

Millennials and Connectivity:  
Four Futures of Nonprofit Fundraising

## Introduction

In 2010, 1,280,739 registered 501(c)(3) nonprofit organizations accumulated \$291 billion in support<sup>1</sup>, positioning the industry as the third largest in America<sup>2</sup>. As impressive as this may be for an industry based solely on charitable giving, this comes to only 2 percent of average household disposable (after tax) income, a figure that is consistent with the average household contributions over a 40-year period. In other words, despite increased marketing efforts and the utilization of social media technology to engage their audience, nonprofits are as effective at generating contributions as they were four decades ago.

While giving has remained fixed, demands on the nonprofit industry have skyrocketed: the number of natural disasters has tripled since the 1960s, the number of conflicts has almost doubled, 4 in 10 of the homeless in the US were

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<sup>1</sup> Giving USA Foundation (2011). Giving USA, Giving USA Foundation, Indianapolis, IN

<sup>2</sup> Humphries, L. (2012, January 30). *Nonprofit growth in 2012: Social and economic circumstances combine*. Retrieved from <http://www.revenews.org/nonprofit-growth-in-2012-social-and-economic-circumstances-combine/>

unsheltered in 2012<sup>3</sup>, and 1 in 7 U.S. adults (approximately 32 million) cannot read anything more challenging than a children’s picture book. These figures offer a small sampling of the challenges that we face as a society, and point to a consistently growing need for charitable organizations.

Clearly, for a nonprofit to survive in this environment, it must be willing to prepare for a number of future scenarios based on current trends and social indicators. This study uses such a methodology, developed by Peter Schwartz<sup>4</sup>, in order to offer strategic insights into the future of nonprofit fundraising in the United States.

## **Client: The Boys & Girls Club of America**

The Boys & Girls Club of America (BGCA) supports 4,000 community-based clubs, offering 4.1 million young people a safe, affordable place to spend time during non-school hours and during the summer<sup>5</sup>. The organization is in the top 10 of the NonProfit Times top 100 nonprofit organizations<sup>6</sup>, and *The Chronicle of Philanthropy* placed the organization in the “No. 1” position among youth organizations for the 18th consecutive year<sup>7</sup>. With the first clubs affiliating in 1906, the BGCA has a long tradition of supporting communities and youth;

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<sup>3</sup> National Alliance to End Homelessness, (2012). *The state of homelessness in America 2012*.

<sup>4</sup> Schwartz, P. (1996). *The Art of the Long View: Planning for the Future in an Uncertain World*. New York, NY: Doubleday.

<sup>5</sup> <http://www.bgca.org/whoweare/Pages/FactsFigures.aspx>

<sup>6</sup> Based on Form 990s (an annual IRS reporting return that certain federally tax-exempt organizations must file, which provides information on the filing organization's mission, programs, and finances), organizational annual reports, and interviews with several hundred organizations. Mamone, T. (2006, August 4). *Top 100 nonprofit organizations*. Retrieved from <http://www.zimbio.com/Charity and Charitable Giving/articles/2/Top 100 nonprofit organizations>

<sup>8</sup> <http://www.bgca.org/whoweare/Pages/FactsFigures.aspx>

however, it has additionally shown an impressive capability of adapting to ever-changing youth social dynamics<sup>8</sup>, as well as fundraising strategies<sup>9</sup>. While these factors point to a continued future of success and positive social impact, the future of nonprofit organizations and the public's relationship to them remains uncertain.

### **Time Frame: 15 Years (2027)**

As we have described above, the contributions to nonprofit organizations has varied little in the past four decades. However, as we shall demonstrate, a number of key social and economic issues for nonprofits may be on the horizon. Additionally, as technology plays a large part in our scenario planning, and relying on our understanding of the radical social changes that have been the result of Web 2.0 social innovations, we must remain conservative in regards to our timeframe for our case study. For this reason, we have chosen 15 years, which allows ample time for the BGCA to adjust and develop its strategic trajectory while being able to realistically predict the state of technological and social dynamics.

Furthermore, this will correspond with the Millennial<sup>10</sup> generation reaching a professional and financial maturity. To ensure the BGCA is properly prepared for a new generation of individual contributors, volunteers, and philanthropists,

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<sup>8</sup> A number of studies have shown BGCA's effectiveness with gang prevention, substance abuse education, and the decrease of juvenile delinquent behavior.

