Adrian Sargeant
is the Robert F. Hartsook
Professor of Fundraising at
Indiana University and Professor
of Nonprofit Marketing and
Fundraising at Bristol Business
School, University of the West of
England.

Elaine Jay
is Director of the nonprofit
consulting firm Sargeant
Associates Ltd and the author
of 'Fundraising Management'
and 'Building Donor Loyalty',
published by Routledge and Jossey
Bass, respectively.

Stephen Lee
is Director of the Centre for
Voluntary Sector Management
and a member of the School of
Reputation and Relationships
at Henley Management College.
He is also a Visiting Professor
of Marketing at the University of
Geneva.

Keywords: fund raising, fundraising,
fundraising costs, charity

Adrian Sargeant
Indiana University, SPEA
801 West Michigan Street
Indianapolis, IN 46202, USA
Tel: +1 812 935 8123
Fax: +1 317 274 7860
E-mail: asargean@iupui.edu

The true cost of fundraising: Should donors care?

Adrian Sargeant, Elaine Jay and Stephen Lee

Received (in revised form): 2 January 2008

Abstract

In response for calls for greater accountability and transparency in the voluntary sector, this paper reports the results of a major new benchmarking study of the fundraising performance of the UK's Top 500 charities. It focuses on the performance of the key direct marketing media and in the light of the results, highlights a number of critical lessons that must be conveyed by charities seeking to gain the public trust.

Journal of Direct, Data and Digital Marketing Practice (2008) **9**, 340–353.
doi:10.1057/dddmp.2008.5

Introduction

Research has consistently shown that donors have a clear idea of what they expect to happen to their donations. Relatively little should be spent on fundraising and administration with the bulk being invested in nonprofit programmes and mission. Warwick¹ identified that donors expect the ratio between administration/fundraising costs and so-called charitable expenditure to be 20:80 but it is interesting to note that despite this expectation most donors believe that the actual ratio is closer to 50:50. This perception matters because a weight of empirical evidence now concludes that donation levels are positively associated with reported programme ratios.^{2–4} Charities regarded as inefficient or as spending too much of their income on marketing find it significantly more difficult to raise funds.^{5,6} Donors appear to adjust their giving in line with these perceptions.^{7,8}

It is interesting to note that this interest in costs appears to be prevalent in both the UK and the US. In a 1998 poll of the US public nearly half of respondents indicated that the amount nonprofits spend on administration and fundraising was an issue that concerned them. A further poll in 2001⁹ asked donors what kinds of information were most important when making donation decisions. As previously, nearly half of respondents focused on how 'the organisation uses its money' whereas in contrast only six per cent cited 'fulfils a genuine need or makes a difference'. Similar results have been reported in the UK, where 88.3 per cent of the British public also feel that there should be greater controls over the costs of fundraising.¹⁰

Little wonder that the public are increasingly of this view. The news media seem almost ‘anally retentive’ on this issue¹⁰ with many news stories poorly researched, based on hearsay or demonstrating a clear misunderstanding of how the process of fundraising works.^{11–13} In the US leading magazines such as *Forbes*, *US News and World Report* and *Worth and Money* have all produced rankings of nonprofits based on a variety of spending ratios with their analysis underpinned by the fundamental assumptions that (a) such calculations are appropriate, and (b) those organisations that spend more on programmes are somehow better. In the UK we have so far managed to avoid a proliferation of rankings, but the recent introduction of the Guidestar website (where users can access a charity’s published accounts) has done little to move the public away from a focus on simplistic financial information. Indeed, this was not aided in 2002 by the publication by the Directory of Social Change of a review of the Top 200 charities and the calculation of key ratios to support their analysis.¹⁴

Calculation of aggregate performance ratios is meaningless

In this paper we argue that the calculation of aggregate performance ratios is meaningless. Instead, we call for greater openness and accountability on the part of the nonprofit sector in respect of how fundraising works and the performance of those aspects of fundraising generating the most public interest and concern. In particular, we focus on the direct marketing media that form the core of donor recruitment activity in this country. We then report the findings of a benchmarking study conducted on behalf of Henley Management College and the Institute of Fundraising in the spring of 2007 and suggest how this data should be used to inform the public perception of direct marketing in fundraising.

