

Research into the Commission-based Charity Fundraising Industry in Australia

Report by Frost & Sullivan for the
Australian Competition and Consumer Commission (ACCC)

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Contents

Disclaimer	4
1. Executive Summary	5
1.1 Objectives.....	5
1.2 Methodology.....	5
1.3 The Project Definition of ‘Commission-based Charity Fundraising ’	6
1.4 Summary of Research Findings.....	6
2. Introduction and Background	9
2.1 Background	9
2.2 Objectives.....	9
2.3 Project Approach.....	10
2.4 The Project Definition of ‘Commission-based Charity Fundraising ’	11
3. The Charity Sector in Australia.....	13
4. Individual Giving in Australia	19
4.1. Individual Giving to Charities in Australia.....	19
4.2. One-off and Regular Giving.....	22
5. Fundraising for Charity	24
5.1. Comparison of Main Fundraising Approaches.....	24
5.2. Rationale for Outsourcing.....	28
5.3. Engaging External Fundraising Agencies and Funds Gathered.....	30
5.4. Solicitation Dynamics	31
5.5. Retention Rate of Donors and Average Period of Continuous Donation by Donors	38
6. The Commission-based Charity Fundraising Industry	40
6.1. Structure of the Commission-based Charity Fundraising Industry	40

6.2.	Contracts with Charities.....	42
6.3.	Payment for Agencies	43
6.4.	Working Relationship between Charities and Fundraising Agencies.....	46
6.5.	Main Companies Involved	46
7.	The Commission-based Charity Fundraising Workforce.....	49
7.1.	The International Student Market	49
7.2.	Workforce Characteristics	50
7.3.	Recruitment Approaches.....	50
7.4.	Training.....	51
7.5.	Performance Management.....	52
7.6.	Remuneration Schemes.....	53
7.7.	Sales Approaches.....	54
7.8.	Overall Attitudes to Commission-based Charity Fundraising.....	55
8.	Regulation of Commission-based Charity Fundraising	56
8.1.	Compliance Programs & Industry Codes of Practice	56
8.2.	Concerns and Complaints.....	58
9.	Conclusion	65
	Appendix 1: Types of Respondents Interviewed.....	67
	Appendix 2: Sampling for Online Public Survey	68
	Appendix 3: Individual Fundraisers Interviewed	71
	Appendix 4: Top-10 Fundraising Charities based on fundraising income	72

Disclaimer

This report into commission-based fundraising in the Australian charity sector has been prepared by Frost & Sullivan Australia Pty Ltd (“Frost & Sullivan”) on behalf of the Australian Competition and Consumer Commission (“ACCC”). The report is based on existing secondary data sources as well as inputs from charities and the commission-based fundraising industry, the face-to-face fundraising industry association, members of the public who have made a charitable donation in the last 12 months, as well as individuals who are currently working, or have recently worked in commission-based fundraising for charities.

Frost & Sullivan takes no responsibility for incorrect information provided to us by organisations or individuals who gave input to the study, although every effort has been made to verify such information.

Note: The opinions expressed in this report are those of Frost & Sullivan.

1. Executive Summary

This report provides an analysis of commission-based fundraising in the Australian charity sector. It was undertaken by Frost & Sullivan on behalf of the Australian Competition and Consumer Commission (**ACCC**). The ACCC is an independent statutory authority that promotes competition and fair trade in markets to benefit consumers, businesses, and the community. The ACCC's primary responsibility is to ensure that individuals and businesses comply with Australian competition, fair trading, and consumer protection laws - in particular the *Competition and Consumer Act 2010*.

1.1 Objectives

The overall goal of this research is to gain a deeper understanding of how external fundraising agencies operate within the charity sector and to assist in exploring the following potential consumer issues:

- The portion of donations that are passed on to the charity as compared to that retained by the external fundraising agency;
- Highly incentivised sales models (e.g. commission-based salaries) which may give rise to undesirable behaviour by individual fundraisers; and
- Insufficient transparency and disclosure of the fundraising entity.

1.2 Methodology

In undertaking the research for this report Frost & Sullivan relied on two main sources of information:

- Secondary sources¹ - including published industry and government reports and statistics on the charity sector, company and industry association websites; and
- Primary sources – including interviews with 14 charities, three companies providing outsourced fundraising services to the charity sector, one industry association, and 13 individuals who are currently or have recently worked in commission-based fundraising for charities. These interviews were conducted between 08/06/2017 and 30/06/2017.
- Frost & Sullivan also conducted an online survey of 504 individual donors who had recently been personally solicited to make a donation to a charity. This survey was conducted between 05/06/2017 and 14/06/2017.

¹ Secondary sources are acknowledged where quoted or referenced. All other insight in this document is based on Frost & Sullivan's interviews with charities, fundraising agencies and organisations, and the individual donor survey conducted for this project.

1.3 The Project Definition of ‘Commission-based Charity Fundraising’

Fundraising for Charities through Personal Engagement: In the context of this study, fundraising for charities through personal engagement refers to face-to-face fundraising and fundraising via telemarketing. Excluded from the scope are activities such as fundraising through direct mail, events, print or television advertising, via the internet, or through bequests / philanthropy / corporate giving, etc. (please refer to Figure 1 for all inclusions and exclusions). Whilst the focus of fundraising through personal engagement is regular giving (ongoing donations), one-off donations are also accepted.

Face-to-face fundraising: Approaching a member of the public either in the street, at their residence, or at commercial premises² with the primary purpose of seeking an ongoing donation through a bank or credit card direct debit.³

Telemarketing for Fundraising: Unsolicited phone calls to members of the public with a view to obtaining an ongoing or one-off donation.

The scope of commission-based charity fundraising as covered in this project is summarised in Figure 1.

1.4 Summary of Research Findings

Charity Sector and Individual Giving Australia

Over the last 60 years, the number of not-for-profit organisations / charities⁴ operating in Australia has doubled every 20 years.⁵ Whilst the sector is extremely fragmented, with over 50,000 registered charities in Australia, most of the sector’s income is generated by the largest charities.⁶

Donations remain a significant source of income for charities, with approximately one in four charities (26%) in 2015 depending on donations and bequests for 50% or more of their total annual income. Whilst there are more

² E.g. Shopping malls

³ PFRA

⁴ Charities must have only charitable purposes (or purposes that are incidental or ancillary to a charitable purpose). Other not-for-profits may have purposes that benefit the community, but not fit the legal meaning of charitable purpose. (Source: ACNC)

⁵ The Cause Report, J B Were, April 2016; (data from charities and other not-for-profit organisations)

⁶ Australian Charities Report 2015, Centre for Social Impact and Social Policy Research Centre, UNSW Australia; (data from charities registered with the ACNC; excluding other not-for-profit organisations)

individual donors than ever in Australia, their proportion in the total population has declined significantly over the last decade or so (from 87% in 2005 to 81% in 2016).⁷

Fundraising for Charity

Charities employ a variety of fundraising methods that can be generally categorised into two types: Personal Engagement Fundraising (Face-to-face and Telemarketing) and Other Fundraising (Direct Mail, Events, Advertising etc.). Face-to-face fundraising remains the primary source for charities to acquire a high volume of new regular donors.

Whilst telemarketing is the most common personal engagement fundraising approach (that is acknowledged to be extremely effective in engaging existing donors), door-to-door and, to a lesser extent, street and public location fundraising are more effective fundraising channels for acquiring new regular donors and consequently are allocated the most budget by charities.

Whilst overall personal engagement fundraising activity in Australia is expected to grow, concerns around street fundraising remain amongst charities, as it seems to attract considerable negative media and public debate.

The recently established Public Fundraising Regulatory Association (PFRA), a charity-led, membership-based association comprising charities that benefit from face-to-face fundraising and the professional fundraising providers, has undertaken several initiatives, such as the creation and promotion of a fundraising standard, as well as delivering mystery shopping services to charities, to ensure face-to-face fundraising in Australia is conducted in a professional manner.

Commission-based Personal Engagement Fundraising in the Australian Charity Sector

Personal engagement fundraising is considered to be a specialised area of expertise, with most charities interviewed reporting that they did not have the skills nor the capacity to undertake these activities in-house. As such, engaging a third-party fundraising agency is an essential step for charities to undertake personal engagement fundraising activities.

Commission-based fundraising is undertaken either directly by agencies themselves or through further sub-contracts with independent marketing companies who engage and manage individual fundraisers. Virtually all face-to-face fundraising conducted by agencies is commission-based, i.e. the agency is remunerated based on the total value of donations that they collect. The sector has grown rapidly over the recent years; from approximately 17 agencies in 2009 to approximately 35 agencies in 2017. However, the growth in personal engagement fundraising service providers has been overshadowed by the growth in the number of charities undertaking personal engagement fundraising activities, which is estimated to have grown from approximately 20 charities in 2009 to over 100 charities in 2017.

⁷ Giving Australia 2016, Australian Centre for Philanthropy and Nonprofit Studies, QUT; (data from donations to charities and other non-profit organisations)

This has created an extremely strong seller's market in this industry, with fundraising agencies being able to cherry pick the charity that they wish to work with. Consequently, smaller charities are at a disadvantage of often not being able to use the services of established fundraising agencies.

Overall, based on Frost & Sullivan's interviews, the level of control that a charity exerts in the working relationship with fundraising agencies is variable; with some adopting a light touch approach, whilst others are more hands-on.