<sup>9</sup> For instance, BGCA's main website offers individuals the opportunity to set up their own fundraising pages and provides them with social media tools and templates to support their personalized advocacy.

<sup>10</sup> Millennials are generally described as the group of individuals born between 1979 and 2001

we must begin by investigating and identifying a number of key questions and key driving forces that will influence our critical uncertainties and assist us in illustrating the possible futures of nonprofit fundraising.

## **Key Questions:**

Below we have identified key questions addressing the futures of the BGCA and nonprofit fundraising. These considerations, many of which overlap thematically, illustrate the many factors that must be considered:

### **Non-Profit Industry**

What types of industry self-regulation and accountability measures will be developed and adopted?

Will the non-profit industry become more competitive or will there be a more collaborative, issue-based community?

At what point could/will the nonprofit industry become oversaturated?

### **Technology**

How will social media technology affect BGCA fundraising?

Will advances in information technology allow for “micro-accountability”?

How will cheaper and more user-friendly multimedia technology affect organizations’ abilities to create outreach materials?

### **Government**

What changes in tax codes could directly affect 501(c)(3) nonprofits like BGCA?

How will future legislation affect transparency of large organizations?

Would lower tax rates lead to less tax-deductible giving? Would higher tax rates lead to more giving?

### **Cultural and Social Trends**

Will the Millennials create a stronger “culture of giving”?

Will charitable contributors come to expect more nonprofit accountability and control of how their money is spent?

Will longer life expectancies translate into longer-term relationships between individuals and nonprofit organizations?

How will “gamification” affect nonprofits’ outreach and fundraising strategies?

### **Economic**

Will the rise of social entrepreneurship and corporate social responsibility make nonprofits less attractive?

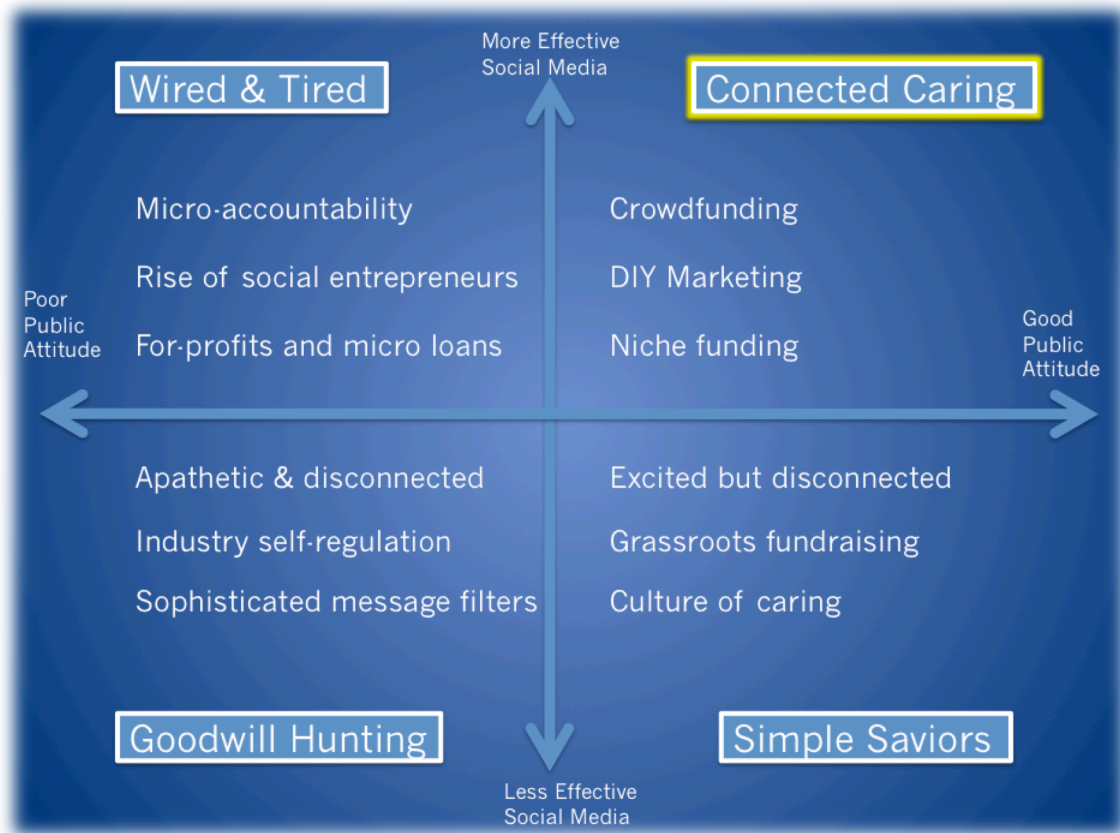
Will charitable contributors come to expect a return on investment?