Problems with ratios

As we noted in our introduction, there are a number of aggregate ratios typically used to reach conclusions about the performance of a nonprofit: Administration costs as a percentage of total expenditure (the ACE ratio), fundraising and administration costs as a percentage of total expenditure (the FACE ratio) and fundraising costs as a percentage of total expenditure (the FCE ratio). Attention has tended to focus on these ‘input’ measures of nonprofit performance because of the difficulty in using published accounts to draw any comparisons between organisations in respect of their outputs.¹⁵ While in the for-profit context one may reasonably achieve this by looking at the profit organisations generate, nonprofits define themselves around their missions rather than the achievement of a financial surplus.¹⁶ Cherny *et al.*¹⁷ argue that the degree of satisfaction of the wants and needs of a nonprofit’s beneficiaries should be the critical issue and hence ‘the principal criterion of agency performance’ with which donors should be concerned. The costs of fundraising are therefore irrelevant. As Steinberg¹⁸ notes, using fundraising as a measure of organisational performance is ‘rather like looking at a car’s speedometer to ascertain

the temperature: a different kind of gauge is needed'. Similarly, Freedman¹⁹ argues that

'the cost of fundraising ... should not even be considered by donors when evaluating charities. In fact, these calculations overlook entirely the real measures of success. If a soup kitchen can feed 50 additional homeless people a week if it raises more money, although in doing so the cost of fundraising rises to 50 per cent, should those 50 people go hungry so the soup kitchen can meet an arbitrary cost of fund raising standard?'

There are a number of more pragmatic reasons why aggregate fundraising ratios are unhelpful.

Pragmatic reasons

1. There are economies of scale in some forms of fundraising and clear economies of scale in administration. Authors such as Sargeant and Kaehler²⁰ and Wise²¹ have demonstrated that larger charities tend to have lower administration costs than their smaller counterparts, although Sargeant and Kaehler²⁰ also note a reversal of this effect in the case of very small organisations, possibly because activity in this context involves a higher percentage of volunteers. Two US watchdog groups, the Philanthropic Advisory Service and the Council of the Better Business Bureau, specify a 40 and 35 per cent limit on fundraising/administration costs, respectively. As there are clear economies of scale in the FACE and ACE ratios, these global and quite arbitrary 'benchmarks' are unhelpful.
2. There are 'causal' variations in fundraising costs. In previous studies, certain categories of nonprofit have been shown to exhibit significantly higher levels of cost. In the UK disability groups will find it harder to raise funds than children's charities or organisations working in the domain of international aid.²² Such variations say nothing about the quality of fundraising *per se*, they merely reflect the level of public interest and concern with a particular issue.²³
3. Certain forms of fundraising are inherently low cost. Those organisations that are fortunate enough to be able to generate what they need in the form of grant income from statutory bodies or grant-making trusts/foundations will have a much lower cost of fundraising than those that, of necessity, must rely on the general public for support, particularly if direct marketing media must be employed.²²
4. Although charities in England and Wales must abide by an accounting Statement of Recommended Practice, considerable latitude remains in respect of the definition of various categories of costs. Many of these decisions are entirely arbitrary. Some charities claim that when they raise funds they are also fulfilling their mission by 'educating' the public about the nature of their cause. As a consequence they take out a fixed percentage of the costs of fundraising and assign it to programme expenditure. Other charities

take the opposite view, arguing that fundraising benefits from the awareness generated from brand advertising and fundraising is therefore 'charged' with a percentage of corporate communication expenditure.²⁴

5. It is also unclear how to handle specific forms of income. Legacy income, in particular, creates a major difficulty in fundraising reporting. It is often impossible for a nonprofit to match expenditure on legacy fundraising (frequently through direct marketing media) against the income it generates. There may be a lag of several years, and many legacies cannot be demonstrated to have been prompted by communications at all. A large proportion appear to be given unsolicited. The issue is therefore whether fundraising should be credited with legacy income and, if it is, substantial annual fluctuations in reported performance can result.
6. Finally, aggregate ratios fail to take account of the split between donor recruitment and donor development activity that may be taking place in a given period. Most charities, as will be demonstrated later, lose money on donor recruitment activity, but will generate healthy returns over the full duration of their donor relationships. The balance in activity selected by management will therefore have a profound impact on reported ratios. It is important to note that in the US Frumkin and Kim,²⁵ using reporting data from 1985 to 1995, found that those who spent more on fundraising at a given point in time tended to have a greater fundraising return in subsequent years.

Meaningful information must be provided

Is greater accountability needed?

