

WHERE IS THE MIDDLE?

23rd June 2014

THE MANY ADVANTAGES OF MIDDLE DONORS

"Middle donors" is an area of growing interest for many non-profits, described by one consultant as a "hot topic."

Fundraisers refer to middle donor programmes as an easy step up from a regular donors programme. Middle donor programmes fit with the donor pyramid model, suggesting that donors will upgrade from regular giving into the middle donor space and that some will go on to become major donors or to give legacies.

Despite the interest there is remarkably little data on this. We know little about who is giving, what they are supporting, and how much is being raised. To add a little new data to the debate we've done an analysis in Factory Phi.

THE DATA

Factory Phi (<http://factory.com/what-we-do/factory-phi/>) is our database of publicly reported donations to non-profits in England, Wales, N Ireland and Scotland. The database, which is growing all the time, contained 492,324 records at mid-June 2014. These records are drawn from the public domain and include donations from people, trusts and foundations and companies

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that are reported by charities, universities, arts organisations and political parties.

THE METHOD

Around half of the donations reported in Factory Phi show either a donation amount or the range of a donation (for example, "£5,000-£10,000"). Major donors (at Factory we call them "Strategic Donors") are normally reported as specific amounts ("J Smith, £1,250,000") not ranges.

Bear in mind that these are **publicly reported donations**; the millions of donors who give a few pounds to their favourite non-profit are not included here.

Middle Donor programmes - examples

The National Theatre (www.nationaltheatre.org.uk) runs a variety of membership programmes starting with Individual Membership from £15, through "Supporting Cast" membership at £600 – £1,499 per year, "Patron" at £1,500 – £2,999 per year, "Premier Patron" and "Benefactor" up to "Olivier Circle", from £12,000 per year. These stages – from "Supporting Cast" to "Olivier Circle" could be regarded as middle donor programmes.

The London School of Economics and Political Science (www.lse.ac.uk) has a three-level programme for its Annual Fund. Donors up to £999 are described as "annual donors" [source: LSE Annual Fund Report to Donors 2012/13]. There is a "Penguin Club" for new and recent alumni who make a gift of £30 or more. The programme continues with donors of £1,000-£4,999 joining the "LSE Director's Circle", and those of £5,000 or more joining the "LSE Chairman's Circle." The Director's and Chairman's Circles could be regarded as middle donors.

These examples illustrate our **hypothesis**, which is that any donation **from an individual** reported as a **range** is a "middle donation." We have excluded trust, foundation and corporate donations from this analysis. In all cases we

have used the lower figure in ranges – meaning that our estimates are conservative.

LIMITATIONS

Note the limitations to this method; Factory Phi contains only those donations **reported in the public domain**. Many non-profits choose not to report gifts. These limitations mean that we are likely to be substantially **underreporting** the total raised in middle donor programmes in the UK.

We are looking at middle giving across a very wide range of non-profits, so we are not taking into account the **specific offers and strategies** of individual organisations.

RESEARCH

We identified 86,017 records in Factory Phi that were donations from individuals reported as gift ranges. This data was extracted and analysed.

In all cases we used the **lower** figure in the gift band. A gift band of £5,000-£9,999 was analysed as if it were £5,000. This means that we are likely to be **underreporting** the true figures.

THE RESULTS

REPORTED TOTAL

We have identified £126.8m in middle donations to UK non-profits over the time that data has been gathered for Factory Phi.