The Commission-based Charity Fundraising Industry

The fundraising agencies are typically remunerated based on successfully signing up a new donor to give regular monthly donations to the charity they represent. This payment usually takes the form of a multiple of the monthly donation acquired by the fundraising agency, which can range between 8 to 17 times the monthly donation. Whilst this payment to the fundraising agencies is made up-front by the charities, usually once the contract with the individual donor is signed, clawback features in contracts with the fundraising agencies typically allow charities to recoup the payment in the event of early cancellation by the donor, usually within the first three months. Donor attrition is a common and accepted fact in the industry, with most charities expecting to lose approximately 50% of new regular donors acquired within the first 12 months.

Whilst flat fee or per hour based contracts between charities and fundraising agencies do exist, they are extremely rare in the face-to-face fundraising sector and only marginally more prevalent in telemarketing fundraising.

The Commission-based Charity Fundraising Workforce

The industry estimate for the number of individual fundraisers engaged in face-to-face fundraising for charity in Australia is approximately 3,000 individuals at any one time. This workforce is typically made up of international students or travellers who are employed as casual workers or independent contractors. The independent contractor model is becoming less popular amongst both fundraising agencies as well as charities.

The individual fundraisers are usually given a "bonus", for every successful regular donor they sign up for the charity they represent. Individual fundraisers employed on a casual or full time basis are also incentivised to perform well, as a relatively short period of non-performance (i.e. not signing up new donors) may result in their termination.

2. Introduction and Background

2.1 Background

Commission-based charity fundraising is a channel that has long been used by charities to obtain donors. The practice typically involves an individual fundraiser approaching members of the public on the street or at a public location (shopping centre, railway station, etc.) or moving from door-to-door and knocking uninvited, then attempting to sign-up donors. A variant of this practice involves a member of the public being contacted by an unsolicited telephone call to agree to a donation to a charity.

There is concern that street, door-to-door or telemarketing approaches are associated with higher levels of public detriment. This is because of the particular characteristics commonly associated with this marketing approach - for example, its unsolicited nature and the high-pressure tactics that may be employed by some individual fundraisers. For this reason, commission-based charity fundraising has generally been subject to a greater degree of media scrutiny than some other channels.

This report is prepared by Frost & Sullivan for the Australian Competition and Consumer Commission (the **ACCC**). The ACCC is currently prioritising work involving consumer issues arising from commission-based sales business models. One of the sectors being considered is the charity fundraising sector and in particular, consumer issues related to the use of commissions with external fundraising agencies.

2.2 Objectives

The overall goal of this research is to gain a deeper understanding of how external fundraising agencies operate within the charity sector and will assist in exploring the following potential consumer issues:

- The portion of donations that are passed on to the charity as compared to that retained by the external fundraising agency;
- Consideration of whether there exist highly incentivised sales models (e.g. commission-based salaries) which gives rise to undesirable behaviour by individual fundraisers; and
- Insufficient transparency and disclosure of the fundraising entity.

2.3 Project Approach

In undertaking the research for this report, Frost & Sullivan relied on two main sources of information:

- **Secondary sources**⁸: including published industry or government reports and statistics on the charity sector and fundraising, company brochures and web-sites; and
- **Primary sources**: Including interviews and surveys with the following:

Table 1: Number of Interviews by Type of Respondent

Type of Respondent	Number of Completed Interviews	Type of Survey
Charities <i>(12 charities that use external fundraising agencies for personal engagement fundraising and 2 charities that do not)</i>	14	Face-to-face and Telephonic Interviews
Fundraising Agencies <i>(Companies that provide fundraising services to charities on a contract basis)</i>	3	Face-to-face and Telephonic Interviews
Individual Fundraisers <i>(Individuals who are currently or have recently (past 12 months) been engaged by fundraising agencies to undertake personal engagement fundraising)</i>	13	Face-to-face and Telephonic Interviews
Industry Association	1	Telephonic Interview
Members of the Public <i>(Individuals who have made charitable donations via personal engagement fundraising in the past 12 months)</i>	504	Online Survey

Source: Frost & Sullivan

For the charities and fundraising agencies, Frost & Sullivan approached a larger group of potential respondents; the number of completed interviews listed above represents only those who were willing to have discussions with Frost & Sullivan during the study period.

For the list of organisations interviewed for this project, please refer to Appendix 1. For the sampling of members of the public, please refer to Appendix 2.

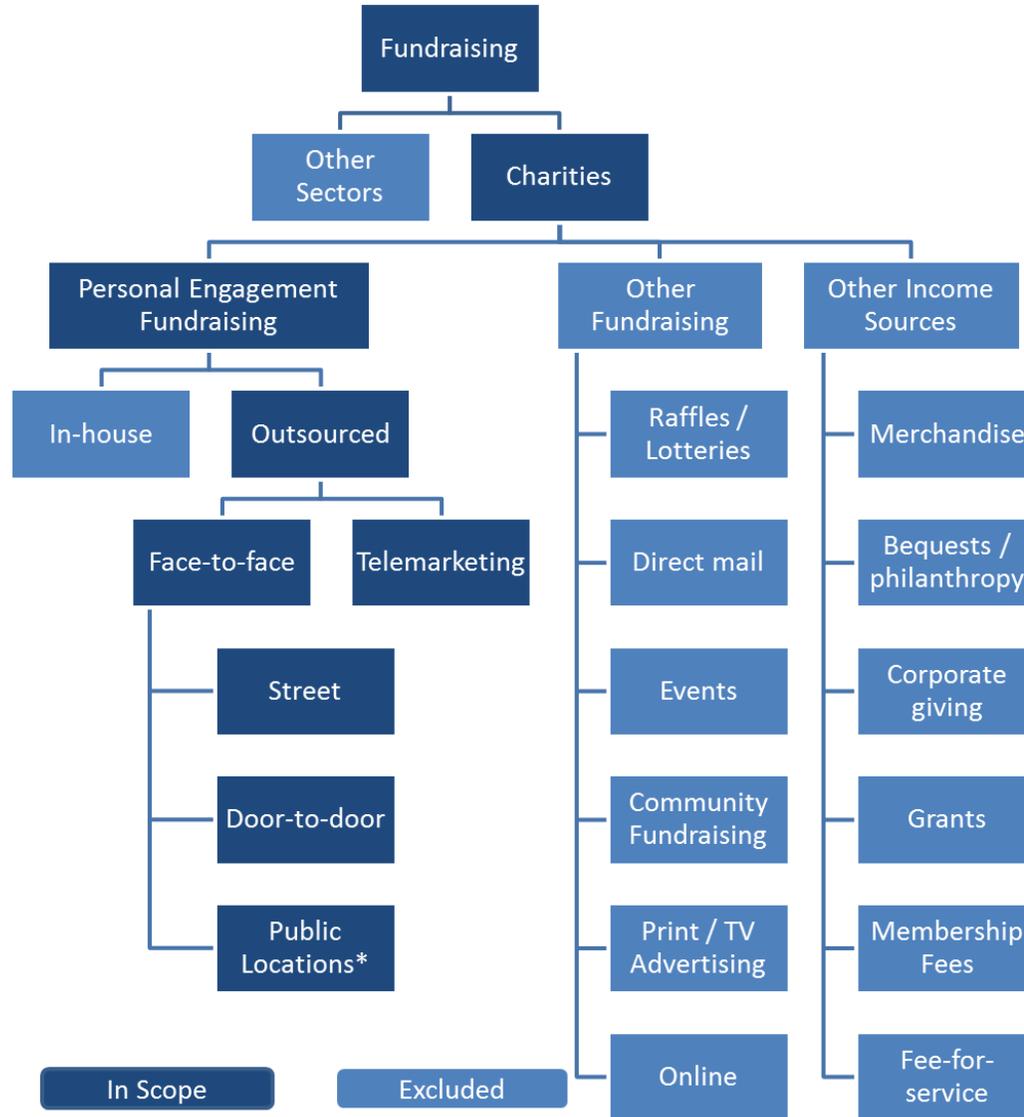
Frost & Sullivan has analysed and aggregated data and insights from these sources, and formed views as outlined in this report.

⁸ Secondary sources are acknowledged where quoted or referenced. All other insight in this document is based on Frost & Sullivan's interviews conducted for this project.

2.4 The Project Definition of ‘Commission-based Charity Fundraising’

The definition and scope of ‘commission-based charity fundraising’ is summarised in Figure 1.

Figure 1: Scope of the Project



Source: Frost & Sullivan

*Public locations include shopping centres, airports, railway stations, etc.

Included in Scope	Excluded from Scope
Donation is solicited by an individual engaged by an external fundraising agency on behalf of a charity	Donation was solicited by employees or volunteers of the charity
Solicitation is primarily for ongoing/regular giving , but may also accept one-off donations	Other forms of fundraising (e.g. selling raffle tickets, event entry fees, etc.; please refer Figure 1)
Charities*	Other not-for-profit organisations*

Source: Frost & Sullivan

**Distinction between Charities and Other Not-for-profit organisations: To be recognised as a charity under the Charities Act 2013, a charity’s governing documents must set out that the organisation is not-for-profit, in that it does not operate for the personal gain or other benefit of particular people, but instead applies any surplus to the organisation’s charitable purpose (Australian Charities and Not-for-profits Commission (ACNC), 2015; Knight and Gilchrist, 2014; Lyons, 2001). Charities must also have only charitable purposes (or purposes that are incidental or ancillary to a charitable purpose), such as protecting human rights, promoting reconciliation and tolerance, or advancing education.*

Some purposes of other not-for-profits may benefit the community, but not fit the legal meaning of charitable purpose, including social clubs, some sport and recreation organisations, and professional or trade groups not focused on advancing education. These organisations may still be not-for-profits and exempt from income tax, or qualify as charities under state or territory laws, but they are not defined as charities by the ACNC and would therefore not be included in the ACNC register. (Source: Australian Charities Report 2015, ACNC)

3. The Charity Sector in Australia

Some of the key trends impacting the structure of the Australian charity sector are the growth in the number of charities and the continued dominance of the large charities.