While the forgoing issues complicate the issue of fundraising reporting, they do not excuse the sector from its duty to provide meaningful information to supporters. As Martin²⁶ notes, 'trust makes philanthropy possible. We give only when we trust our money and efforts will not be misused' and disclosure is a key driver of the trust upon which the voluntary sector is built.²⁷

Unfortunately, there is also mounting evidence from the US that in the absence of a meaningful reporting regime many nonprofits will exaggerate their fundraising performance. In their analysis of Forms 990 (a report tax-exempt nonprofits must file with the Internal Revenue Service), Cordes and Wilson²⁸ found that 59 per cent of nonprofits receiving direct public contributions did not report any fundraising expenses including nearly a quarter of those receiving more than \$5m in contributions! Similarly, Krishnan *et al.*²⁹ identify that many charities report zero fundraising costs despite engaging in fundraising activities. They also document that nonprofit hospitals in California report greater programme spending on their Form 990s than they do in state regulatory filings, which are subject to audit by the State government.

A comparatively recent strand of research has added to this depressing reading. As we highlighted above, many nonprofits have

'joint costs' associated with direct mailings and other activities that combine a public education effort with fundraising appeals. In the US, under the AICPA Statement of Position (SOP) 87-2³⁰ and its successor SOP No 98-2,³¹ charities must identify joint costs and disclose how they allocate these costs among programme, fundraising and administration categories. Unfortunately, Jones and Roberts³² identify a pattern of charities using their joint costs to reduce the impact of potential changes in their programme ratio. The authors estimate that between 16 and 28 per cent of changes in direct programme expenditure are counteracted by changes in joint costs and allocation. The authors speculate that nonprofits engage in this practice to avoid reporting fluctuations in their programme ratio that might be difficult to explain to donors or to avoid attracting the attention of regulators, as such organisations tend to be suspicious of ratios that alter dramatically from year to year. The evidence suggests that nonprofits therefore choose to smooth out the pattern of performance attained.

Statement of Recommended Practice

In the UK the requirements of the accounting Statement of Recommended Practice allow charities less scope to manipulate reported performance than in the US. Nevertheless, it is interesting to note that where such latitude does exist, a number of charities appear to take advantage of it. Within the top 500 fundraising charities, Pharoah,³³ for example, reports that the FCE ratio varies from 1 to 51 per cent with a mean of eight per cent. Sargeant and Lee²² further identify that 59 per cent of these organisations report no overhead costs associated with their fundraising activity.

How should charities respond?

Thus, while it would be fair to criticise the media for their typically ill-informed coverage of the issue, it would appear that there is some justification for their interest and calls for greater transparency and accountability may be warranted. In seeking to provide this greater accountability, however, it is unclear exactly how charities should respond.^{34,35} As we have seen, aggregate fundraising ratios are unhelpful, allowing the organisations considerable scope for manipulation. Greenfield³⁶ suggests that the way around these difficulties is to benchmark each type of fundraising activity and to avoid a simplistic examination of total costs and revenues. Sargeant and Lee²² also argue for this approach, calling for a particular focus on the forms of fundraising of greatest public interest and concern. In their view, there is a need for a coordinated approach on the part of the sector to communicate simple messages about the behaviour of costs and the questions individuals should pose of organisations if they remain in any doubt as to the appropriateness of their performance.

Direct marketing in fundraising

In the balance of this paper, we report on the performance of one such area of concern, namely the domain of direct marketing in fundraising. We examine the performance of the Top 500 fundraising charities (as ranked by voluntary income) and explore the implications of our findings for communicating with the public.

Postal survey**Our study**

A postal survey was dispatched to the Directors of Fundraising of the Top 500 fundraising charities in the spring of 2007. In total, 72 replies were received representing a usable response rate of 14.4 per cent. It is important to note that this is regarded as an acceptable response rate for a survey of this type,³⁷ and that this figure will, in any case, tend to understate the real response rate since a number of the organisations included in the sample will not presently be using direct marketing media. We had no way, *a priori*, of identifying those involved in this specific form of fundraising.

The questionnaire gathered cost/revenue data in respect of each of the major fundraising media, requiring respondents to report data from their past financial year. Respondents were also asked to report both the direct and indirect costs associated with recruitment and development functions.

Donor recruitment**Examination of returns****Cash giving**

We began by examining the returns accruing from donor recruitment activity, focusing first on the media used to recruit 'cash' givers (ie individuals sending donations by cheque, not giving regularly through a mechanism such as a direct debit). Table 1 contains a comparison of the performance of the five media typically employed to recruit this category of donor. It is important to note that we report here only the direct costs associated with conducting each activity.