Will corporations and philanthropists continue to partner with nonprofits?

### **Critical Uncertainties:**

From our research we have come to two critical uncertainties: public attitude toward nonprofits and social media technology. Seeing as fundraising is based on the interests of individuals to contribute to an organization, public attitude toward nonprofits is a logical choice. Producing scenarios based on this uncertainty will ensure the BGCA can make strategic decisions for engaging with their audience, especially the Millennials. In terms of social media technology, how easily and substantively an organization can connect directly

with their potential contributors and develop relationships with them will be of great importance. With these drivers in mind, we offer the following scenarios:



### Scenario 1: Connected Caring

**(Good Public Attitude Toward Nonprofits, Effective Social Media Technology)**

As the Millennials enter into a more stable period in their lives, they are finally able to give to their favorite nonprofit organizations with money, as well as time. With their “think global, act local” social conscience they feel empowered and compelled to make the world a better place. They have grown up with

nonprofit organizations, such as Teach for America and the Human Rights Campaign, that have become trusted household names.

The social media technology that they have grown up with has matured with the Millennials' world outlook; social networking software and mobile apps have connected them to important social issues and helped them to organize and act. Crowdfunding, made popular by sites such as Kickstarter ([www.kickstarter.com](http://www.kickstarter.com)) and ActBlue ([www.actblue.com](http://www.actblue.com)), puts the power of nonprofit fundraising in the hands of the BGCA's supporters. They become the advertisers and marketing team, collecting video and pictures, microblogging, and sharing their BGCA experiences with their friends and family. Technology such as Google's Project Glass<sup>11</sup> has become commonplace, and BGCA volunteers can document their first-person experiences to share with the web community. Nonprofits utilize generosity games, where individuals compete for online and offline rewards by bringing in donations, new supporters, and producing creative exposure.

Furthermore, the sophistication of the technology allows donors to choose exactly where they want their money to go, in a sense bypassing the bureaucracy of the nonprofit organization. For instance, a donor can choose to give money directly to the art room of a BGCA club to make sure they have enough supplies for the year. Similar to frictionless sharing, we call this frictionless giving.

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<sup>11</sup> <http://www.youtube.com/watch?v=9c6W4CCU9M4>

## **Strategy for BGCA:**

Focus on getting Millennials engaged in volunteering and interning with BGCA. Build relationships based on time, not money. Analysis has shown that lowering supporter attrition rates by 10 percent can yield up to a 200 percent increase in projected value, as donors upgrade their contributions, recommend others, and pledge a planned gift later in life<sup>12</sup>. Utilize social media to start conversations with Millennials about what matters to them and connect it back to what BGCA offers communities. Focus requests for donations to more traditional media and older demographics.

## **Scenario 2: Simple Saviors**

### **(Good Public Attitude Toward Nonprofits, Ineffective Social Media Technology)**

While the pace of social media innovations have slowed and organizations are not effectively connecting to their audience through digital means, the Millennials are still optimistic and energetic about helping nonprofit organizations make the world a better place. Programs such as The President's Interfaith and Community Service Campus Challenge<sup>13</sup> have become deeply

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<sup>12</sup> Sargeant, A., & Shang, J. (2011, October). *Growing philanthropy in the United States*. Washington, D.C. Retrieved from [https://www.blackbaud.com/files/resources/downloads/WhitePaper\\_GrowingPhilanthropyReport.pdf](https://www.blackbaud.com/files/resources/downloads/WhitePaper_GrowingPhilanthropyReport.pdf)

<sup>13</sup> A White House initiative inviting institutions of higher education to commit to a year of interfaith and community service programming on campus.



rooted in the fabric of educational institutions and a culture of giving back has become part of the lives of Americans.