Growth in the number of charities

Over the last 60 years, the number of not-for-profit organisations / charities operating in Australia has doubled every 20 years.⁹ After factoring in cancellations and closures of some charity registrations by the ACNC, there are still around 10 new charities being established every business day.¹⁰ In 2016, Australia had one charity for every 478 people.¹¹ This increases the competition for individual donor dollars and compels charities to develop more professional, sophisticated, impactful and sustainable fundraising strategies. In addition, the increase in fundraising activity by organisations outside the charity sector (for example, museums, art galleries, sports clubs, schools, etc.) results in further pressure on charities to ensure return on investment for fundraising activities.

In Australia, around 2 million new donors signed up in the last 6 years. How many more can the industry expect to sign up?
- **Charity**

Fragmented sector, with the larger charities accounting for the majority of income and workforce

The Australian charity sector is extremely fragmented, with many small-sized organisations with smaller average incomes and workforces than the larger charities.

Of the 50,908 charities surveyed in the ACNC's Australian Charities Report 2015,¹² two-thirds had an annual income below \$250,000 and 37% had incomes below \$50,000. Only 142 had annual incomes of over \$100 million.¹³ In 2015, the top 20% of charities accounted for 95.8% of all charity income.¹⁴ 82% of the charities operated in a single state or territory.¹⁵ However, amongst the largest charities (with incomes over \$100 million),

⁹ The Cause Report, J B Were, April 2016; (data from charities and other not-for-profit organisations)

¹⁰ Ibid

¹¹ Estimated based on a 2016 population of 24.31 million and 50,908 charities

¹² Australian Charities Report 2015, Centre for Social Impact and Social Policy Research Centre, UNSW Australia; (data from charities registered with the ACNC; excluding other not-for-profit organisations)

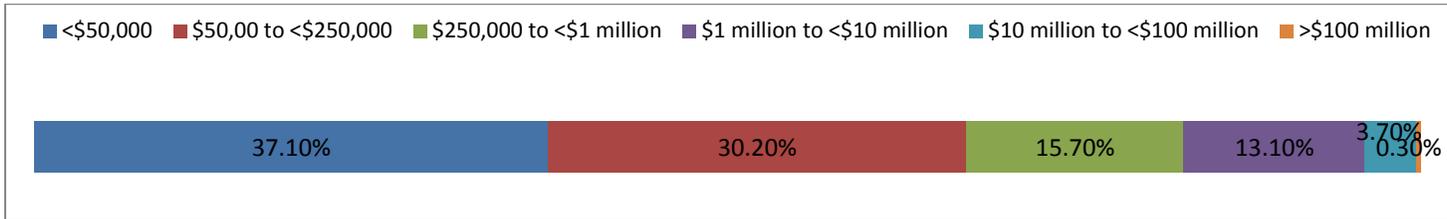
¹³ Ibid

¹⁴ Ibid

¹⁵ Ibid

51.4% operated in more than one state or territory.¹⁶ Of the 1.2 million staff employed by these charities in 2015, 70% were employed by the largest charities (those with incomes over \$10 million).¹⁷

Figure 2: Charities by Annual Income Range, Australia, 2015

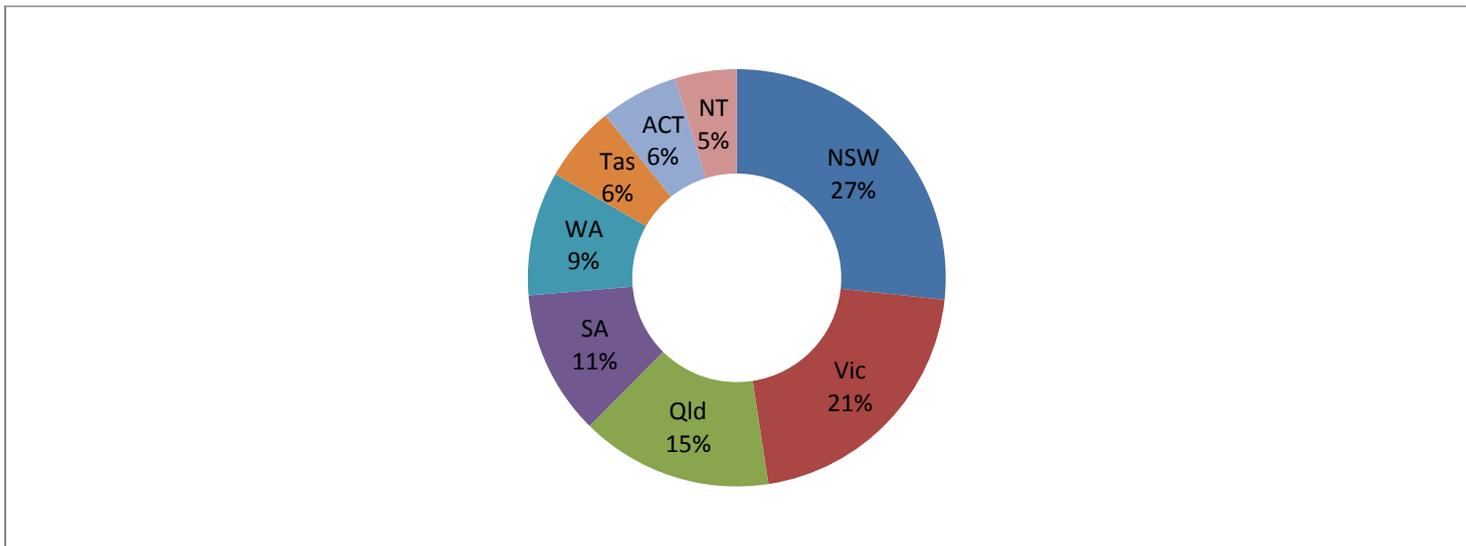


Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

Location of charities reflective of overall population spread

New South Wales had the highest number of operating charities, followed by Victoria and Queensland.

Figure 3: Number of Operating Charities by State or Territory, Australia, 2015



Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

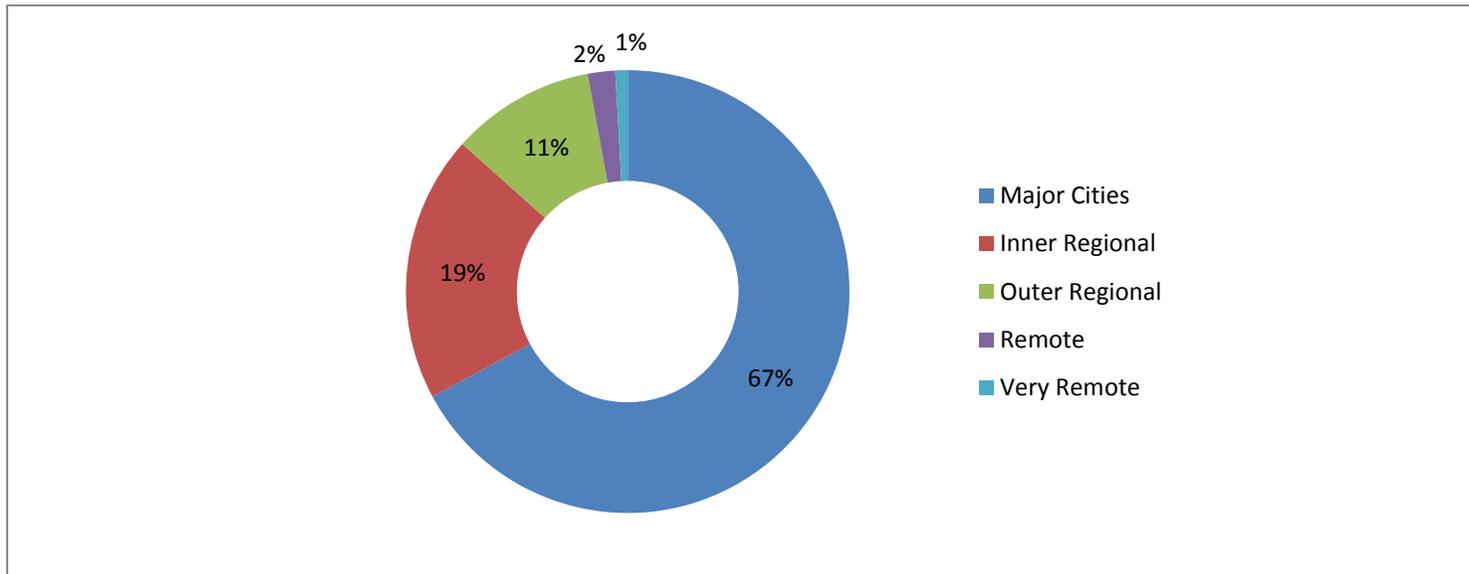
¹⁶ Ibid

¹⁷ Ibid

Concentration in the major cities

Over two-thirds of charities were registered in the major cities of Australia.¹⁸

Figure 4: Number of Charities by Registered Region, Australia, 2015



Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

Overseas activities

4,102 charities (or 8.1%) conducted activities in or helped communities overseas (including 30 with incomes over \$100 million).¹⁹ Interviews with charities and fundraising agencies suggest that in some instances, donors are keen to be assured that their donation is going towards services within Australia.

