

Click, Click, Pay

BY SCOTT MacWILLIAMS



There are many compassionate people out there who are ready and willing to offer their own resources to support nonprofit organizations. However, inspiring people to help an organization's cause is only half the battle. Depending on the specific type of nonprofit, the payment method a potential donor is allowed to use may very well be an underestimated factor in the organization's ultimate success in fundraising.

The Next Generation of Payments

The Gen Y cohort, or millennials, with more than 79 million consumers in its ranks, according to 2010 U.S. Census data, is now bigger and more relevant to the U.S. economy than baby boomers. The large majority of millennials does not use checks but prefers electronic payments. There is not just a higher demand for the availability of card payments but also an increasingly growing expectation of paying by this method. And for charitable organizations, it would be a missed opportunity to ignore the trend.

According to a 2010 study that Visa conducted for AFP, consumers

typically make roughly 13 donations per year. On average, those who have donated online have contributed \$2,472 annually, compared with an average of \$1,708 by those who have not donated online through a website. Online electronic payments also make recurring donations easier to set up and process. After all, what logically sounds easier—filling in your information once and checking a box or having to write a new check for each payment?

People who have already donated online show a higher likelihood of considering recurring online donations. Of those who would consider recurring donations, more than half would prefer donating on a monthly basis. In addition, awareness of online payment options is at an all-time high—more than 80 percent and growing, according to the 2010 Visa study—but that number is even higher among millennials.

Donors' paying with a credit or debit card online brings a multitude of benefits to nonprofits, including guaranteed payment, fraud protection, simplified accounting, greater customer satisfaction, fast transactions and the potential for increased donations.

The Facts About Other Payment Types

While electronic payments are the preference of millennials and many other donor demographic segments, it is important to understand all of the traditional payment types used by your donors as you consider which to promote to your supporters and prospects. In addition to card payments, there are two other primary payment methods from which donors can choose: cash or check.

Scback/Weer

In recent years, paying electronically has become a fast, convenient and trusted method for making purchases. Given the similarities between making a purchase and making a donation online, donors not only expect to have but also can count on having a fast, convenient and secure experience when they donate electronically. And as technology use continues to grow, online donations should as well.

Cash has been a preferred method of payment for impulsive, smaller-dollar donations. However, there are drawbacks to cash donations. A real security concern exists. A donor has no way of knowing whether his or her cash donation will ever reach the hands of the intended recipient, and often there is no electronic record for verification. Cash donations also are usually smaller amounts because donors can give only what they have on hand. Because cash donations are typically more impulsive by nature, it is also less likely that consumers will sign up for or make recurring donations in person. It is simply too inconvenient.

In the past, nonprofits may have found checks were another preferred means of donation because they are more secure than cash, are easier to direct to the nonprofit (e.g., by mail) and were preferable for recordkeeping for tax purposes. However, checks are not guaranteed payment (as checks can bounce). It takes time for a check to clear, and in cases such as natural disasters, it can be imperative for nonprofits to receive donation funds as quickly as possible. Processing checks can even add costs, as it takes time and manpower to open envelopes, sort checks and process donations manually.

A Win-Win for Donors and Nonprofits

A 2011 Blackbaud study, *donorCentrics™ Internet and Multichannel Giving Benchmarking Report*, concluded that online donors give larger gifts, donating 48 percent more than those who give through other channels. Thus, online electronic payments are—and will continue to be—increasingly important for your organization. Nonprofits are not

the only ones to benefit, however. Donors also appreciate the ease, convenience and security of using payment cards.

It is easy to imagine electronic payments becoming the universal norm for charitable donations. In fact, many nonprofits already say this is so. By accepting and promoting electronic payments, nonprofits can benefit in a variety of ways.

- Electronic payment options make it easier for consumers to donate and allow them the freedom to do so from nearly anywhere.
- Donors want fast transactions, and card transactions are processed much more quickly than checks. (This is the primary reason donations to natural disaster aid organizations are more likely to be made online via cards.)
- Many cards also earn rewards points, which means that making donations by card could earn rewards for donors.

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Note: Unless otherwise noted, all statistics in this article can be found in the *Charitable Donations Research Study*, which was commissioned by Visa and conducted using a nationally representative panel sample of people ages 21–69 owning a Visa debit card and/or Visa credit card. Data collection took place in March 2010. ©

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References

donorCentrics™ Internet and Multichannel Giving Benchmarking Report
www.blackbaud.com/targetanalytics/multi-channel-report

Increasing Donations for AFP Members

(AFP webinar presented by Visa on Aug. 5, 2010; includes charitable giving trends and research results)

www.afpnet.org/files/secure/index.cfm?FileID=34119 (login required)