Pattern of performance

Viewed in aggregate the results suggest a very similar pattern of performance across the various media. It is clear that the majority of recruitment media are loss making. The notable exception to this is reciprocal direct mail, where charities swap lists of their supporters with other organisations. This will sometimes happen directly, but it typically takes place through a third-party database. It is important to note that although the recruitment costs are lower in this medium, donors recruited through reciprocals tend to be lower value (since charities only swap their lower value supporters), and when donors are exchanged in this way their lifetime value to the initiating organisation falls by between 10 and 15 per cent.³⁸ These results should therefore not be interpreted as suggesting that the performance of reciprocal mailings is necessarily superior to that of the other recruitment media.

Table 1: Performance of recruitment media (cash donations — direct costs only)

Media	Cost per donor (£)		Average response rate		Return per £1 of investment	
	Mean	Median	Mean	Median	Mean	Median
Cold direct mail	30.59	35.29	1.00	0.90	0.40	0.38
Reciprocal direct mail	15.29	13.78	2.98	2.67	1.24	0.98
Unaddressed mail	27.81	25.34	n/a	n/a	0.65	0.055
Direct response press advertising	99.21	56.12	n/a	n/a	0.40	0.32
Inserts	19.56	21.56	n/a	n/a	1.33	0.87

The performance of direct response press advertising is also noteworthy and in particular the greatly skewed pattern of performance achieved (as indicated by the large difference between the mean and median costs). In the context of fundraising, press advertising generally performs very badly with most charities achieving an unacceptable pattern of performance. Emergency appeals appear to be the exception because of the heightened public awareness and supportive copy elsewhere in the publication. It can also be very successful in the context of high value fundraising products like child sponsorship schemes. Response rates are still poor, but the high value of the product makes the investment worthwhile.

Regular giving

Turning next to the issue of recruitment into regular giving, Table 2 contains the detail of this analysis. Because it would make little sense to examine the immediate return accruing from the recruitment of a regular giver (ie perhaps giving only £2 per month), for the purposes of comparison we have instead examined the returns accruing from the investment in this activity over the first year of the donor relationship. A total of five commonly employed media were examined. As previously, we report only the direct costs of conducting each form of fundraising.

The results indicate a broadly comparable set of costs across each media, with substantial variation in performance between individual charities in the case of inserts. A number of charities in the sample reported very poor results with this activity over the past financial year. Overall it is clear that recruitment into committed giving is a very costly activity that will only generate a return on its investment in the medium term, typically the second year of a donor relationship. Because regular givers exhibit a higher degree of loyalty than cash donors, they often ‘upgrade’ their giving level during their relationship with a charity, and require fewer communications this situation is unproblematic (see below).

The performance of direct dialogue or face-to-face fundraising is noteworthy. This technique involves teams of (usually) agency recruiters soliciting donors on the High Street or at a public event into a regular donation by direct debit. While this medium attracts a high degree of media interest, the returns it is able to generate are actually

**Broadly comparable
set of costs across
each media**

Table 2: Performance of recruitment media (regular giving — direct costs only)

Media	Cost per donor (£)		Average response rate (%)		Return per £1 of investment	
	Mean	Median	Mean	Median	Mean	Median
Cold direct mail	131.73	146.00	0.16	0.15	0.19	0.17
Unaddressed mail	119.87	100.45	n/a	n/a	0.87	0.76
Inserts	116.32	195.35	n/a	n/a	0.70	0.28
Direct response television	156.12	146.03	n/a	n/a	0.66	0.27
Direct dialogue	117.53	96.98	n/a	n/a	0.75	0.71

very respectable when compared with the range of alternatives. When one considers that many charities have also negotiated clawback guarantees (where the costs of recruitment will be refunded if a donor lapses within a specified period), it would appear to perform well.

Aggregate performance of donor recruitment activity

Aggregate recruitment performance

The next step in our analysis was to calculate the aggregate performance of donor recruitment activity. To do this we combined the recruitment costs and revenues reported by our participating charities and added in any previously unallocated indirect costs in each case. We were then able to calculate the typical return accruing to an organisation's donor recruitment function. We found that the mean return accruing from £1 of investment in recruitment activity is 63p with a standard deviation of 52p. The median was found to be 48p. These results indicate a somewhat skewed pattern of performance with a small number of organisations reporting break-even or better. The norm, however, as indicated by the median in this case, was for the activity to be conducted at a loss. It was not uncommon for charities to fail to recoup at least 50 per cent of their investment in the short term.