Donors are increasingly needing charity to be more localised, in terms of where the money goes.
 - **Fundraising Agency**

Sectoral split of charities

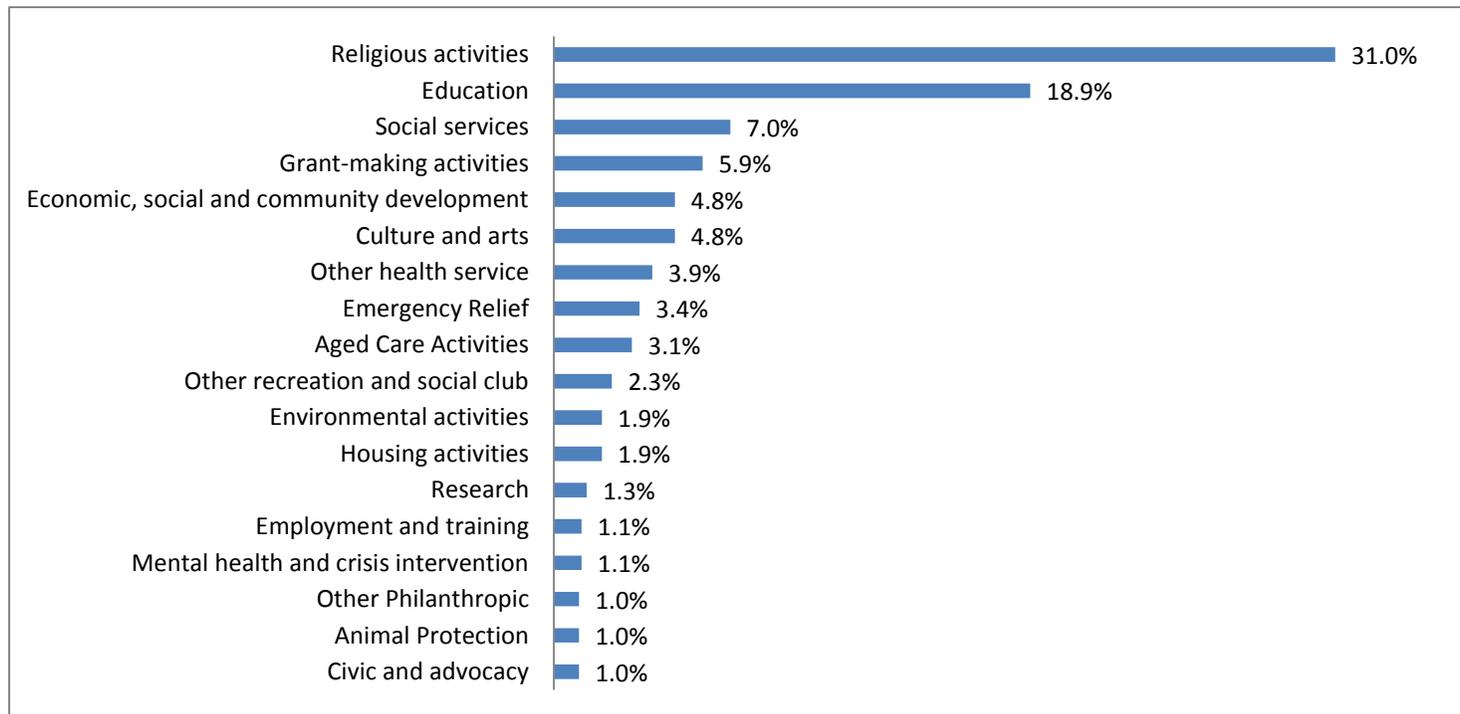
Religious activities are the most common amongst charities, followed by education.²⁰

¹⁸ Ibid

¹⁹ Ibid

²⁰ Ibid

Figure 5: Percentage of Charities by Main Activity, Australia, 2015



Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

Others under 1% include Income support and maintenance, Law and legal service, Sports, Hospital services and rehabilitation, International

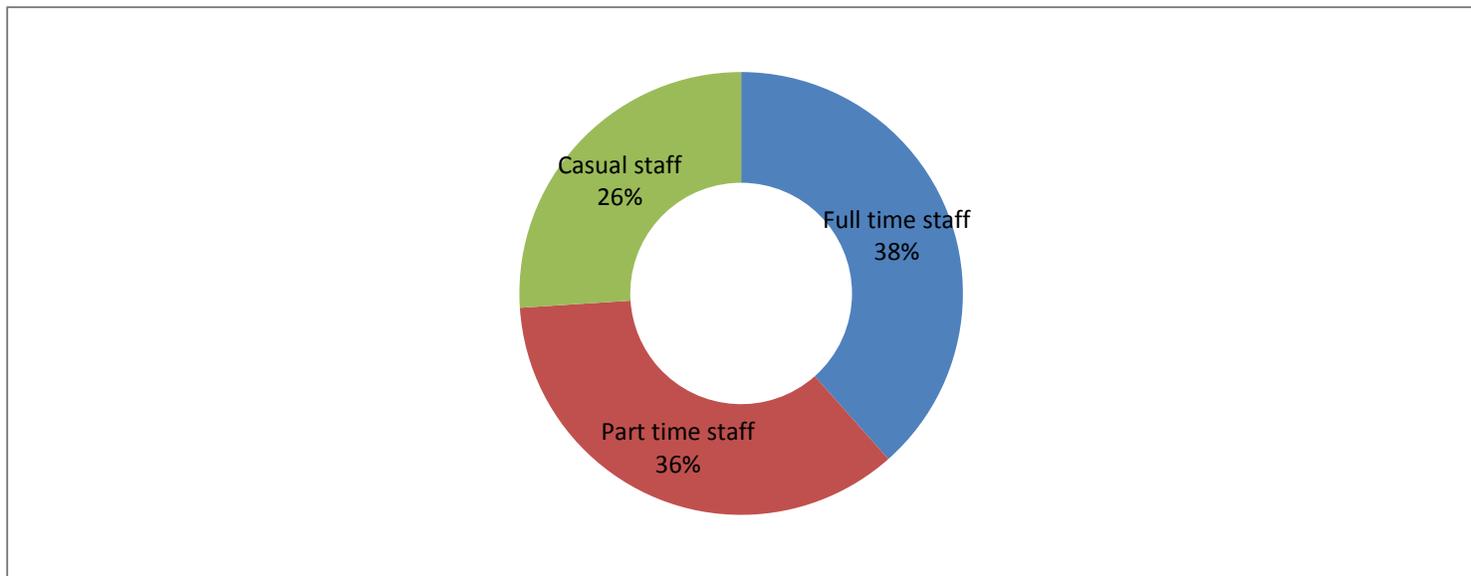
Whilst health, education and research focused charities account for a high proportion of larger charities (due to the presence of organisations such as universities and hospitals in this category), the culture and recreation and environment categories have a high proportion of small charities.²¹

In 2015, the average age of charities in Australia was 34.1 years, with 38.6% operating between 20 and 50 years and 20% operating for over 50 years.²²

²¹ Ibid

²² Ibid

Figure 6: Charity Workforce Split, Australia, 2015



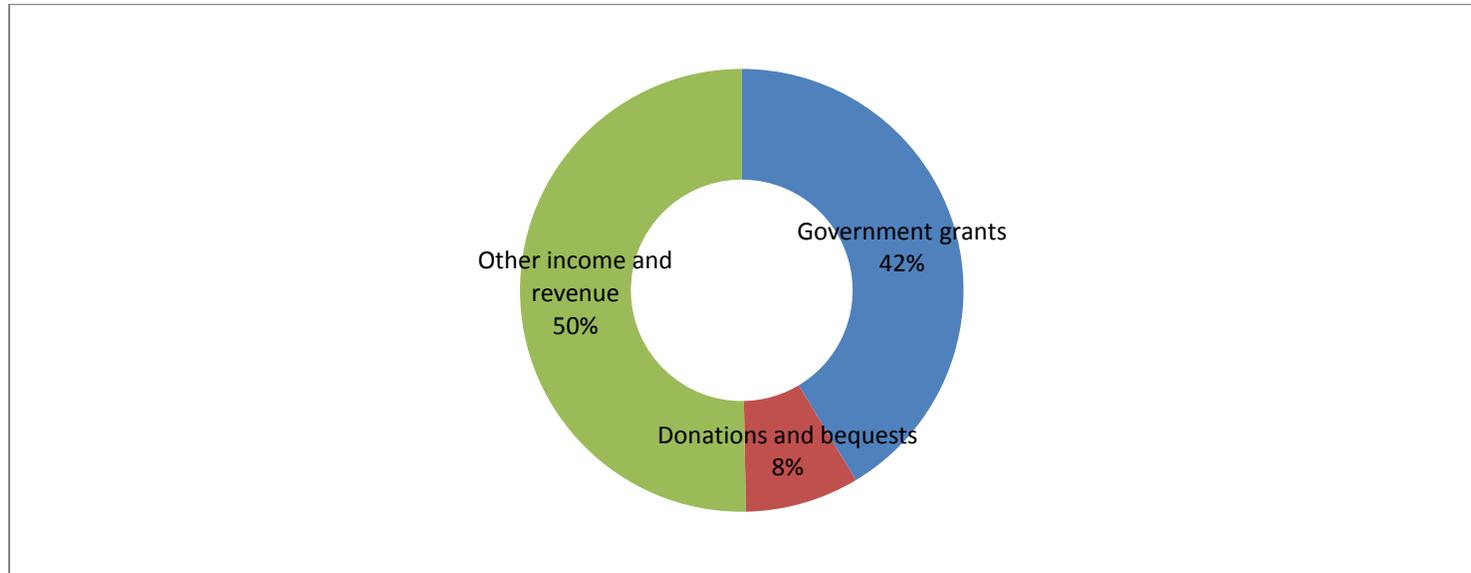
Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

