
Considerations for Online Auction Fundraising (OAF)



Online Auction Fundraising (OAF) is a virtual technology which enables traditional auctions to be run over the internet. Gesture, formerly known as Auctions By Cellular, is one of the many OAF platforms now available. Similar to eBay, Gesture provides an online website in which donors bid on items (provided by the charity) of interest. However, in contrast to eBay, Gesture provides the software and programming for charities to setup their own website rather than using a page or part of their website. Donors must register online, however, Gesture also offers ticket importing capabilities whereby donors at a fundraising event may use their ticket to register thus making registration faster and easier. Donors are able to bid from their phone or computer and will remain up to date with SMS notifications and status banners on the online website. Gesture offer staff to be present at charity events (if ran simultaneously with an OAF) with devices which can be used by donors without technological devices. Once the bidding duration finishes, the highest bidder pays for the item and funds are distributed to the charity. The item can be collected at the event or it may be posted to the highest bidder.

The Gesture platform also includes online ticket sales, online and text message donations and a 'Dashboard' for the specific charity to monitor. The 'Dashboard' provides live data of the bidding, ticket sales and donations as well as post-event functions such as finding which donors are yet to pay for their items. The 'Dashboard' may be helpful in evaluating the fundraising events, in particular analysing different stages in the event when bidding was more or less prolific. Gesture guarantees secure and safe payment transactions through the use of 'salted password hashing and strong password enforcement.' The platform is built with Java, a reliable application used by Google and LinkedIn as well as numerous other large companies.

There are numerous other OAF platforms available online. Many vary in price according to the advancements in software but most run similar to Gesture. Gesture was unable to provide

any costing of their OAF at the time of this research; further costings of other OAF platforms are provided in the following sections.

Research

Size and popularity:

OAFs have been used by a variety of different non-profits such as in schools, healthcare, the arts, sporting groups and foreign aid. Roughly 200,000 to 300,000 OAF's are held annually [8]. In 2006, 16 billion dollars were raised through charitable auctions in the US [3]. However, this is a small portion of the 295 billion dollars donated through other methods of fundraising in the same year [3].

Online fundraising auctions are therefore not the most tried fundraising method yet some research suggests it is becoming more popular. iBid, a world leader in silent auction technology, found a 114% rise in the number of charities using their service between April 2012 and March 2013 [1]. In 2007, 3.3% of college fundraising groups used online auction technology while 16.7% were planning on organising this style of event in the future [5]. Nonetheless, it is unclear whether online fundraising auctions have increased over time but there are indications to suggest that general online auctions (such as on eBay) have declined over the past decade [9]. This is largely due to a shift in the increase of online commerce and the price discovery benefits have reduced: either because an online search has made it easier to compare prices or because increase competition has narrowed seller margins [9].

As a function of Fundraising:

Auctions, a mechanism in which a bidder receives a resource, give non-profit organisations the unique ability to tap into "household spending" dollars which composed 66% of the GNP compared to the 2% allocated to "charitable giving" [3]. It could therefore be argued that the use of auctions in charities is more aligned to tapping into the consumer division of the market rather than the giving or altruistic division which is more typically used in fundraising methods. However, research suggests that 59% of bidders suggested that 'lending support' was the primary reason for bidding for an item which may then contradict the earlier statement [11]. Studies also found that 27% of bidders are just looking for a deal while 11% participate for fun [11].

Efficacy:

As commonly noted, quantitative research on fundraising tactics is sparse (particularly expected success ratios). It seems that much data is withheld by auctioning platforms as this form of fundraising (as an online method) generally provides good data and analysis. The literature, although not statistical, predicts that OAFs are less obtrusive, can stay open for longer, induce novelty and are cheaper than hiring an auctioneer when compared to traditional 'live' auctions [2]. Another benefit that this method has over the traditional method is that data and analysis can be easily deciphered [6]. It has also been found that this fundraising method assisted donor management and an organisation's reach but barriers included that mobile bidding reduced excitement and energy at the event [13]. Unfortunately, no data on predicted success ratios or return ratios have been found as yet.

