatively recently, however, that there has been much formal interest in branding within the sector, but whilst as Tapp notes, "charities do not describe much of what they do as 'branding', organisations have long been concerned with maintaining a consistent style and tone of voice and conducting periodic reviews of both policies and actions to ensure that a consistent personality is projected." It is likely that the successful projection of this 'personality' will have a direct impact on an organisation's ability to fundraise.

The variable 'mode of ask' is also important, because charities can clearly choose to approach donors in a variety of different ways. Reference has already been made to the variety of media that can be used for the purposes of solicitation and the literature suggests that the profile of the donors recruited by each of these means will vary in terms of their demographic, lifestyle and behavioural characteristics. Donors recruited by direct mail, for example, tend on average to support an organisation for the longest period of time, whilst DRTV donors tend to give somewhat higher sums on average than any other category of donor.

It also seems clear that the approach adopted within each respective media will impact on the pattern of support exhibited.

The utilisation of techniques which engender a stronger sense of relationship have also been found to increase compliance, and there is also evidence that preceding a target request with an initial request (i.e. multiple asks) will increase prospect compliance.

The provision of 'models' (e.g. a celebrity seen to be offering support) can also influence contributory behaviour by leading to the creation of social norms thereby legitimising and encouraging the giving behaviour.

Perceptual Reaction

Whatever form the ask might eventually take, there are a number of variables which the literature suggests will tend to impact on a potential donor's perceptual reaction to the message being conveyed. In particular donors receiving positively framed messages, designed to make them feel good, are statistically more likely to respond than those donors offered primarily negative messages, designed to make them feel bad. The key variables impacting on perceptual reaction would appear, however, to be the portrayal of the individual(s) in need, the fit of the charity with a given donor's self image, the strength of the stimulus and the degree to which perceptual noise is present.

The manner in which recipients of the charitable 'product' are portrayed can have an impact on recall, attitudes towards support and actual giving behaviour. Donors will tend to support those charities that represent the needy in an acceptable way. Pictures, for example, of an overtly handicapped child, have been shown to actually decrease the response to door-to-door giving solicitations.

Appeals for charities concerned with disability often emphasise the dependability of those individuals with the respective disability. There is now considerable evidence that such appeals are very successful in engendering feelings of sympathy and feelings of guilt and pity. The literature is less united however, in respect of the degree to which dependency should be exhibited. Some writers conclude that greater degrees of perceived dependency are related to greater degrees of help, whilst others conclude that when the level of dependency is perceived as permanent, the level of dependency has no effect on the amount likely to be given.

Many authors argue that portraying people with disabilities as dependent may well harm the long-term interests of the beneficiary group by reinforcing negative

stereotypes and attitudes. Positive portrayals on the other hand seem to engender positive attitudes. On a related theme, there is in addition evidence that attractive people are perceived as more worthy than unattractive people. The portrayal of the responsibility of recipients for their own condition can also impact on compliance. One research project identified that the extent to which an individual could be blamed for his/her needy condition would directly impact on both the degree of compliance and the levels of support proffered.

In respect of the second variable 'fit with desired self image' individuals are more likely to help those that are perceived as being similar to themselves. They will thus tend to filter those messages from charities existing to support disparate segments of society. Of course, charities exist to support work, not only with other members of human society but also wider environmental or ecological concerns from which every segment of society can ultimately stand to benefit. Supporting this category of cause, can be partly explained as giving to aid one's self image or self worth. Indeed generous giving to all manner of different causes has long been a source of prestige for individuals in the U.S. Donors may thus prefer to concentrate on those categories of cause which are either perceived as most relevant to their segment of society, or which are perceived more widely as supporting how they wish to see themselves, or have others see them. Donating can confer an identity on both the recipient and the donor. Other work suggests that possessing a generous, loving, self-image is more important for donors than non-donors. Donors should therefore be portrayed in ads as generous and loving to help them project the self-image that they would wish others to accept.

A variety of authors have chosen to focus on the strength of the stimulus generated by a particular charity. Clearly the stronger the stimulus, the easier it will be for charities to cut through the 'deluge' of current charitable appeals. There is evidence that the strength of the stimulus is related to a number of variables. The first is the perceived urgency of the recipient situation. In general, high degrees of urgency would appear to engender high degrees of support. It would also appear that approaches that build up the degree of personal responsibility will be more effective at engendering a response. Other key variables warranting consideration under this general heading include the degree of personalisation attained and the clarity of the request. Clear and unambiguous requests for support are more likely to engender compliance than those that are vague or general in nature.