In 2015, Australian charities relied on the volunteer efforts of 2.97 million people, with religion, social services and health being the segments with the highest number of volunteers.²³

²³ Ibid

62.8% of charities received some income from donations and bequests.²⁴ Whilst donations and bequests accounted for only 8% of total income on average for all charities, around one in four charities (26.0%) depended on donations and bequests for 50% or more of their total income.²⁵ This implies that for a considerable number of charities, donations and bequests are a significant income source.

Figure 7: Charity Income Split, Australia, 2015



Source: Australian Charities Report 2015, ACNC (data from charities registered with the ACNC; excluding other not-for-profit organisations)

Other income and revenue includes sale of goods, user contributions to services rendered, member fees, interest, dividends, as well as income earned outside of ordinary activities such as gains received from the sale of assets.

²⁴ Ibid

²⁵ Ibid

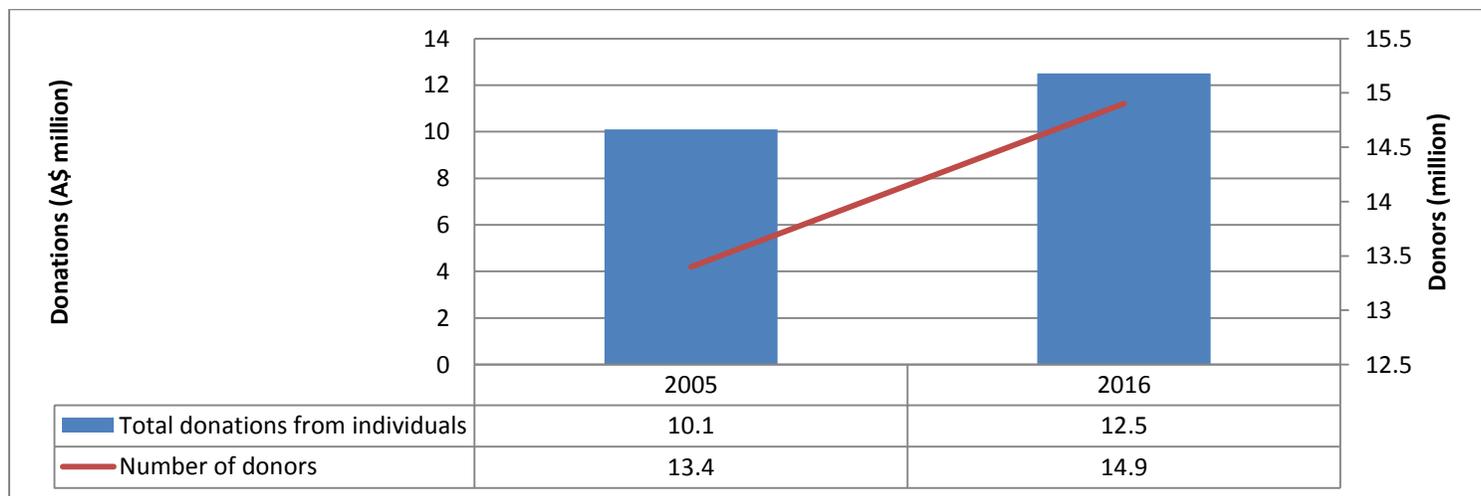
4. Individual Giving in Australia

4.1. Individual Giving to Charities in Australia

In 2015-16, around 14.9 million Australian adults (80.8% of the total adult population) gave a total of \$12.5 billion to charities and non-profit organisations.²⁶ The average donation/s by an individual of \$764.08 in 2016 was 38% higher than the average donation/s in 2005 (\$553.92).²⁷ The median donation in 2016 was \$200.²⁸

Figure 8 shows the total donations from individuals (that rose from \$10.1 billion in 2005 to \$12.5 billion in 2016) and the total number of donors (that rose from 13.4 million in 2005 to 14.9 million in 2016). However in terms of the proportion of all Australians, the percentage of donors has declined (from 87% in 2005 to 80.8% in 2016).²⁹

Figure 8: Estimated Giving by Adults to Charities and Non-profit Organisations, Australia, 2005 & 2016



Note: 2005 converted to 2016 dollars to account for inflation

Source: Giving Australia 2016 (data from donations to charities and other non-profit organisations)

Volunteers donated nearly twice as much as other donors who did not volunteer.³⁰

²⁶ Giving Australia 2016, Australian Centre for Philanthropy and Nonprofit Studies, QUT; (data from donations to charities and other non-profit organisations)

²⁷ Ibid

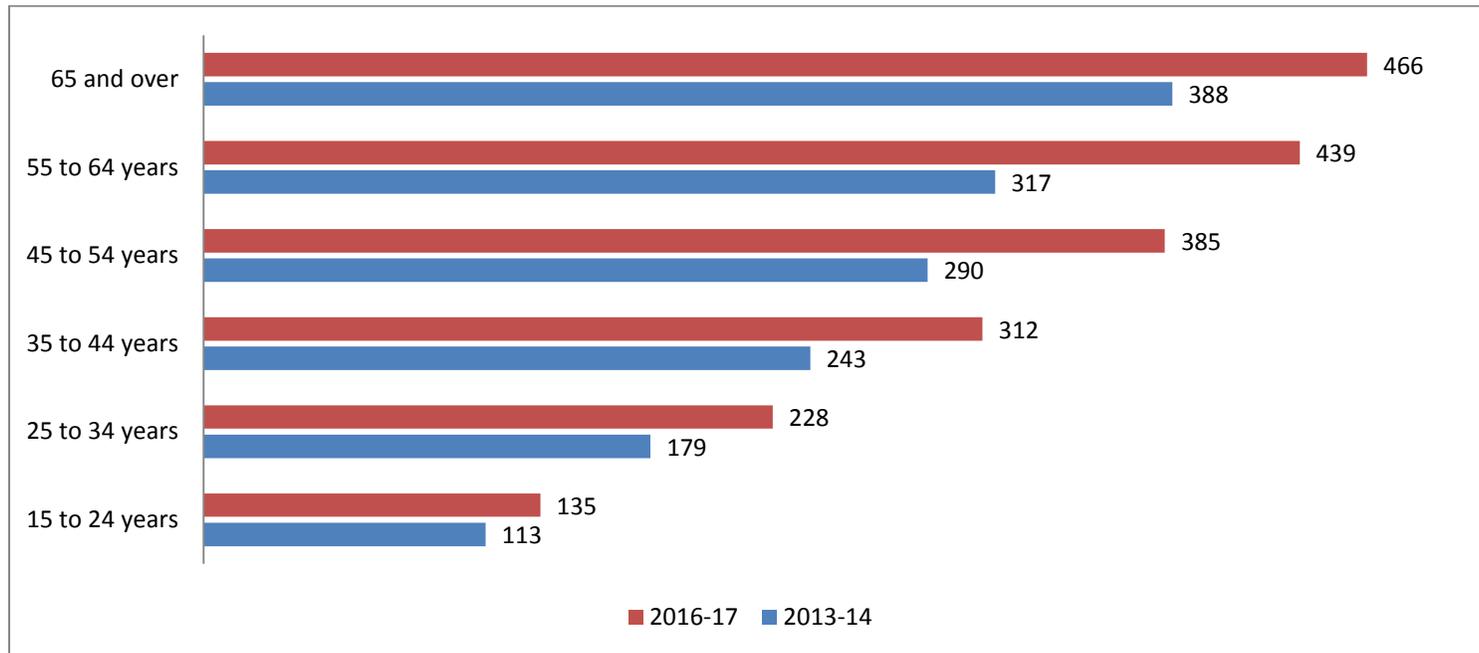
²⁸ Ibid

²⁹ Ibid

For the year Feb 2016-17, overall giving to charities declined by 1% (as reflected in the NAB Charitable Giving Index Feb 2017).³¹ The average quantum of donation also decreased over this time by \$5 per donor.

As Figure 9 shows, there is a direct correlation between age of the donor and quantum of donation.