Direct mail

Donor development

We then gathered data in respect of donor development (ie communicating with donors following their initial recruitment). As previously, we draw a distinction between the development of cash donors and the development of regular donors. We also focus initially on the direct costs in each case. It should be noted that the primary donor development medium in the UK remains direct mail, and we therefore begin with an analysis of its performance.

Cash donors

Table 3 contains a summary of the data gathered. Donors were typically receiving six communications from the charity each year yielding a return of around £5 for every £1 of investment. As expected, response rates are much higher in the domain of donor development with rates of circa nine per cent common across the sector. Data were also gathered in respect of the average lifetime of a cash giver. In this case the mean lifetime was found to be 4.92 years with a median of 5.5.

Regular donors

In Table 4 a similar analysis is presented for regular givers. As expected, regular donors receive fewer communications than their cash

Table 3: Donor development mailings (cash donations)

Measure	Mean	Standard deviation	Median
Number of mailings received	5.55	1.94	6.00
Return on investment (£)	5.67	5.13	5.00
Response rate (%)	9.2	4.3	8.6

counterparts and the ongoing return from these individuals is high. It is important to stress that in calculating the ROI in this case, we have examined only the costs of ongoing communications. The reader will recall that the costs of recruitment are relatively high for this form of giver and this would need to be taken into consideration when calculating lifetime returns on investment. We are unable to provide such figures here. The mean lifetime of a regular giver was found to be 6.34 years, with the median 5.9, supporting the findings of previous studies that regular givers exhibit higher degrees of loyalty towards the organisations they support.³⁹

Two key metrics

The benchmarking of telemarketing in fundraising activity is notoriously difficult because nonprofits tend to use the medium in a variety of different ways and some organisations use their own teams, while others employ agencies for this purpose. In our survey, we therefore confined ourselves to the calculation of two key metrics. In the first we examined the use of telemarketing to encourage upgrades from cash to regular donations. We found that a mean of 38.8 per cent of individuals called increased the value of their gift. The median was 30 per cent.

We were also able to examine the use of the activity to solicit additional donations. In this case for every £1 of investment, a mean return of £1.39 was achieved (standard deviation £0.39). The median was found to be £1.32.

Indirect costs

Aggregate development performance

In the preceding analysis of development activity we have examined only the direct costs associated with the activity. Factoring in any previously unallocated indirect costs, we found that for every £1 of investment in this activity, organisations are achieving a mean return of £3.73 with a standard deviation of £1.91. The median return was found to be £3.03.

Total costs and revenues

Aggregate performance of direct marketing in fundraising

As a final step we examined the total costs and revenues accruing from all forms of direct marketing undertaken by our respondents. In this case we found that for every £1 of investment in direct marketing, organisations are achieving a mean return of £2.21 (standard deviation £1.35). The median return was found to be £1.65.

As part of our analysis of aggregate performance, we were able to explore the relationship between size of charity (as measured by voluntary income) and the pattern of performance achieved. We were unable to find a significant relationship between the two. This does not mean to suggest that there are not economies of scale in charity direct

Table 4: Donor development mailings — regular givers

Measure	Mean	Standard deviation	Median
Number of mailings received	4.67	2.23	4.00
Return on investment (£)	11.37	15.87	2.63

marketing, only that we were unable to detect any within our very specific sample. It is almost certainly the case that smaller organisations will report poorer returns than indicated here, with a possible reversal of the effect at the micro end of the sector where volunteer labour may be the norm. Our sample size was also too small to meaningfully address the issue of whether costs might vary from one category of cause to another. Extant research⁴⁰ suggests that this would be the case, but we are unable to address the issue here.

Conclusions

Our results have a number of important implications for the public/media understanding of fundraising costs. There are also implications for charities seeking to influence these perceptions.

Implications

First, it is clear that as with direct marketing activity in other sectors, the divide between the financial performance of recruitment and development activity is marked. Our results indicate that charities typically lose money on the former while very respectable returns accrue to the latter. This matters because media such as direct mail and direct dialogue, in particular, have tended to attract a good deal of adverse media coverage when the costs of these activities were ‘discovered’ and regarded as newsworthy.^{41,42} Our results indicate that the performance of all recruitment media are broadly comparable and that a loss is to be expected at this stage. Since attrition rates of 20–30 per cent are common in the sector, charities cannot avoid recruitment activity if they are to survive. There is a need to promote a greater understanding of this issue and in particular for the public to recognise that any organisation investing heavily in the recruitment of new donors may appear to be performing poorly in the short term. The evidence is clear, however, that it will reap the benefits of its investment in the medium to longer term. Recruitment should be regarded as an investment.