Individuals are using simpler, grass roots methods to share their passion for nonprofits doing social good. Like the nonprofit community today, organizations throw fundraising events, pair with corporate sponsors, create videos, and employ street marketing and outreach.

### **Strategy for BGCA:**

Like the Connected Caring scenario, focus on getting Millennials engaged in volunteering and interning with BGCA. Connect with educational and faith-based institutions to make BGCA a household name for community involvement. Create lasting relationships with young patrons of BGCA clubs and encourage them to involve the organization in future community outreach projects. Reach out to multicultural Millennials especially, surveys have shown that they are more optimistic and altruistic than their White counterparts<sup>14</sup>. Additionally, continue connecting with celebrities who were patrons of BGCA, use their “brands” to give your organization more exposure.

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<sup>14</sup> *Multicultural millennials are the focus of a new research study.* (n.d.). Retrieved from [http://www.blacknews.com/news/images\\_usa\\_futures\\_company\\_multicultural\\_millennials101.shtml](http://www.blacknews.com/news/images_usa_futures_company_multicultural_millennials101.shtml)

Sansone, S. V. (2010). Tracking trends in student service. *Journal of Student Affairs, XX*, 63-67. Retrieved from <http://www.sahe.colostate.edu/Data/Sites/1/journalofstudentaffairs2010-2011final.pdf>

## Scenario 3: Goodwill Hunting

### (Poor Public Attitude Toward Nonprofits, Ineffective Social Media Technology)

The problems that affect us now, such as global warming and income inequality, have exacerbated, and under the weight of a grim reality the enthusiasm of the Millennials for creating real change has faltered. Individuals are apathetic and disconnected, seeing large, bureaucratic organizations as a hindrance, not a solution, to real change<sup>15</sup>.

From 1999 to 2011, the nonprofit sector grew 60 percent (double the rate of the business sector)<sup>16</sup>; with this trend continuing, the nonprofit sector becomes oversaturated, with organizations competing over similar issues and potential supporters. In addition, escalating medical costs, increased tax burdens, and longer life expectancies mean donors are more likely to prioritize other life issues instead of supporting charitable organizations.

Additionally, the honeymoon period of nonprofits connecting to potential donors is over. The worst-case scenario: there is a social backlash to technology and people simply unplug. At best, users become extremely savvy and skeptical about the messages that they receive. Filtering and antispamming software keeps nonprofits' potential messages from reaching their audience.

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<sup>15</sup> For an illustration of this trend, see Fukuyama, F. (1999, May). The great disruption. *The Atlantic Monthly*, 283(5), 55-80. Retrieved from <http://www.wesjones.com/fukuyama.htm>

<sup>16</sup> Kim, P., & Bradach, J. L. (Spring 2012). Why more nonprofits are getting bigger. *The Stanford Social Innovation Review*, Retrieved from <http://www.bridgespan.org/why-more-nonprofits-are-getting-bigger.aspx>

Imagine having to submit a request demonstrating BGCA's record of success and general qualifications before an individual will even consider looking at your request for money. The roles of individuals and companies are reversed — every connection with a potential contributor will be like a present day applicant requesting an interview for a job. This is an especially difficult scenario for large organizations such as BGCA.

**Strategy of BCGA:**

Find ways to work with organizations with similar missions. Share back office facilities with other organizations to lower overhead and encourage collaboration. Focus BGCA's resources on building trust and increasing accountability. Work with the nonprofit community to enhance self-regulation, enforcing the filing of Forms 990 and honest claims on revenue and costs<sup>17</sup>. Support initiatives to educate the public about the myths and realities of nonprofits and fundraising; ensure that potential donors have a clear understanding of how the industry works<sup>18</sup>. Finally, ensure that you focus on what you do best. In this stagnant environment, putting your resources in peripheral causes and activities will weaken your brand and keep you from gaining a competitive edge.