Figure 9: Average Annual Donation to Charities by Age, Australia, 2013-14 and 2016-17



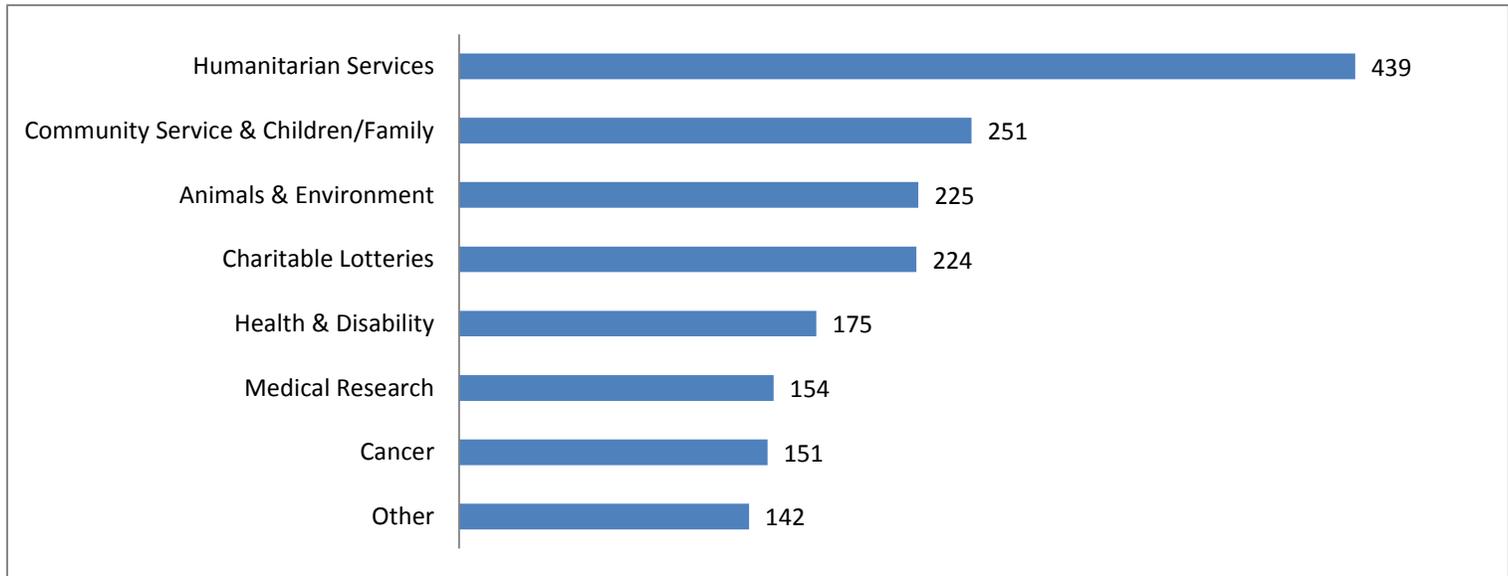
Source: NAB Charitable Giving Index, National Australia Bank Limited, 2014 and 2017 (data for charities only; excluding other not-for-profit organisations). Note: The average annual donation as reported by NAB is lower than that reported by Giving Australia 2016 since NAB excludes donations to other not-for-profit organisations.

Humanitarian services attract by far the highest average donation to charities.

³⁰ Ibid

³¹ NAB Charitable Giving Index, National Australia Bank Limited, Feb 2017; (data for charities only; excluding other not-for-profit organisations)

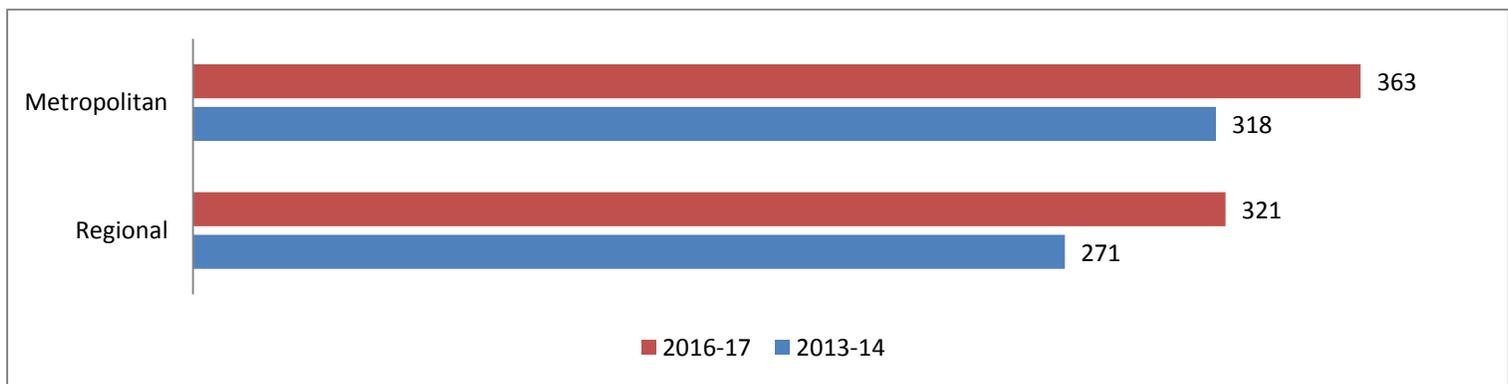
Figure 10: Average Annual Donation to Charities by Sector, Australia, Feb 2016-17 (A\$)



Source: NAB Charitable Giving Index, National Australia Bank Limited, 2017 (data for charities only; excluding other not-for-profit organisations) Note: The average annual donation as reported by NAB is lower than that reported by Giving Australia 2016 since NAB excludes donations to other not-for-profit organisations.

In 2016-17, the average donation in metropolitan areas was around 13% more than that in regional areas. However, as Figure 11 shows, the average donation has increased more in regional Australia than it has in metropolitan Australia.

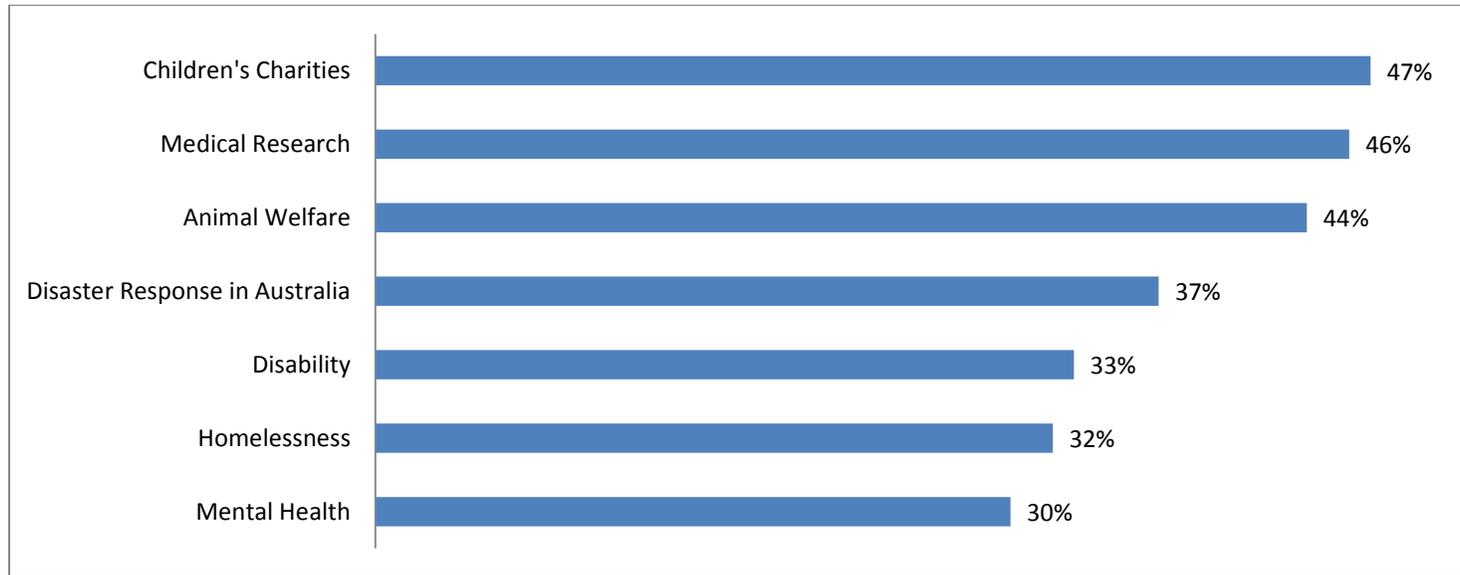
Figure 11: Average Annual Donation to Charities by Location, Australia, 2013-14 and 2016-17 (A\$)



Source: NAB Charitable Giving Index, National Australia Bank Limited, 2014 and 2017 (data for charities only; excluding other not-for-profit organisations) Note: The average annual donation as reported by NAB is lower than that reported by Giving Australia 2016 since NAB excludes donations to other not-for-profit organisations.

Figure 12 shows the top seven causes that Australians are highly motivated by:

Figure 12: Top 7 Causes that Australians are Highly Motivated by, Australia, 2016



Source: McCrindle Research 2016; multiple choices allowed

Whilst children’s charities represent the cause which motivates the highest proportion of Australians, in the Gen Y segment alone the top cause is animal welfare (53%).³²

4.2. One-off and Regular Giving

According to McCrindle Research's national survey in 2016, 57% of Australians believed that the frequency of donation requests was just right (this was up 9% over 2015).