Recruitment should be regarded as an investment

Secondly, when viewed in aggregate, the returns from direct marketing expenditure in fundraising are very respectable. We estimate that in their past financial year charities were able to achieve a mean return of £2.21 for every £1 of investment. As the reader will appreciate there are few places in the current financial climate where one could quite literally (and legally!) double one’s money in the course of a 12-month period. Direct marketing affords UK charities this opportunity. The public and the media need, therefore, to recognise the contribution to an organisation’s mission that can be afforded by the use of these techniques.

Although it is a potentially complex issue to convey to the public, some effort should also be made to convey the differences between regular and cash giving. Charities derive the most benefit from regular donations, but the cost of recruiting donors into this form of giving is initially higher. Response rates tend to be lower because of the committed nature of the gift. Donors who are concerned about costs

Successful fundraising comprises a portfolio of activities

would be well advised to consider establishing regular donations to their chosen cause. They should also consider the form of giving being solicited when examining the costs of a particular campaign before criticising the performance achieved. The returns accruing to each are very different.

On a related point, the media/public need to be aware that successful fundraising, of necessity, comprises a portfolio of activities. Not only does this minimise risk, but it also ensures a broad range of support. The profile of donors recruited does vary by the media employed and, interestingly, by the nature of the solicitation. Donors who prefer to send cheques tend to be around ten years older (on average) than donors who prefer regular giving.³⁸ Since regular giving is more profitable in the medium term, it would be possible for an organisation to achieve a better fundraising ratio by focusing solely on this form of giving. In the much longer term, however, this would ultimately be counterproductive because older individuals are significantly more likely to include a charitable legacy in their will,⁴³ and moving to a younger support base would therefore impact negatively on this category of income.

Aggregate programme or fundraising ratios are irrelevant

In sum, our findings serve to reinforce the notion that aggregate programme or fundraising ratios are irrelevant. Fundraising embraces a diverse set of activities, involving an equally diverse pattern of short- and longer-term performance. Calculating the FACE and FCE ratios imparts nothing of value to inform a donation decision. Variations in these ratios between organisations occur for a plethora of reasons, very few of which attest to the quality of an organisation's management *per se* and none of which attest to the quality of work an organisation is able to achieve for its cause.

Trust

What distinguishes the charity sector from others is trust. Indeed, trust lies at the very heart of the concept of trusteeship, where individuals are trusted to administer funds in a manner consistent with the objects of an organisation and the wider public good. Attempts to treat the sector as one might the business or for-profit sector serves only to belittle this trust and undermines the very basis of what it means to be a charity. Rather than focus on simplistic ratios we would prefer organisations to adopt a more proactive approach by actively disseminating the outcomes the organisation has been able to achieve. It is on this basis that we believe donors should be encouraged to place trust, not on the basis of whether it costs 21p or 25p to raise a pound.

An informed public is desirable

That said, if the public is to continue to place trust in our sector, it is essential that the realities of fundraising and fundraising costs are made clear and particularly those such as direct marketing, which are of greatest interest and concern. We therefore commend the approach adopted on the public education website www.charityfacts.org which will now be underpinned by our data. Here the public is informed about the behaviour of these costs, the spread in performance achieved by the sector and the likely reasons for this variation. Rather than stipulating arbitrary benchmarks the site instead encourages donors

Honesty

who may be concerned by their pattern of cost reported to contact their charity for an explanation. Donors can access the sector norms and decide for themselves whether they wish to explore the issue further. The site also makes it clear that a focus on outcomes should be the preferred method of selecting a charity to support.

In seeking to foster trust, charities must also play their part by responding to calls for greater openness and transparency, not by playing games with their internal accounting but by being open and honest about how much it costs to raise a £1 and ideally in each of the key media they employ. We do recognise that as Rooney⁴⁴ notes, 'the bottom line for practitioners is that nobody wants to be the first (or the only) one to be honest about the true costs and benefits of fundraising because the public has been misled for so long', but with 88 per cent of the public calling for greater controls over the costs of fundraising,¹⁰ the need for some form of action has never been greater. It would require little effort on the part of a charity for the costs/benefits of different forms of fundraising to be reported on its website, nor would it require much effort to link to, or support, public education initiatives such as charityfacts or the ImpACT Coalition (a coalition of charities agreeing to promote a series of educational messages). Ten years ago Jim Greenfield challenged the fundraising sector to be more accountable. Recognising the difficulty of being among the first to be truly transparent, he argued that nevertheless accurate reporting

'is necessary and required: disclosing the results is laudable and brave. Take courage pills; the results will be praiseworthy and more than worth the effort'. (Greenfield⁴⁵)

If the public can be convinced that we have nothing to hide and that fundraising can rightly be regarded as a worthwhile investment, we may yet succeed in moving the debate about charity performance forward to the one area it should always have focused on: the extent to which our charities are fulfilling their missions. This is, after all, what should really matter to our donors.

