

What Works: Five-Digit Giving
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Five-Digit Giving

How texting became young donors' preferred way to make charitable donations

BY TAMARA STRAUS

ON JAN. 12 AT 4:30 A.M., James Eberhard was woken by a telephone call from a U.S. State Department representative with the news that a 7.0 magnitude earthquake had struck Haiti. "Can we turn up a text relief effort?" asked the representative.

Eberhard called his colleagues at the Denver-based company Mobile Accord and its nonprofit division mGive. Eberhard is founder and chairman of both organizations, which work together to create cell phone text donation campaigns for charities. Within hours, Mobile Accord, mGive, and the American Red Cross had raised \$170,000 for earthquake victims in Haiti. A flurry of text-giving promotions soon followed during the Super Bowl and Grammy Awards and in a public service announcement by first lady Michelle Obama. Appeals also spiraled through social media outlets like Twitter and Facebook.

The results shattered records. Within 72 hours of the earthquake, donations from text messaging exceeded \$8 million, according to CNN. By March 4, the Red Cross had raised a total of \$50 million for victims of the Haiti earthquake, \$32.5 million of which came from text giving.

The Haiti earthquake marked a tipping point in the evolution of text giving. Cell phones are now ubiquitous in the United States, with 276 million users sending billions of texts weekly. But unlike in Europe and Asia, text donation campaigns in the United States were hindered by cell phone service providers that claimed 50 percent of donations to cover billing costs.

That changed in March 2008, when two early players in the text donation space, Jim Manis and Jenifer Snyder, finalized negotiations with the major wireless carriers to pass 100 percent of text donations on to charities. Snyder, founder of the Bellevue, Wash.-based Mobile Giving Foundation, is now mGive's executive director. Manis is a wireless industry executive and current chairman of the Mobile Giving Foundation.

Both the Mobile Giving Foundation and mGive work with cell phone service providers and charities to set standards, vet nonprofits, and facilitate technology and billing

systems. These nonprofits then work directly with businesses called application service providers (ASPs) to orchestrate the technology behind mobile marketing. MGive relies exclusively on and is a division of Mobile Accord, an ASP that Eberhard founded in 2005. The Mobile Giving Foundation, after parting ways with Mobile Accord in fall 2009 after a disagreement over business models, works with a variety of ASPs.

Only time will tell which model is best. But for the moment, Mobile Accord/mGive has emerged as the leader in charitable text donations and marketing because of its highly visible Red Cross Haiti relief campaign. In just a few weeks, Eberhard's organizations have enabled text giving to do for disaster relief what online donations did for President Barack Obama. They also made text donations the preferred way to give money for millions of people—especially young donors.

A FAMILY AFFAIR

Eberhard was still in his 20s when he launched his fifth company. Among his ventures was 9 Squared, a ringtone business he started in 2001 with less than \$50,000. He sold the company in 2004 to the Monsternob Group for \$40 million.

The Colorado State University dropout did not rest on his laurels. As leader of Monsternob's international business develop-

Andre Rovulus, in Port-au-Prince, Haiti, opens a box of food provided by the American Red Cross and funded by text giving.



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ment, he spent much of the next year traveling and saw mobile technology supporting advocacy programs, political campaigns, and fundraising. When Eberhard attended the London Live 8 concert to end global poverty, which raised more than \$3 million in text donations, something clicked.

In early 2005, Eberhard returned to Denver bent on making text giving a reality in the United States. With partners Tony Aiello and Dan Weaver, he founded Mobile Accord. Together they began working to build a technology platform, educate nonprofits about text giving, and convince wireless carriers to change their billing procedures.

The three executives became convinced that a nonprofit could best do what the carriers needed—vet charities and distribute donations. In June 2006, Eberhard's sister, Snyder, who had been chief counsel at 9 Squared, began creating the Mobile Giving Foundation.

Manis also was drawn to the cause of text giving, especially after mQube, his mobile content company, was sold to VeriSign for \$250 million. In mid-2007, he joined the Mobile Giving Foundation as president and CEO. His and Snyder's goals were threefold: to secure 100 percent pass-through of donations to nonprofits, to make mobile donations nontaxable, and to create standards to help govern text giving.

"We found working with the wireless operators to be easy," says Manis. "They saw the value. We just had to remove big problems like making sure a nontaxable event could occur on a bill."