According to the Public Fundraising Regulatory Association (PFRA), in 2016, over 300,000 Australians chose to start a regular donation to PFRA members³³ through face-to-face fundraising, translating into around \$100 million per year in new donations.³⁴

Regular giving is extremely critical to charities as it not only ensures a level of certainty around income streams, but is also a significantly larger income stream than impulse donations. In fact, regular donors donate six times as much in a year as the one-off donor.³⁵

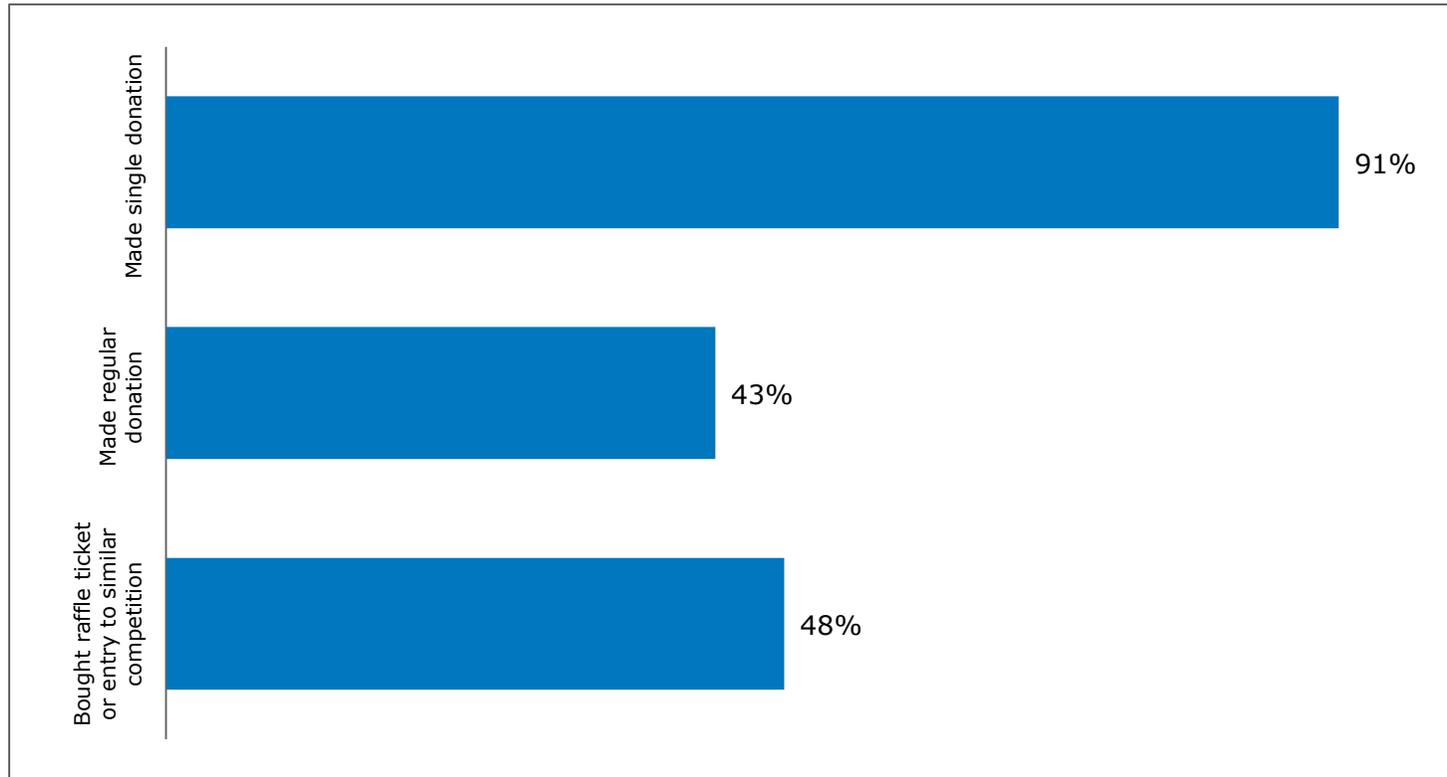
³² Ibid

³³ PFRA <https://www.pfra.org.au/pages/importance-and-values-of-face-to-face.html>

³⁴ Australian Consumer Law Review, Submission by the PFRA, 27 May 2016

Figure 13 shows the percentage of donors who made a donation in the last 12 months by type of donation (one-off donation, regular donation and purchase of raffle tickets) amongst individual donors surveyed by Frost & Sullivan for this study:

Figure 13: Percentage of Donors who made a Donation in the last 12 months, by Type of Donation



Source: Frost & Sullivan Individual Donor Survey June 2017, N=504; multiple choice allowed

A large proportion (91%) of individual donors surveyed made a single donation to a charity as a result of being personally solicited for a donation either in person or via telephone. 43% of the individual donors surveyed made a regular donation as a result of being personally solicited, whilst 48% bought a raffle ticket or entered a competition that aimed to raise funds for a charity. These competitions could often involve an ongoing payment.

Whilst individual fundraisers engaged by fundraising agencies do not encourage donors to make single donations, as neither they nor the fundraising agencies are rewarded for single donations, if the donor is only able to make a one-off donation, they generally inform donors that they are able to do so online or via telephone.

Large, high profile charities attract a high proportion of individual one-off donations. It is assumed that this is a result of these charities using a large network of volunteers or in-house fundraisers who are not compensated via commission or bonus on the basis of signing up donors for regular donations.

³⁵ Giving Australia 2016, Australian Centre for Philanthropy and Nonprofit Studies, QUT

5. Fundraising for Charity

Given the increased competition for donor funds, a robust and effective fundraising strategy is seen as critical to ensuring the continued viability of charities. The charity sector believes that a critical success factor in fundraising is achieving the optimal mix of fundraising approaches that matches not only the ethos of the charity, but also the specific in-house fundraising expertise of the charity.

Very few people donate unprompted.
- **Charity**

5.1. Comparison of Main Fundraising Approaches

Charities employ a range of fundraising approaches as outlined in Table 2

Table 2: Advantages and Disadvantages Comparison Across Main Fundraising Approaches, 2017

Approaches	Advantages	Disadvantages
Face-to-Face: Street	<ul style="list-style-type: none"> Achieves volume. High impact as a persuasion tool. Provides the benefit of improving brand awareness. Provides the opportunity to 'have a conversation' with donors. 	<ul style="list-style-type: none"> Perception of being 'in-your-face'. Associated with higher cancellation rates than door-to-door.
Face-to-Face: Door-to-door	<ul style="list-style-type: none"> Mature donors recruited (translating into more stable and long term revenues through reduced attrition). Opportunity to have longer conversations with potential donors. 	<ul style="list-style-type: none"> Limitations in terms of timing of solicitation. Difficult to undertake mystery shopping to check on individual fundraisers. Weather and dark evenings limit viability at certain times of the year.
Face-to-Face: Shopping Mall / Railway Station etc.	<ul style="list-style-type: none"> Less dependent on weather. High foot-traffic areas. 	<ul style="list-style-type: none"> Some shopping centres require payment; thus raising the cost of acquisition.
Telemarketing	<ul style="list-style-type: none"> Reliable for retention and upgrades. Effective for reactivation. Effective for one-off cash appeals. 	<ul style="list-style-type: none"> Difficult to 'connect' with the potential supporter; so less effective for cold calling.
Direct Mail	<ul style="list-style-type: none"> Established approach. 	<ul style="list-style-type: none"> Increased costs of post (especially when inclusions such as pens, key rings, tote

Approaches	Advantages	Disadvantages
		bags are factored in). More appropriate for one-off donations; therefore requires going back to supporters for further donations.
Social Media / Online	Attractive as a medium to younger adult donors. Low upfront cost.	Less established with older donors (who can be reticent about online payments and sharing details online). 'Gen Z' - high users of the Internet – have a poorer track record for long term giving than older donors. Lower volume of sign-up.
Events	High impact approach to raising awareness of the charity and its work.	Significant logistics involved.
Community Fundraising³⁶	Low cost. Low risk.	Saturated segment.
Corporate Giving / Sponsorship	Large value. Clear value proposition for corporates seeking a tax benefit.	Difficult to factor into planning and forecasting. Can be restrictive if corporate donor wants to specify destination and use of funds.
Bequests	Large value.	Uncertainty is high for actual conversion. Typically a 15-year average cycle.
Raffles / Tickets	Strong selling proposition (as donors can potentially win very large prizes)	Cost of prizes increases overall fundraising costs Potentially negative association with gambling

Source: Frost & Sullivan based on industry interviews

Over 25% of people are receiving an unwanted telephone call from a charity each week.³⁷ After receiving an unsolicited fundraising call from a charity, 66% of members of the public say they are less likely to donate to that

³⁶ Mobilising local communities to support a charitable cause, through fundraising activities appropriate to that community (e.g. fundraising runs, treks, high teas, bake sales, trivia nights, etc.)

³⁷ CHOICE Report into Nuisance Calls 2016, Sep 2016, N=1,616 Australians

charity in the future.³⁸ This increases to 71% for people 65-89 years old.³⁹ In addition, 67% of people who made a donation as a result of an unsolicited call noticed that they received more calls from others asking for donations.⁴⁰

We do not see digital as a standalone fundraising channel; rather it is something we incorporate in all our fundraising areas. We see digital more as the place to engage donors, rather than fundraise.

- Charity

Over three quarters of individuals approached by telephone for donations said that they disliked it. However, 24.2% still made a donation when approached this way. Similarly, 64.3% of people disliked being approached by street fundraisers, but 19.3% still gave a donation.⁴¹

In 2016, 60.5% of individuals indicated that they generally give on the spur of the moment.⁴²

Amongst public locations, railway stations in the large cities are high-traffic areas that are very popular for face-to-face fundraising.