The final variable in this section of the model relates to the extent to which 'perceptual noise' might be present. With over 220,000 registered charities now in existence in the U.K. and the number increasing at the rate of approximately 10% per annum, the propensity for donors to become confused by the diversity of appeals has now been greatly enhanced. We may therefore conclude that the degree of compliance in the case of an individual charity will depend on the extent to which other, perhaps similar, organisations are currently marketing themselves to potential supporters.

Processing Determinants

Two key categories of variable will impact on the manner in which the giving decision is processed, namely the donor's past experience with a given charity (and

with charitable giving in general), and the criteria that he/she might use to evaluate potential organisations for support.

Donors are becoming more sophisticated, discriminating and selective, preferring to develop deeper relationships with those organisations they choose to support. Thus, once recruited to support a charity, a given donor will be significantly more likely to give again in the future. Donors are reported as increasingly seeking relationships from the charities that they do elect to support and are, in the U.S in particular, expecting fundraisers "to create high tech intimacy via database marketing". There is also evidence that once charitable giving is stimulated, an individual will be significantly more likely to give to other causes in the future.

Perhaps one of the prolific sections of the literature relates to those issues that are most likely to form part of a given donor's judgmental criteria for determining whether or not a particular charity is worthy of support. Some writers have tended to see the process of giving as being determined largely by selfish economic considerations. Economists have only recently moved away from the classical theory of exchange that assumed that uncoerced exchange would not take place unless some form of benefit accrued to both parties to the transaction. It has only recently been assumed that utility could take emotional as well as material form. Thus, those who subscribe to this school of thought believe that the desire to give is borne out of a wish to achieve some form of individual return. Donors will therefore select charities to support on the basis of whether they have benefited in the past or believe that they will in the future. Individuals could, for example, give to those organisations that will do them political good and/or serve to enhance their career, perhaps through the networking opportunities that will be accorded. Donors may also evaluate potential recipient organisations against the extent to which their support will be visible, or noticeable by others within their social group, thereby enhancing the donor's standing.

This view of a rational economic donor has been much criticised because it fails to explain a large number of charitable gifts, either where no benefit would appear to accrue to the donor, or where the gift itself is anonymous. It would appear that individuals might also act on principles rather than simply self-interest. Bolnick argues that economic irrationality can be explained by placing man in his social context. Seemingly irrational behaviour can be explained by reference to other intrinsic or social rewards that can accrue from the act of giving. Even under these circumstances, however, the literature still suggests that a variety of judgmental criteria may apply. Notable among these is the issue of the perceived effectiveness/efficiency of the organisation attempting to solicit support. A number of well-publicised abuses of donated monies have served to sensitise donors to these issues. In the U.S., for example, the National Kids Day Foundation raised $4 million between 1948 and 1963 and spent the entire amount on fundraising and administrative costs. When challenged, charity administrators said the foundation's purpose was to promote the idea of needy children rather than actually providing aid. The variable "an adequate amount spent per program" is often found to be the most important factor in the decision to contribute to charitable organisations.

Donors appear to have a clear idea of what represents an acceptable percentage of income that may be applied to both administration and fundraising costs. Donors expect that the ratio between administration/fundraising costs and so-called charitable

expenditure would be 20:80. It is interesting to note that despite this expectation most donors believe that the actual ratio is closer to 50:50. Harvey and McCrohan found that 60% was a significant threshold with charities spending at least 60% of their donations on charitable programs achieving significantly higher levels of donation.

On a related theme, perceived mismanagement by charity administrators and trustees can also impact negatively on donations although it remains unclear how donors actually draw such conclusions. Voluntary organisations continue to be seen as amateurish but effective.

Moderating Variables

As the model illustrates, the manner in which charity appeals are perceived and the decision-making process conducted will both be impacted by a variety of both intrinsic and extrinsic variables.

Extrinsic Determinants

The key category of external determinant variables is that of the demographic profile of the charity donor/prospect. The age of an individual would appear to be directly related to his/her propensity to both engage in charity giving and the level at which such behaviour will take place (i.e. the amount donated).

60% of charitable gifts in the USA come from people aged 60-76. A similarly skewed profile of charitable support has been reported in the UK. A number of writers have identified that the charitable behaviour of children increases with age.