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<sup>17</sup> 59 percent of nonprofits receiving direct public contributions did not report any fundraising expenses. Almost a quarter of those organizations received over \$5 million in contributions (Cordes & Wilson, 2000)

<sup>18</sup> The public holds the misconception that the ratio between an organization's program and fundraising and administrative expenditure is 50:50 (a figure considered inefficient), while the actual ratio is closer to 80:20 (Bennett & Savani, 2003).

## Scenario 4: Wired & Tired

### (Poor Public Attitude Toward Nonprofits, Effective Social Media Technology)

While social media innovation has allowed for more sophisticated connections between organizations and their potential supporters, a growing unease toward nonprofits has reached untenable levels. The rise of social entrepreneurship and corporate social responsibility has left nonprofits desperately trying to explain their utility.

Even today, the level of donor trust has diminished. One survey found that 6 out of every 10 donors said they had dropped their financial support for a nonprofit because they felt it was no longer trustworthy or reliable<sup>19</sup>. With an increasing lack of accountability in the nonprofit sector, would be supporters opt to invest in social entrepreneurs, gaining the added benefit of financial ROI. The donors that do continue to support nonprofits demand to know how each dime of their investment is being spent, utilizing sophisticated tracking software — this rising trend comes to be known as “micro-accountability.”

The threat of social business to nonprofits’ viability is a reality in our current economic environment. Changes in corporate and tax law, such as new corporate codes that recognize social businesses, tax credits for social businesses, as well as social investment exchanges that are expanding revenue

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<sup>19</sup> Planned Giving Strategies, (2010). *The future of planned giving: Top 10 challenges every long-term nonprofit faces*. Retrieved from Planned Giving Strategies website: [http://www.plannedgivingstrategies.com/pdf/PGS\\_Special\\_Report.pdf](http://www.plannedgivingstrategies.com/pdf/PGS_Special_Report.pdf)

and capital streams to social-financial hybrids, are greatly shifting the dynamic of nonprofits in the social marketplace<sup>20</sup>. Likewise, other forms of philanthropy, in such forms as micro-loans, become a more attractive option for donors.

### **Strategy for BGCA:**

Become a leader in the development of a self-regulated nonprofit sector.

Develop strict, industry-wide regulations and certification for organizations and their fundraising practices. Develop a complaint/feedback scheme that allows donors to articulate their problems and concerns. Lobby legislation to maintain and improve nonprofit tax codes and benefits. Continue current partnerships with Microsoft and Major League Baseball; create relationships with other social businesses and corporations that can enhance mutual reputations and create cooperative commitments between industries<sup>21</sup>.

### **Indicators:**

While aspects of each of the dynamics and end results of these scenarios will most likely come to fruition, it is important to keep an eye on key indicators to gauge where on the grid we are headed. Millennial attitudes will be an important area to watch, as this generation gets older and they begin to participate in society in new ways. Their attitudes toward social media will be an

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<sup>20</sup> Bernhold, L. (2010, February 10). *In a changing ecosystem, whither nonprofits?*. Retrieved from [http://www.ssireview.org/blog/entry/in\\_a\\_changing\\_ecosystem\\_whither\\_nonprofits/](http://www.ssireview.org/blog/entry/in_a_changing_ecosystem_whither_nonprofits/)

<sup>21</sup> Already noteworthy examples of this exist in the partnerships between Conservation International and Starbucks; and the Environmental Defense Fund and McDonalds.

important bellwether, as what media and products they consume will dictate the trajectory of social media trends. In addition, watch trends in volunteerism, especially on college campuses, to get a picture of whether the number of socially minded youth is increasing or decreasing.

Keep abreast with trends in the social business sector and monitor government initiatives supporting corporate social responsibility and social entrepreneurship. Be cognizant of different demographics' attitudes toward the nonprofit sector and altruism in general. Furthermore, review nonprofit registration and sector figures through organizations such as the National Center for Charitable Statistics (<http://nccs.urban.org>).

## **Conclusion:**

This case study offers a look into four different potential futures that may become a reality for the BGCA and nonprofit fundraising. The examples and trends illustrated provide the BGCA with a number of different frameworks and strategies that can be utilized to increase success. BGCA must stay mindful of a number of diverse drivers and social characteristics in order to continue to serve the youth of America in the next 15 years and beyond.

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