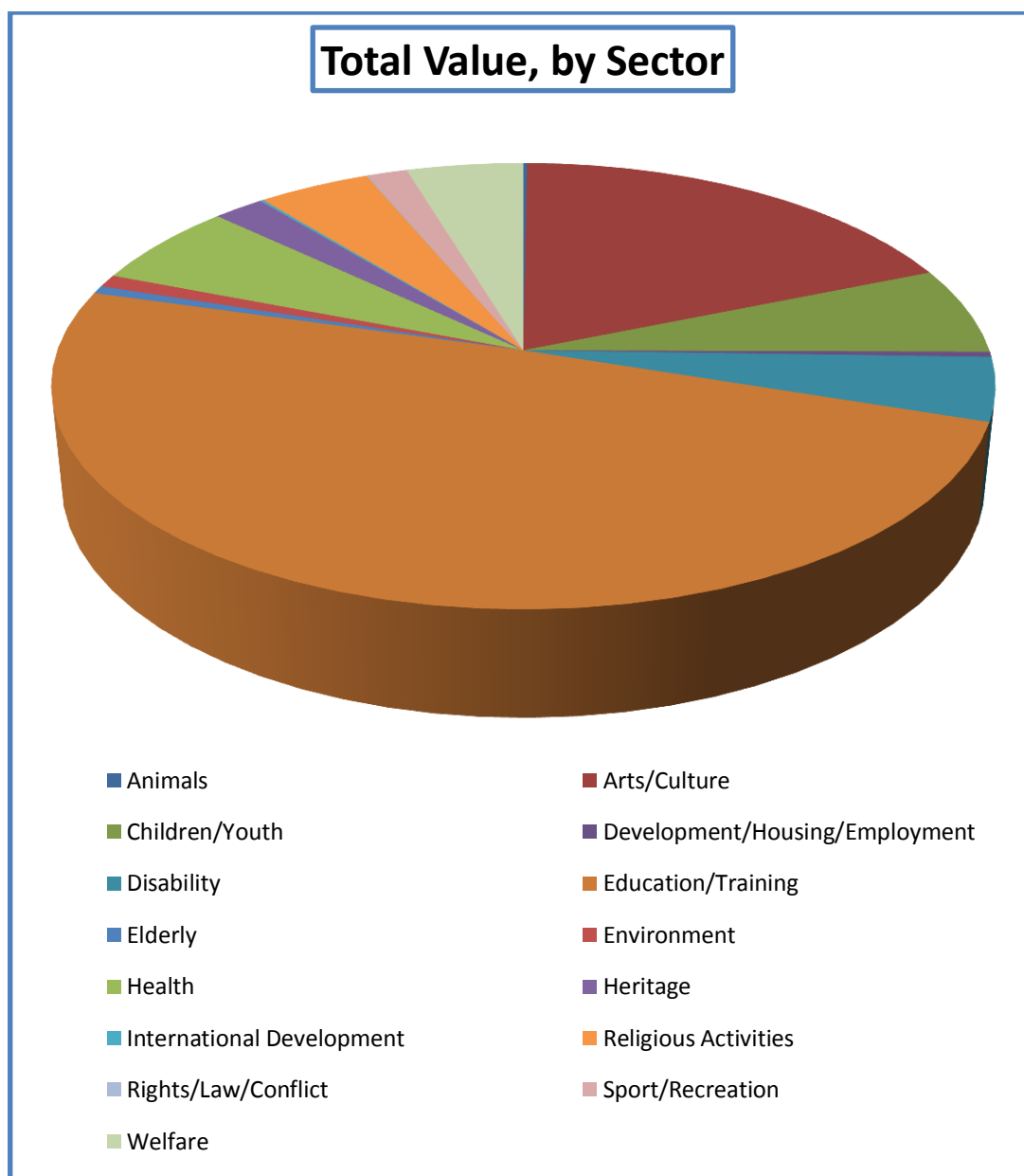
ANNUAL TOTAL

We record the year in which the gift is reported – which is frequently the year after the gift is made. The average annual total over the seven years of data in Factory Phi is £15.8m. There is no clear time trend in the data – we suspect this is because of reporting differences. In three of the seven years the total given has exceeded £25m.

Given the likelihood that we are underreporting the market, we are confident that the UK middle donor market is **at least £16m per annum**, and that it is likely to exceed £25m.

BY SECTOR

It will be no surprise to learn that the education sector – principally, UK universities – is in the lead in middle donor programmes. What is more surprising is that middle donors are being reported in all sectors.



Almost exactly half (49.4%) of all reported middle donor gifts by **value** are going to the education sector, substantially the largest sector for this type of fundraising. Arts and Culture attract the next largest total, with 18.7% of

middle donations by value. Some way further behind are Children/Youth (6.3%), Health (6.1%), Welfare (4.7%), and Religious Activities (4.5%).