In general however the younger generations in our society appear to be less motivated to give to charity than would have previously been the case (IFS 1998). As Simpson puts it "(in the U.K) this generation seems less inclined to believe in philanthropy. They are much more consumption driven, they buy things for themselves. Young people today like to spend money on eating out, on clothes and other things – more than people did 20 years ago."

Despite the apparently contracting pool of donors, however, not all authors are pessimistic about likely patterns of future giving. Some writers account for the skewed age distribution of givers by explaining that older people experience less social interaction than their younger counterparts. This results from a physiological decline (impacting on mobility), age related losses (including retirement and the death of a spouse, and a less positive self-image due to a reduced lack of control and self-determination. Elderly members of society may thus be able to experience pseudo-social interaction through the relationships they build up with charities and in essence exchange one form of social interaction with another. Given that the elderly of today are much more likely to be wealthy than their predecessors, this represents a considerable future opportunity for charities to address and not necessarily a threat.

A variable related to the age of the prospect is that of 'lifestage'. The motivation for giving to a number of charities, notably those connected in some way with medical research may be related to a great extent to the level of involvement an individual might have with the problem addressed by a charity. Those individuals who either

suffer from a particular complaint, or who are perhaps related to a sufferer will be somewhat more disposed to giving than those that have no such association.

The variable 'gender' has also been shown to have a key impact on giving behaviour. As Braus notes, "many of today's donors, particularly baby boomers and women want a precise explanation of how their money will be used. They also want the opportunity to choose how the money will be spent." The author also identified that women tend to want more information about how the money is actually used, they prefer one-off donations as opposed to covenanted support and tend to give smaller amounts than men, although the gap is narrowing. In addition women appear to give more 'from the heart than the head.'

Not surprisingly the variable social class/income is also an important determinant of charitable behaviour. Whilst economic downturns constrain both the desire to give and the actual ability to do so this effect would appear to constrain the lower income earners rather than those towards the top of the social scale. Some writers see giving as income elastic, although it is important to note that not only the amounts given will vary as one moves up the social strata, but also the rationale for support. Radley and Kennedy identified that the lower socio-economic groups tend to see the needy as a group to be pitied because of their treatment at the hand of fate. Promotional messages stressing the ability of even a small gift to alleviate pain and suffering are therefore likely to be most effective. The higher socio-economic groups by contrast, particularly those from the professions, give not only for the amelioration of suffering but also for the longer term change in their situation. Support is thus prompted by a need to make a change in a social structure and promotional messages could perhaps reflect this motivation. The theme of involvement would also seem to be of importance to particularly high net worth individuals. Interestingly the poor and extremely wealthy give a much higher proportion of their income than the middle class and those living in small town/rural settings are more willing to exhibit helping behaviours than city dwellers.

The personality of a given individual does not in general appear to be a good indicator of charity support. A number of studies have however highlighted that the self-confident are more likely to help than other categories of individual. There is also evidence that intrinsically motivated people do more for charity than self-centred, external reward seekers.

It therefore seems clear that the individual characteristics of the prospect/donor will have a considerable impact on their giving behaviour. A number of studies have in addition suggested that the existence of social norms may also be an issue. People appear to pay considerable attention to what others contribute. Judgements in respect of giving are therefore made in terms of beliefs about what is normative for the group.

The latter concept of group is of particular significance since individuals perceive themselves as members of some groups, but not others. Since it was identified earlier that individuals would tend to support other individuals perceived as similar to themselves, the perception of group membership is key for fundraisers to understand and exploit in their solicitation activity. The self can be viewed as a series of abstract categories and thus "any attempt to understand the act of giving as an individual

(behavioural) end point is likely to miss important features of what charity means in its fullest sense".

Intrinsic Determinants

The penultimate class of variables to be defined within the model is that of the intrinsic determinants of charitable giving behaviour. This class of variable specifically addresses the underlying individual motives for electing to support a charity at a given level. They can assist donors in filtering out those charity appeals that are likely to be of most relevance and can help in structuring the evaluation process that will subsequently be conducted to ultimately define the pattern of support exhibited.

Key amongst these is the extent to which the donor feels empathy with the recipient. Empathy may be defined as an individual's emotional arousal elicited by the expression of emotion in another. Whilst intuitively sound the concept of empathy suffers from a lack of construct validity and a lack of clear measurement and manipulation techniques. Despite the difficulties of definition a number of studies have addressed the impact of empathy on giving behaviour and found a strong association between the level of empathy attained and the likelihood of providing help. To be effective, however, manipulations must be powerful enough to arouse empathy, but not so powerful that they become personally distressing to the donor.

