# Low-trust Donors

*by Louis Diez, Ph.D.*

Low-trust donors are those that engage with an organization but do not consider it a legitimate recipient of their philanthropic dollars beyond token donations or transactional exchanges.

I propose that these type of donors require different fundraising strategies.

Why? If you're looking for growth in your donor base or your organization is going through issues that undermine public trust, you cannot afford to ignore them. In addition, society is going through changes that are making many of us distrust certain institutions such as nonprofits.[1]

In this whitepaper, I give experience-based examples to help you recognize low-trust donors, explore research-based clues about their thought-processes, and propose solutions for immediate action.

## What's Going On?

My medical-researcher friends from the Netherlands came to me with a question about their experience with US-style philanthropy. Why do we have to ask so aggressively?

They had attended one concert with a major symphony orchestra after which the calls, letters, and emails had been, according to them, incessant. They found it totally off-putting. I tried to explain how the

[1] As shown by studies such as the Edelman Trust Barometer (www.edelman.com/trust-barometer).

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financial model of US orchestras work and they seemed to appreciate the fact that funding is more market-oriented over here but it was obvious that the current approach wouldn't work with people like them. According to Jim Langley, President of Langley Innovations, many US donors say the same thing. He asserts, "Numerous studies show that the top reason for not supporting and ceasing to support an institution is 'they ask too much.'"

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As a gift officer, I was meeting with a young alum from a US News top 10 university. After exploring his history with the university and his successful career to date, he was interested to hear about his school's annual fund and the impact it has on making scholarships available to first-generation students like him. In light of this, his next question totally caught me off-guard: How can I be sure that my dollars will end up supporting scholarships and not paying for something else?

This is a hard, but common, question. You generally cannot tag dollars as they travel through the financial system. Other than explaining that money is fungible and that the need will always be greater than the amount we raise, I haven't been able to come up with a good answer.

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This last story is about a long-time donor that had resisted increasing their annual giving for years. Their most common objection was: Why do I only hear from you when you want my money? It is hard to respond to this. In this case, we knew that it seemed otherwise from our point of view. The database showed that she assisted to events, received informational newsletters, volunteered, and was otherwise an engaged participant with the institution. Why would she be saying this? We were obviously missing something important.

Fast-forward to a few months later when I was fundraising to celebrate the retirement of a well-known researcher with which she had a relationship. We crafted individually-named dossiers, laid out the history of the department including past fundraising successes, explained in great detail the current needs and how the goal set would help us achieve them. We had multiple planning meetings with a committee of volunteers and representatives of the department. She eventually made a $100,000 gift to this project and opened the doors to other peers who contributed significatively. We wound up launching the official fundraising with $500,000 in the bank.

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For years, I have been looking for a common thread to explain these cases. In the meantime, I went on to successfully approach other donors with whom traditional techniques did work but always with the growing feeling that there was a growing trend underfoot that needed to be explained.

Having a background in economics and behavioral finance, a research paper published in 2018[2] set off an aha moment that I think explains what the underlying issue is.

## Trust Erosion

Overall, trust is eroding in society. We innovate with currencies like Bitcoin and smart contracts that don't require trust among participants. Trust for legacy institutions among Millennials is on the decline. Impact investment is seen by some as a more reliable and less wasteful alternative to the work nonprofits do.

You see this at a micro level too, as in the falling effectiveness of telephone fundraising. From time to time, even well-regarded institutions have issues that diminish the public's trust in them: fraught union negotiations, discrimination allegations, or financial problems in the press.

Low trust seems to be a relatively recent but growing issue of our times.

### Where are your Low-trust Donors?

Low-trust donors are those that engage with us (oftentimes, in a transactional way like by purchasing tickets or by attending a physician's office) but do not trust our organization and do not consider it a legitimate recipient of their philanthropic dollars beyond token donations.

You will hear them say things like "I have supported the organization by purchasing XYZ for years and that should count for something."

"I already paid big bucks for my tuition and that is all the support I am going to give you."

Being "low-trust" is a circumstantial characteristic. You can be low-trust in one context (i.e. shopping for a used car) but high-trust in another (i.e. with your friends). Environmental and societal changes may also make broad swaths of people tend toward low-trust behaviors, generally or specifically toward a set of institutions (i.e. political, financial, or nonprofit).

In contrast, environments where people trust each other result in higher performance, better problem-solving, and more productive risk-taking. In my experience, high-trust also extends to an organization's fundraising capacity. Good fundraisers use this to their advantage by cultivating a reputation that does the work for them before they set foot in a room.

> Reynold Levy said,
> "Fundraising is a physiological process
> of gathering trust."

[2] Francisco Diez-Martin, Alicia Blanco-Gonzalez & Camilo Prado-Roman (2018) Factors Affecting Individual Decisions Based on Business Legitimacy, Journal of Promotion Management.