Today, all three goals are a reality, although the leaders of Mobile Accord and the Mobile Giving Foundation are no longer partners. Last fall Eberhard and Snyder decided to create a new nonprofit, mGive, that would be a subsidiary of Mobile Accord. That way, says Snyder, Mobile Accord/mGive can "become a more effective resource" for charities that want to use new technologies for mobile campaigns. But Manis disagreed, believing that a nonprofit that supports charities involved in mobile giving should not be a division of a mobile giving business. So the Mobile Giving Foundation "remains ASP agnostic," he says, and instead lets clients choose from nine approved ASPs.

SPEED DIAL

It takes less than a minute to donate money by texting. First, a cell phone user sends a text to a short code—usually a five- or six-digit number. The message consists of a keyword, for example, HAITI or AID. The user then receives an automated text reply asking for confirmation. If the user approves the donation, then he or she receives a receipt text message along with a request for contact info and for permission to receive other texts (which the donor may decline). The charge for the amount of the donation appears on the donor's next mobile phone bill. Donations are limited to \$5 and \$10, and no more than five times per month.

Text-giving campaigns capitalize on people's sudden impulse to give, especially in response to news videos of devastation and celebrity appeals. But these campaigns are not cheap to conduct. Mobile Accord/mGive charges charities a setup fee of \$500, an operating fee of between \$399 and \$1,499 per month, an additional 30 to 35 cents on every successfully executed donation, plus 3.5 percent of the do-

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nation amount. In other words, Mobile Accord charges a nonprofit as much as 70 cents for a \$10 donation. Mobile Accord's competitor, the Mobile Giving Foundation, charges nonprofits only a \$350 application fee. But the nonprofits can end up paying as much as 7 percent of their donations to ASPs as well. The Mobile Giving Foundation also charges ASPs a setup fee of \$150, plus \$150 per month for every nonprofit cam-

aign the ASP supports, and a dime for every successful transaction.

Because of the success of the Red Cross campaign, Mobile Accord/mGive has helped raise 86 percent of all Haiti-related text donations. Mobile Accord, a privately held company, is probably in the black and will not fret about supporting the nonprofit mGive.

Meanwhile, the Mobile Giving Foundation is breakeven, says Manis, though "frankly we need to scale." His nonprofit will supplement operational costs through sponsorships and foundation grants, which may be difficult, says Manis, as some grantors see the Mobile Giving Foundation as a "technology play."

Besides the cost, the ease of text giving also could become a drawback for nonprofits. "Don't give your money when you first see the disaster splashed across TV," urged Perla Ni, CEO of GreatNonprofits.org, in a Jan. 18 *Stanford Social Innovation Review* blog post. "To ensure the rebuilding effort survives over the long term, donors need to stagger their funding and guarantee it over many years, instead of sending the money all at once."

Nonprofit leaders also worry that mobile giving will result in less money raised. "There is a fear that people who give smaller amounts through texting will not give otherwise," says Katrin Verclas, a MIT Media Lab fellow and cofounder of MobileActive.org. Indeed, the average online donation in 2009 was \$92, reports Network for Good, whereas text donations are capped at \$10. Verclas says the other possible downsides of mobile giving are the fees that nonprofits incur, the complexity of setting up a campaign, and the payment delays that nonprofits face. Donations take from 30 to 60 days to process, though in the case of Haiti, wireless carriers remitted millions of dollars to nonprofits well before donors paid their cell phone bills.

Those are the cons. The pros of text giving are growing as the dollar amounts rise. At the top of the list is the discovery of a new generation of donors who want giving to be quick and easy. A week after the earthquake in Haiti, the Pew Research Center reported that 14 percent of American donors gave money by text. That group, according to early analyses, skewed young.

The creators of mobile giving are not surprised by these data. "When we did our first focus groups with the 18- to 29-year-olds, there was a common response across two groups," says Manis. "They said: 'Wow, you built this for us. This is our technology.'"

Sue Watson, director of marketing and visibility at the American Red Cross, has been amazed by text giving. "[It] showed us the untapped potential that exists when people are empowered to channel their compassion into action by pushing a few simple buttons on their mobile phones."

Because people now carry cell phones at all times, adds Eberhard, "the power of mobile giving is hard to overestimate." ■