The motive 'sympathy' has also received attention in the literature, largely being viewed as a value expressive function, aiding individuals to conform to personally held norms. Again, there would appear to be a relationship between the degree of sympathy engendered and both the propensity to donate and the chosen level of support. A variety of other potential motives for giving have been identified including fear, guilt and pity, which have been found to impact both on compliance and the extent thereof.

A giver's self interest can of course motivate charity giving. Whilst we have already reviewed a number of these factors, the ability of a charitable donation to enhance feelings of self-esteem has also been noted. For example, blood donations can often engender feelings of heroism on the part of the giver. Schwartz noted that donations might be a way of 'atoning for sins' thereby enhancing the self worth of the donor. Variables such as 'importance' self esteem and recognition have often been identified as key motivations for giving.

Miller argues from social justice motivation theory that if people witness undue suffering their belief in a just world will be threatened – consequently they will be motivated to respond to restore their faith in a just world. He also identified that helping behaviour would be increased when the need is not widespread and the duration of the need is short. It is interesting to note that most charity communications appear based on the exact opposite of this position. Appeals tend to stress the ongoing nature of the need for support and make much of the number of individuals currently being impacted with the affliction/cause for concern.

It seems clear that a variety of different factors impact on charity giving behaviour. The factors are often complex and inter-related and suggest both altruistic and selfish

motivations for giving. As early as 1981 writers were beginning to question whether altruistic motivations for support truly existed, despite an interesting debate around whether the existence of a so-called altruistic gene might enhance the genetic fitness and thus chances for survival of a species. Margolis argued strongly in favour of the existence of purely altruistic motives for giving and the literature does, in general, now tend to concur with this view.
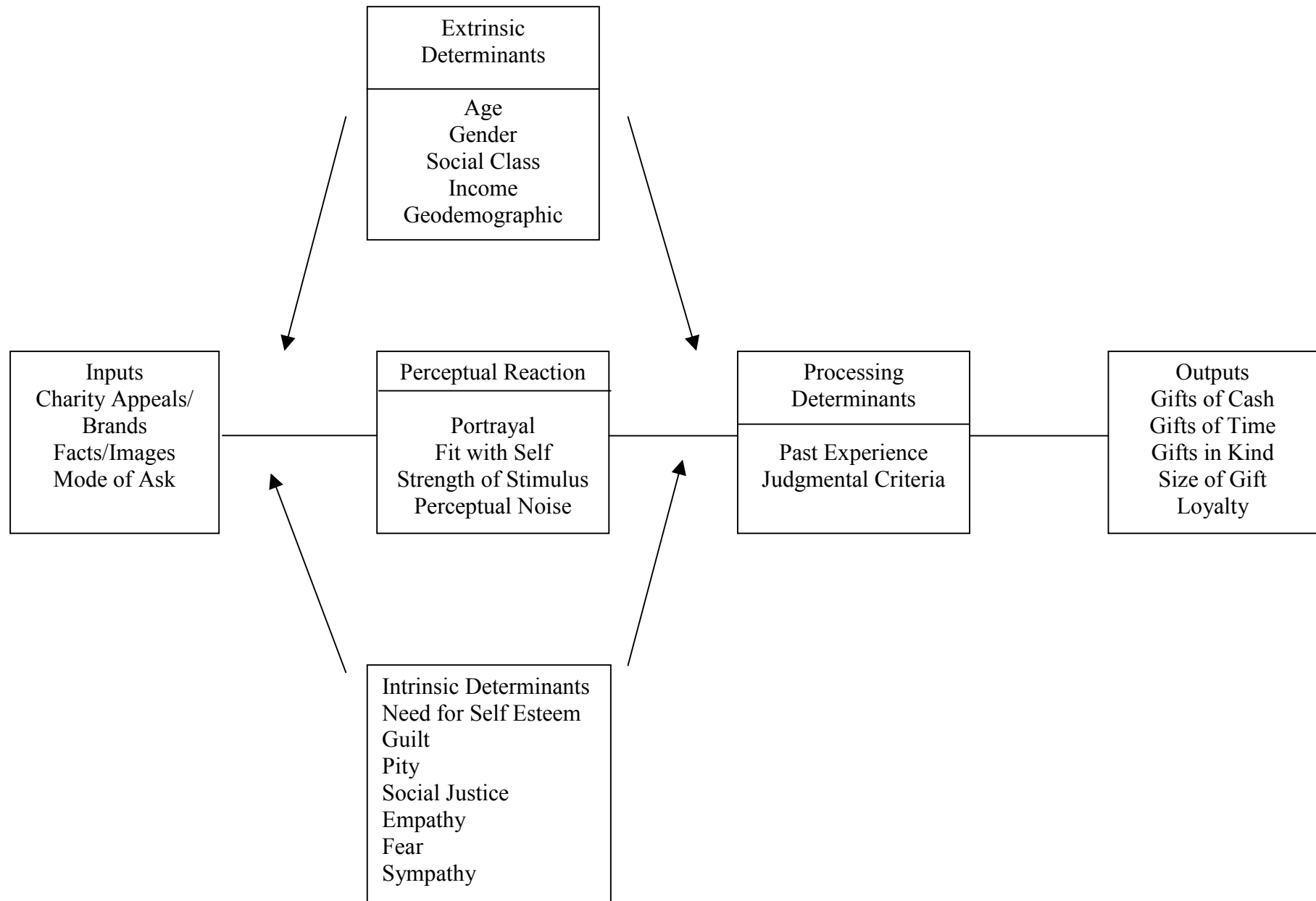
Output