References

1. Warwick, M. (1994). *Raising Money By Mail: Strategies for Growth and Financial Stability*, Strathmoor Press, Berkeley, CA.
2. Weisbrod, B. and Dominguez, N. (1986) 'Demand for collective goods in private nonprofit markets: Can fundraising expenditures help overcome free-rider behavior?', *Journal of Public Economics*, Vol. 30(June), pp. 83–96.
3. Callen, J. (1994) 'Money donations, volunteering and organizational efficiency', *The Journal of Productivity Analysis*, Vol. 5(October), pp. 215–228.
4. Tinkelman, D. (1998) 'Differences in sensitivity of financial statement users to joint cost allocations: The case of nonprofit organizations', *Journal of Accounting, Auditing and Finance*, Vol. 13(Fall), pp. 377–394.
5. Schlegelmilch, B., Diamantopoulos, A. and Love, A. (1997) 'Characteristics affecting charitable donations: Empirical evidence from Britain', *Journal of Marketing Practice: Applied Marketing Science*, Vol. 3, No. 1, pp. 14–28.
6. Sargeant, A, Ford, J. and West, D. (2000) 'Widening the appeal of charity', *International Journal of Nonprofit and Voluntary Sector Marketing*, Vol. 5, No. 4, pp. 318–332.

7. Tobin, J. (1994) 'Poverty in relation to macroeconomic trends, cycles, and policies', in Sheldon, D., Sandefur, G. and Weisberg, D. (eds) *Confronting Poverty*, Harvard University Press, Cambridge, pp. 147–167.
8. Bennett, R. and Savani, S. (2003) 'Predicting the accuracy of public perceptions of charity performance', *Journal of Targeting, Measurement & Analysis for Marketing*, Vol. 11, No. 4, pp. 326–343.
9. Princeton Survey Research Associates. *Final Report: BBB Wise Giving Alliance Donor Expectations Survey*, Princeton Survey Research Associates, Princeton, NJ.
10. Sargeant, A. (2005) 'Individual giving', Third Sector Foresight Conference, NCVO, London, June.
11. Fenton, N., Golding, P. and Radley, A. (1993) 'Thinking about charity: Report of a pilot study into public attitudes to charities and volunteering', in Saxon-Harrold, S. and Kendall, J. (eds) *Researching The Voluntary Sector*, Charities Aid Foundation, Tonbridge, pp. 75–86.
12. Ormstedt, D. (1994) 'Government regulation of fundraising: A struggle for efficacy', *New Directions for Philanthropic Fundraising*, Vol. 3, pp. 129–141.
13. Sargeant, A. (2004) 'Assessment, measurement, accountability and ROI', Issues and Answers, National Community Relations and Development Conference, April, Dallas, Texas.
14. Lee, S. (2003) 'Benchmarking charity fundraising costs: A new UK initiative', *International Journal of Nonprofit and Voluntary Sector Marketing*, Vol. 8, No. 1, pp. 5–11.
15. Hyndman, N. and McKillop, D. (1999) 'Conversion ratios in charities in England and Wales: An investigation of economies of scale', *Financial Accountability and Management*, Vol. 15, No. 2, pp. 135–154.
16. Hansmann, H. B. (1980) 'The role of the non-profit enterprise', *Yale Law Journal*, Vol. 89, pp. 835–898.
17. Cherny, J., Gordon, A. R. and Herson, R. J. L. (1992). *Accounting — A Social Institution: A Unified Theory for the Measurement of the Profit and Nonprofit Sectors*, Quorum Books, New York.
18. Steinberg, R. (1997) 'On the regulation of fundraising', in Burlingame, D.F. (ed) *Critical Issues in Fundraising*, John Wiley and Sons, New York, pp. 234–247.
19. Freedman, P. (1997) 'Fundraising cost percentages: Do they really matter?', *Federation Folio of the National Federation of Nonprofits*, Vol. 1, No. 3, pp. 1–5.
20. Sargeant, A. and Kaehler, J. (1999) 'Returns on fundraising expenditures in the voluntary sector', *Nonprofit Management and Leadership*, Vol. 10, No. 1, pp. 5–19.
21. Wise, D. (1997) 'Size and administration costs in the voluntary sector: A note', *Financial Accountability and Management*, Vol. 13, No. 1, pp. 81–88.
22. Sargeant, A. and Lee, S. (2003) 'Benchmarking fundraising practice', Institute of Fundraising Annual Conference, Birmingham, July.
23. Hager, M., Pollak, T. and Rooney, P. (2001) 'Variations in overhead and fundraising efficiency measures: The influence of size, age and subsector', Paper presented at the 2001 Annual Conference of the Association for Research on Nonprofit Organizations and Voluntary Action, Miami, FL.
24. Hopkins, B. (1995) 'A struggle for balance', *Advancing Philanthropy*, Fall, pp. 26–31.
25. Frumkin, P. and Kim, M. T. (2000) 'Strategic positioning and the financing of nonprofit organizations: Is efficiency rewarded in the contributions marketplace?', Working Paper #2, The Hauser Center for Nonprofit Organizations and the Kennedy School of Government, Harvard University.
26. Martin, M. W. (1994). *Virtuous Giving: Philanthropy, Voluntary Service, and Caring*, Bloomington, Indiana University Press, IN, p. 48.
27. Seddon, N. (2007). *Who Cares?*, Civitas, London.
28. Cordes, J. J. and Wilson, S. (2000) 'Costless fundraising: Deconstructing the evidence', Paper Presented At The Annual Meeting of the Association for Research on Nonprofit Organizations and Voluntary Action, New Orleans, Louisiana.
29. Krishnan, R., Yetman, M. and Yetman, R. (2005) 'Expense misreporting in nonprofit organizations: An agency based analysis', Working Paper, Michigan State, University of California, Davis; and University of California, Davis.