Sectors that are apparently **not performing well** in the middle donor space include International Development, Rights/Law/Conflict, Animals and Development/Housing/Employment.

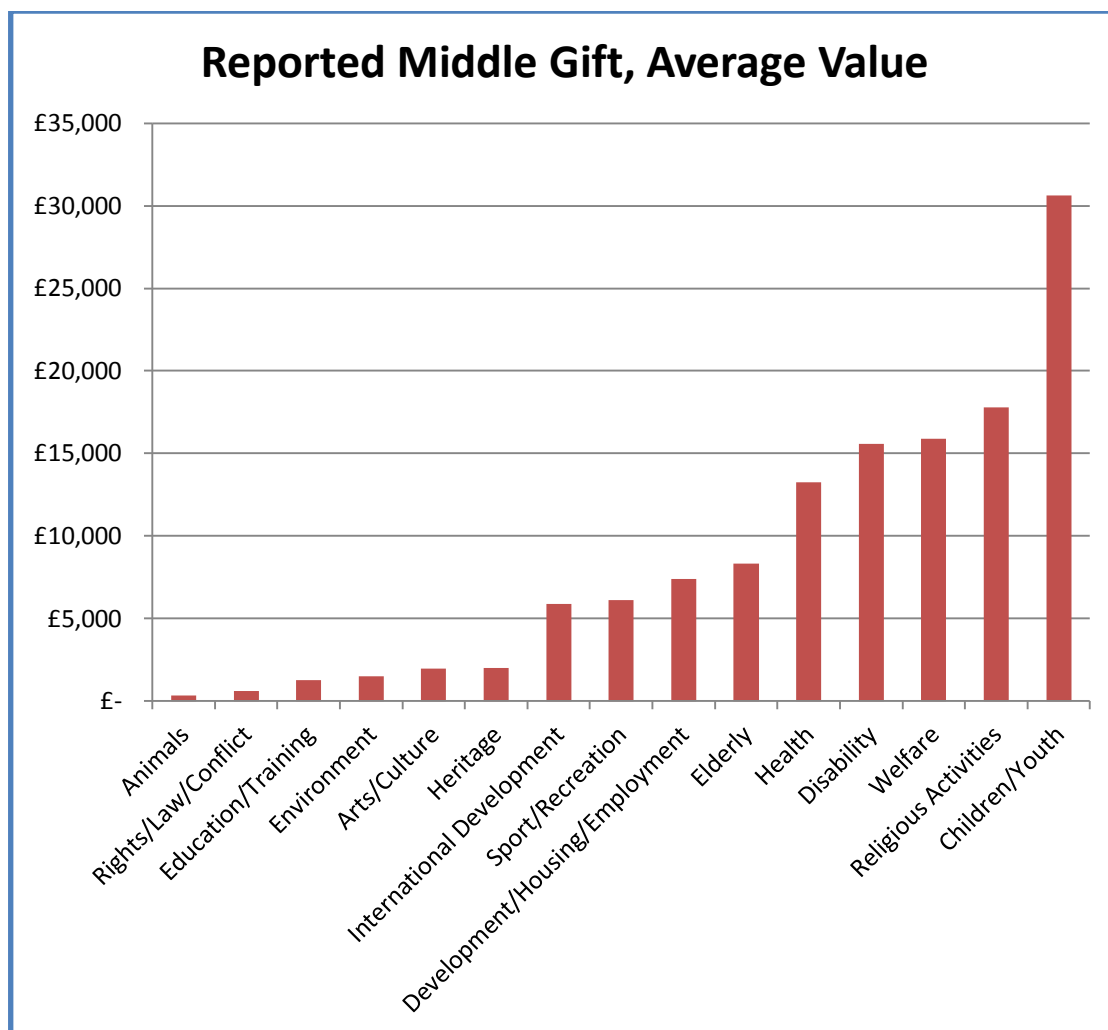
BY SECTOR AND VOLUME

In total we found 81,249 donations in the middle donor area. This is not quite the same thing as saying that there are 81,249 middle donors in the UK, but it is close; very few donors are listed twice.