## How do Low-trust Donors Decide?

Low-trust donors make decisions by asking different questions than high-trust donors. This means that most of the time we're answering the wrong questions!

In a low-trust context, people evaluate the legitimacy of a cause or business based on pragmatic and cognitive questions. For example:

Pragmatic: What is in it for me? What do I get for my donation? Is this convenient?

Cognitive: How will my money be used? How does the organization work? What is its funding model? Why do they need to fundraise? Where exactly will my money go? Can you prove it?

In contrast, high-trust donors and high-visibility donors tend to decide based on moral and regulatory issues. I.e. Is it the right thing to do? Is this a socially accepted cause? Do they follow the law? Will this make the world a better place?

## What to do?

There are basically two ways around the low-trust issue. The first one is to attempt to answer the "what is in it for me" and "how will you use my money" questions.

These are not ideal because: 1) If you start giving away stuff it becomes more expensive to operate the organization,[3] 2) you cannot always explain where each individual cent goes.

Or you you can try to build trust with your donors.

By thinking about how you communicate, you can achieve a lot before you even meet the donor for the first time. All types of organizations need to build trust. I've compiled a list of strategies that can have a strong effect when used together. Where possible, I've found the equivalent in nonprofit fundraising.

[3] Encouraging *quid pro quo* behaviors also puts you down a dangerous path of semi-philanthropic exchanges that generate a different donor mindset.

## Trust Building Techniques

➔ Social Proof

> “Proof is anything you can show or tell a prospective donor before they decide to give to you that increases their trust or decreases the perceived riskiness of their gift.”

**Testimonials or quotes** from current and previous donors

**In-depth case studies -** Preferably first-person donor stories of why they decided to give to the organization, what their experience was, what the learned, how they feel, the impact they’ve achieved, etc.

**List of donors** who will serve as a reference (think of Annual Fund chairs, board members).

**Third-party expert/authority endorsements** (seals of excellence in nonprofit management or other validation symbols)

**Honor roll** with names of current donors. This is the weakest form of social proof because of how nonspecific, near-anonymous, and easily abused it is, but still worth using if you have nothing else. To make honor rolls more effective, list names of donors that your audience will recognize. If you have famous names in your donor lists try to make them obvious. If not, you can also break down your honor roll into groups (so, in higher ed, class years are natural ways to group people; but you can also be creative about this, by place of employment, by industry, etc). You can also list logos of companies.

➔ Communicate like an Insider

Think for a moment about your conversations with your long-time donors. The conversation you could have with a donor is markedly different than what you could have with someone who doesn’t know the first thing about your organization. The deeper conversation you could have with an established donor comes from:

A shared vocabulary
A shared interest
Shared experiences, even if just in a broad sense
(possibly) A shared worldview
You and the donor are both members in the same audience. To each other, you are insiders.

The content and delivery of what you share with insiders is also different. In general, you would tend to be more honest, open, and accountable. You would also share information about what is not going well. In a way, this means that you have to trust the donors before they will trust you.

➔ Demonstrate your organization’s skill or expertise

Here is where playing up the skill of the organization at fundraising can have a self-fulfilling prophecy effect. Of course, being able to prove that you are outstanding at executing your mission is primordial. How are we an amazingly skilled orchestra / museum / hospital / university / service organization? What awesome things do our experts do that no-one else can?

➔ Guarantees

We shy away from offering guarantees (“save three lives or your money back” is hardly feasible), but it is a proven trust-building mechanism. I thought it was worth leaving in here.

➔ Demonstrating the mechanism by which you produce uniquely valuable results

How is the way we do things unique? Do we have a process that no one else uses that guarantees better outcomes? Does your orchestra perform on special instruments? Do your doctors operate with tools that originate from their groundbreaking research?

➔ Being very specific in your marketing

In general, you achieve this by using more and more accurate data. Tell donors how many years they have been giving to you, what they have supported, mention what other services they have used (Have they attended concerts recently or do they have tickets for upcoming concerts? Say which ones!)

➔ Articulating a contrarian viewpoint

It is not always possible, but if you can say black when everybody is saying white there will be a group of people that you connect with and trust you as an organization for believing in something.

➔ Acknowledging any weakness in your claims

If there is something obviously missing in your arguments or you can’t prove something, it is better to get it out in the open as soon as possible. Use your customer feedback channels to capture the most common objections and proactively address them.

## Conclusion

Low trust is both a circumstantial and a generational issue. Baby Boomers and onwards have ever-falling levels of trust in institutions.

Attempting to fundraise for a cause without addressing these issues first is counter-productive. Many trust issues are similar to the ones that startups and other beginning enterprises encounter. In consequence, the solutions that new ventures use to build trust can be easily transplanted to the nonprofit arena. In this whitepaper, I’ve attempted to provide with some ideas that, when used together, are a powerful way to overcome trust issues.

Any ideas or suggestions? This resource is a work-in-progress. Please contact the author with your thoughts at: louis@marktlab.com.