30. American Institute of Certified Public Accountants (AICPA). (1987) 'Accounting for joint costs of informational materials and activities of not-for-profit organizations that include a fund-raising appeal', Statement of Position No 87-2, AICPA, New York, NY.
31. American Institute of Certified Public Accountants (AICPA). (1998) 'Accounting for costs of activities of not-for-profit organizations and state and local entities that include fund raising', Statement of Position No 98-2, AICPA, New York, NY.
32. Jones, C. L. and Roberts, A. A. (2006) 'Management of financial information in charitable organizations: The case of joint cost allocations', *The Accounting Review*, Vol. 81, No. 1, pp. 159–178.
33. Pharoah, C., (ed) (1997). *Dimensions of the Voluntary Sector*, Charities Aid Foundation, West Malling.
34. Omisakin, I. (1997) 'Value for money in the charity sector', *Management Accounting*, Vol. 75, No. 3, pp. 56–58.
35. Palmer, P. and Vinten, G. (1998) 'Accounting, auditing and regulating charities: Towards a theoretical underpinning', *Managerial Auditing Journal*, Vol. 13, No. 6, pp 346–355.
36. Greenfield, J. (1996). *Fund Raising Cost Effectiveness: A Self-Assessment Workbook*, Wiley, New York.
37. Churchill, G. A. (1991). *Marketing Research: Methodological Foundations*, Dryden Press, London.
38. Sargeant, A. and Jay, E. (2004). *Fundraising Management*, Routledge, London.
39. Sargeant, A. and McKenzie, J. (1998). *A Lifetime Of Giving: An Analysis of Donor Lifetime Value*, Charities Aid Foundation, West Malling.
40. Sargeant, A. and Kaehler, J. (1998). *Benchmarking Charity Costs*, Charities Aid Foundation, West Malling.
41. Ridley, J. (2003) 'Can you spare a moment for Unicef? F***Off', *Daily Mirror*, 04/04/2003, p. 15.
42. Anon. (2006) 'Charity with a £5M prize flaw', *The Guardian*, 11/05/06, p. 19.
43. Sargeant, A. and Radcliffe, R. (2007) 'How come people leave legacies at all?', Institute of Fundraising National Convention, London, July.
44. Rooney, P. M. (1999) 'A better method for analyzing the costs and benefits of fundraising at universities', *Nonprofit Management & Leadership*, Vol. 10, No. 1, pp. 39–56. (p. 55).
45. Greenfield, J. (1996). *Fund Raising Cost Effectiveness: A Self-Assessment Workbook*, Wiley, New York, p. xv.