The effectiveness of this form of fundraising is partially undermined by an organisation size and resources. For example, Bidding for Good (an OAF platform similar to Gesture) charges \$895 per annum with a 9% performance fee on revenue for the first \$75,000 collected [7]. Another platform, IML, give a rough estimate price of \$5000 for a function with 100 people [2]. IML has also concluded that their platform may not be 'worth it' if groups are unable to raise more than \$20,000 per event. In the case of these two providers, a conclusion can be drawn that the larger the fundraiser the less overheads will be carried through to the platform provider and therefore smaller fundraisers may not be effective enough using this technology. Mission Fish, a free platform created by eBay, seems to be much more affordable than IML and Bidding for Good. Mission Fish takes 4-6% of the auction price [4] and has a larger audience than other platforms as it runs off the eBay platform [7]. Unfortunately, this platform no longer exists yet there are many other platforms using similar technology which may also be as affordable. However, all these suggestions are highly dependent not only on the provider's fee but also attendee numbers (if running the auction simultaneously to the event), projected funds raised, equipment needed and most importantly the efficacy of finding suitable items. Although no research has been found on this particular component of an OAF, it is critical to be aware of the time necessary for finding suitable donors and items. It may not be logical to go forward with an OAF if a business donates an item worth \$50 but it takes 4 hours of staff time to find, collaborate with and promote it. This component of an OAF is further discussed in the following sections.

Minimum cost experiments:

- 1) This may involve estimating the time necessary to set up an event, finding a relevant online provider and find donors for bidding items (e.g local businesses). An estimate could be completed sufficiently by attempting some of the tasks and the developing an appraisal of the further length of time and resources required.
- 2) It may also be the case that the online provider, whom because of experience, can estimate the entire cost attributed with organizing an online fundraising auction.
- 3) Another option would be to find another non-profit organisation who has experience in this form of fundraising and predicting associated costs based on their fundraiser.

Best option: In the case that Charity Science is optimistic about the likelihood of running this type of fundraiser; the first option seems most practical: completing a real case estimate. This would provide Charity Science with a more accurate idea of the costs associated as well as providing the auditor with a greater understand of what is required in organising the fundraiser. It may, however, be practical to use a mix of the three methods in order to develop a more precise estimate of what is required. Options 2 and 3 would presumably take little time to investigate and therefore maybe worth taking a stab in the dark with. In this estimate only the time and resources needed for setting up the online auction will be included not organising an event (which make take form as a dinner or movie night ect).

Cost Estimates:

Research for online provider. Optimistic: 4 hours. Pessimistic: 16 hours. Best Guess: 6 hours

Find donors for bidding items (for 10 donors). Optimistic: 40 hours. Pessimistic: 80 hours. Best Guess: 50 hours (We may already have business affiliates interested)

Modification of platform and advertising (facebook, connect with GW, TLYCS).
Optimistic: 40 hours. Pessimistic: 80 hours. Best Guess: 55 hours (Dependable on flexibility of website/how many bidding items/content)

* Cost of adequate (but inexpensive) platform estimate ?\$300

* Staff paid on average \$12/hour

* **Best Guess total** = $(6+50+55)*12+300=\$1632$

* **Optimistic total** = $(4+40+40)*12+300=\$1308$

* **Pessimistic total** = $(16+80+80)*12+300=\$2412$

Expected returns

These predictions are made in light of the following scenarios:

- **Inexpensive donor item scenario** - 10 donors each donating with item(s) worth \$100 minus setup costs
- **Expensive donor item scenario** – 10 donors each donating with item(s) worth \$1000 minus setup costs

The best guess prediction presumes that these items will be bought by bidders at a normal value whereas the optimistic and pessimistic predictions presume higher and lower values respectively. Although the scientific literature identifies the expense of the platform as a key concern for small non-profits, it may also be the case that finding donors is as much of an expense. Without comparing fundraising ratios, it is clear using this methodology that an OAF could only become worthwhile if saleable items are worth more than the resources used to find them. For example, using 4 hours in staff labour to find one donor that donates a \$100 item on top of OAF platform costs is not worthwhile. It is predicted that item(s) need to be worth approximately \$1000 in order to make a mediocre return. For these cases, a scenario in which higher expensed items are auctioned which finds better results.