Education/Training is the leading sector when we count the **numbers** of reported middle donations, rather than their value. Education/Training accounts for 74% of all middle donations by volume, while Arts/Culture accounts for 18%.

AVERAGE VALUE

The average value of a “middle gift” to a UK education/training organisation (£1,267) is lower than that to an arts organisation (£1,973.) But we should be cautious with these figures, because we suspect that **the threshold above which donations are reported** varies across sectors. This idea is supported by the fact that the average value of a middle gift in the Welfare field is £15,887. We suspect that donors have to give a lot more to Welfare charities, than to a University, to get their names into the Annual Report or onto the website.



The average reported middle gift varies from just over £300 for Animal welfare organisations to £30,000 (admittedly, on a small sample size) for Children/Youth. There is thus **no standard, financial, definition** of a middle gift in UK fundraising.

Finally in this section, two caveats:

a) The data shown here by sector is across time – we analysed all the middle donations in Factory Phi and allocated them to sectors.

b) Each donation can be allocated to various sectors – for example to Arts/Culture **and** Heritage, or to Education/Training **and** International Development.

CONCLUSIONS – MIDDLE ENGLAND

The middle donor market in the UK, worth at least £16m per annum and perhaps £25m, appears to be small relative to other donor markets. We suspect that this is a result of factors including:

- Few are asking
 - The numbers of specialist middle donor fundraisers is small
- Few are reporting
 - Outside of education and the arts, few organisations are naming their middle donors in annual reports and websites
 - This is, or should be, a normal part of **the services offered to middle donors**
- Middle is a Muddle
 - There is a very wide variety of gifts that can be defined as “middle” – from perhaps a few hundred pounds for an animal welfare organisation to tens of thousands for others.
- The focus is on the top and the bottom of the pyramid
 - The top (“major donors”) and the bottom (annual giving, dm programmes...) of the pyramid get a lot of attention, but in our view, **Middle England is neglected**

Middle donor programmes – offering personal contact and special services (such as your name on our website) – should be a cost effective way of building a stronger, and richer, relationship with a key segment amongst non-profits' supporters. **The education and arts sectors have shown the rest of us that this can be done.**

AFTERTHOUGHT - NO MORE "MIDDLE"

It's hard to imagine a donor saying "I'm a middle donor to Charity X."

It's equally hard to imagine a fundraiser asking a donor; "Would you make a middle gift to our charity?"

Why? Because neither the donor nor the fundraiser wants to think of herself as being in the middle. And, likely, they are not in the middle. Even an average middle gift to education (£1,267) is adding more value than the mass of other annual donors. "Middle donors" are in fact near the top of the donor pyramid.

We propose that these programmes focus on the added value that these donors bring. Adding value beyond the normal, typical, gift of the average donor.

Focusing on their added value to non-profits suggest that we should change the name. We propose that these programmes be called "**Value Added**" donors and donations. These donors are giving us value added gifts, and they expect from us value added services, such as a thank-you in the Annual Report, membership of a special supporters club or access to special events and previews.

Donors to Value Added programmes in England, Wales, N Ireland and Scotland are providing at least £16m, and probably more than £25m to our non-profits. **Rethinking the name will help all of us understand their value, and their potential.**

VALUE ADDED DONORS – HOW FACTORY CAN HELP

Factory can help you develop your Value Added Donors programme:

DATA ANALYSIS AND SCREENING

Our leading-edge data analysis and screening programme can help you find potential Value Added Donors in your database. To find out more about how we screen and analyse, contact:

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MARKET AND COMPETITOR RESEARCH

We can help you to work out the potential in your market, and to research and understand the competition. To find out more about our market and competitor research services contact:

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DATA, FOR YOUR OWN ANALYSES

A subscription to Factory Phi, our online database of donations to UK non-profits (and the source of the data in this report) will help you to find out about who is giving, to whom. You can check donation size, source, recipient and other data points, online, and export data for your own analyses.

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