The final dimension of the model concerns the output from the decision making process. Charities tend in practice to be supported in a variety of different ways. Gifts may consist of monetary donations, gifts of time, or even gifts in kind, where perhaps goods are exchanged with the charity for onward transmission to donors, or to be used in some way in connection with the operations of the organisation. There are however two other key outputs from the model, which must be considered. Donors can clearly elect to support their chosen charity at a variety of different levels. The share of a particular individual's charitable expenditure will become an increasingly important variable for charities to consider particularly in the UK where the 'donor pool' has been shown to be contracting.

Allied to this the question of donor loyalty is also of significance. Uncommitted givers (i.e. individuals giving a series of single donations) tend to remain loyal to an organisation for a period of no more than five years, with a 50% attrition rate normally being experienced between the first and second donation. Committed givers tend to remain loyal for somewhat longer, but even then the duration of the relationship would tend to extend no further than 6 to 7 years. As charities gain a more detailed understanding of the lifetime value of their donors, it seems likely that the success of fundraising activity may in the future be measured, not only by the immediate returns that are generated, but also by changes in the longevity of donor relationships.

A greater understanding of the variables in the model would assist charities in focussing their efforts on those individuals most likely to offer some form of support. Enhanced opportunities for donor targeting, based perhaps on the extrinsic determinants of giving behaviour highlighted should serve to greatly reduce the costs of a given donor recruitment programme. Moreover as organisations begin to understand how information is processed by donors and the intrinsic determinants of behaviour, charities can more effectively tailor the messages contained in their promotional appeals to add relevance for their potential new donors and those who have given previously to the organisation.

More generally, in other forms of both personal and non-personal communications, charities would be advised to give consideration to the processing determinants that will be used in reaching an ultimate decision in respect of whether or not a particular donation will be made. A donor's past experience with a charity and their satisfaction with the standard of service received will clearly have a relevance here, as will the judgmental criteria that will be employed to select between the charitable options available to them. Charity branding, annual reports, media coverage and the overall profile of an organisation all have the capacity to enhance or detract from the evaluations that donors make against these criteria.

Extrinsic
Determinants

Age
Gender
Social Class
Income
Geodemographic

Inputs
Charity Appeals/
Brands
Facts/Images
Mode of Ask

Perceptual Reaction

Portrayal
Fit with Self
Strength of Stimulus
Perceptual Noise

Processing
Determinants

Past Experience
Judgmental Criteria

Outputs
Gifts of Cash
Gifts of Time
Gifts in Kind
Size of Gift
Loyalty

Intrinsic Determinants
Need for Self Esteem
Guilt
Pity
Social Justice
Empathy
Fear
Sympathy

64

Centre for Voluntary Sector Management
Henley Management College
Greenlands
Henly-on-Thames
Oxfordshire
RG9 3AU

Telephone: 01491 571 454
Facsimile: 01491 571 635

www.henleymc.ac.uk

Arts & Business
Nutmeg House
60 Gainsford Street
London
SE1 2NY

Telephone: 020 7378 8243
Facsimile: 020 7407 7527

www.AandB.org.uk