Net Raised – inexpensive donor item scenario

* **Best Guess total** = $100*10 - 1632=\$-632$

* **Optimistic total** = $120*10- 1308=\$-108$

* **Pessimistic total** = $80*10 - 2412=\$-1612$

Net Raised - expensive donor item scenario

* **Best Guess total** = $1000*10 - 1632 = \$8368$

* **Optimistic total** = $1200*10 - 1308 = \$10692$

* **Pessimistic total** = $800 \times 10 - 2412 = \$5588$

Fundraising ratio expensive donor item scenario

* **Best Guess total** = $10000/1632 = 6.1:1$

* **Optimistic total** = $12000/1308 = 9.1:1$

* **Pessimistic total** = $8000/2412 = 3.3:1$

Concluding Considerations

Firstly, it is difficult to know how easy it will be for SC to find donors for items. As the cost estimates suggest, this may be one of the more resource-intensive parts of setting up an OAF. This fundraising method would not be worthwhile if CS is unable to find donors which provide item(s) worth over \$1000. The benefits of the item or items donated must be of far more worth than the estimate 4 hours used finding, collaborating and promoting the donor. To conclude, as IML also found, the worth of the items is vital to the success of the fundraiser.

Finding donors may have positive spin-off such as furthering the brand of Charity Science in the local community. However, this may not be most efficient means of completing that goal. It would be presumable more efficient to find monetary donors (individuals or businesses) rather than spending extra time and resources receiving items, selling them, posting them and then receiving the monetary donation!

If CS is able to find adequate donors the question also begs whether there is a large enough supporter base to bid on items. The socio-economic background of the supporter base is also paramount to the success of this form of fundraising. If auction items do not meet the needs of the bidders or are too lavish or too unpleasant, the items may not be sold.

Further discussion with other similar sized organisations whom have partaken in online fundraising auctions seems logical before CS moves further with this method.

Subjective sense

Although not found in the scientific literature, I think that biggest barrier of this form of fundraising is the expense in time of finding donors for items. This may be especially tricky for organisations which are small and have little connection to local community or industry. Given the poor value in the cost benefit analysis, this form of fundraising is nowhere near the average SC 9:1 ratio for fundraising. The scale of the fundraiser must be larger, e.g \$30,000+ to enable donated items to be of greater worth than time and resource used. Another consideration to alleviate the burden of resource use would be to use volunteers. It may be a feasible task to train volunteers to get active in the community and find businesses willing to donate items to the cause.

However, even if not profitable, online auction fundraising does enhance the connection between local community and the charity and may have an underestimated impact as a form of advertising. The idea of running an event simultaneously to the auction may be an

effective means of having a bidding audience whilst also giving local community a larger incentive to donate items. I would advocate for this form of 'joint fundraising,' yet there may be an argument to run the online auction fundraising independently as SC may have a larger online, international supporter base.

Fundraising is not all about cost benefits; the exercise also exhibits an organisation's values, aims and philosophy to the public. There ought to be a discussion within the committee or the collective workers about the form of which online auction fundraisers take: altruism with an incentive. The donor both benefits the charity and the individual. Although many forms of altruism give some perceivable incentive to the donor (be that in feeling good, tax-free, making the world better ect), this form specifically undermines the mentality of giving to get something back. A further question is whether this form of fundraising may induce a form of consumerism.

Final word on Online Fundraising Auctions:

It seems this make this form of fundraising successful it requires:

- A large event with many potential bidders and/or a large online/international following
- Expensive auction items, or a means by which they can be donated efficiently e.g volunteers finding the businesses
- It must fit with the organisation's values, aims and philosophy

References

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