Interviews by Frost & Sullivan suggest that a small proportion of charities, as well as fundraising agencies, are considering moving away from on-the-street fundraising, as it seems to generate the most negativity amongst the public and consequently complaints.

Apart from these main fundraising approaches, charities are also considering other options such as direct response TV (advertising on TV with a phone number provided), SMS banners on trains/trams, virtual reality (VR), etc.

Based on Frost & Sullivan's interviews, the typical success rates per solicitation channel are summarised in Figures 14, 15 and 16.

³⁸ Ibid

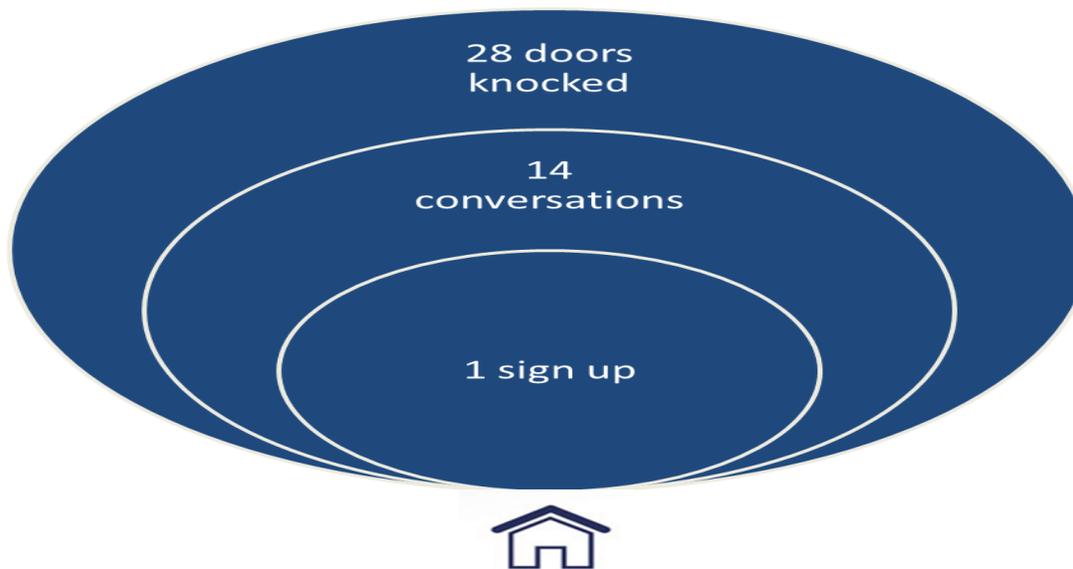
³⁹ Ibid

⁴⁰ Ibid

⁴¹ Giving Australia Report 2016; (data from donations to charities and other non-profit organisations)

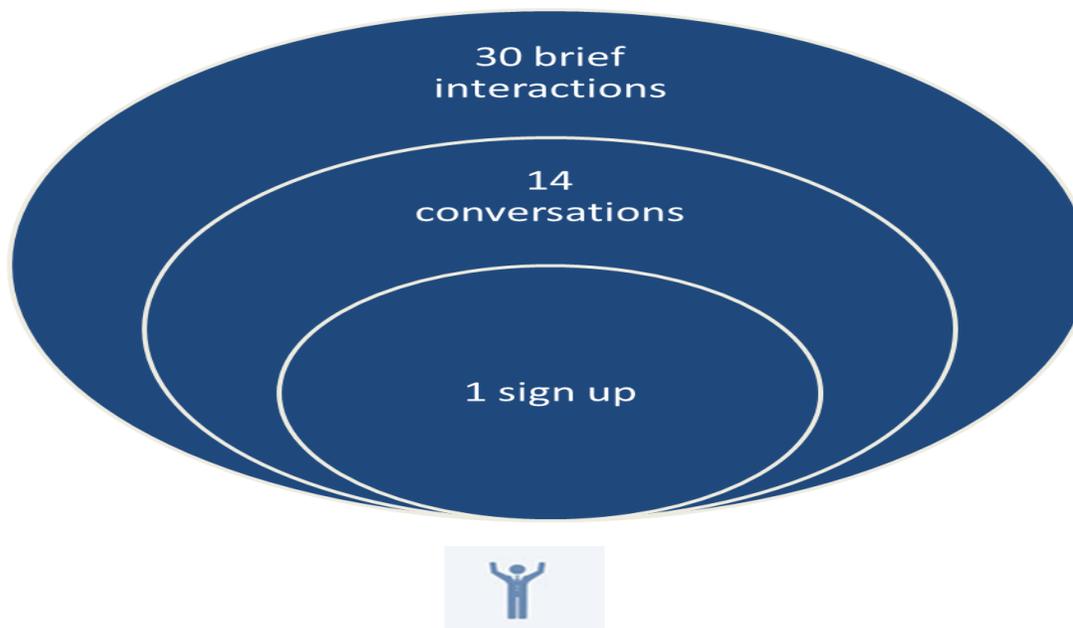
⁴² Ibid

Figure 14: Sign-up Rate for Door-to-Door Fundraising, 2017



Source: Frost & Sullivan based on industry interviews; Signing up new regular donors

Figure 15: Sign-up Rate for On-Street Fundraising, 2017



Source: Frost & Sullivan based on industry interviews; Signing up new regular donors

Figure 16: Sign-up Rate for Telemarketing Fundraising, 2017



Source: Frost & Sullivan based on industry interviews; Persuading cash donors to sign up to regular giving (conversion) and existing donors to contribute more (upgrade)

Street sign-ups can be the result of being pestered or being approached by a cute girl or cute guy; so in that sense may not reflect a genuine interest in supporting the charity.

- Fundraising Agency

5.2. Rationale for Outsourcing

The charity sector utilises outsourced services for a number of operational tasks including payroll, IT, collateral copywriting, design, printing, distribution etc. As a result, outsourcing is logically seen as the ideal approach to another critical activity i.e. fundraising, especially since it requires unique skillsets and experience, and enables the charity to focus on service delivery.

Table 3: Rationale behind the Use of External Agencies for Fundraising, 2017

Main Reasons for Engaging External Agencies for Fundraising	Quotes
More cost-efficient than the use of in-house or volunteer resources.	<p><i>From a cost point of view, there is no way we can construct a working model that will make money by doing this in-house.</i></p> <p><i>We do not want to be employing more people than we absolutely need for the service and support roles since we owe it to our donors to utilise funds cost-efficiently.</i></p> <p><i>With limited budgets we have to be savvier about how we spend our budgets.</i></p> <p><i>The sector is under the spotlight (by the media and the general public), so the need to maximise ROI on spend is critical. Outsourced F2F fundraising is the number 1 fundraising model - it is low risk (you pay for only long term donors – there are clauses that protect the charity from excessive cancellations).</i></p> <p><i>Only large charities can have the resources to run a robust in-house program with some level of success.</i></p>
Allows the charity to focus on the core business of service.	<p><i>We like to stick to our knitting and leave it to better equipped people to fundraise.</i></p> <p><i>We leave it to the professionals.</i></p>
Most charities do not have the specific in-house skillset or resources to manage the recruitment, training, retention, safety and scheduling of fundraising individuals, especially at the volume needed.	<p><i>Very difficult for us to manage fundraising teams in-house and provide the needed expert advice to them.</i></p> <p><i>Too labour-intensive for us.</i></p> <p><i>We tried an in-house team of fundraisers. Turnover was high; so recruitment became ongoing. Just too difficult!</i></p>
Volunteers may not be able to persist like trained fundraisers can. In-house fundraising staff churn is high since doing fundraising full-time can lead to burn out.	<p><i>It is very difficult to be continually upbeat after a day of rejections. You need a special type of person for this job.</i></p>
With an external agency, charities have the flexibility to increase or decrease resources based on campaign requirements	<p><i>We have peaks and troughs in the year based on campaigns (so it is not year round); so we may not need in-house resources all through the year.</i></p>

Source: Frost & Sullivan based on industry interviews

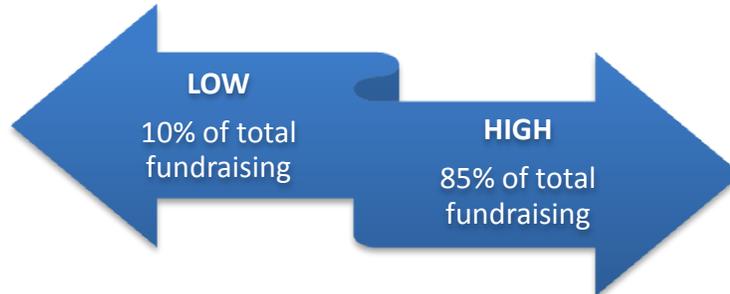
5.3. Engaging External Fundraising Agencies and Funds Gathered

Most charities interviewed indicated that they intend to increase their budget for face-to-face fundraising activities in the coming years as it is the most effective way for them to increase the number of regular donors. Regular donations are an important aspect of fundraising for charities as it allows them to better plan their budgets and service delivery. Certain charities may spend more on face-to-face fundraising every other year, so that benefits from a higher spending year flow through to a low spending year.

Smaller charities that are new to the face-to-face fundraising sector often only employ one fundraising agency. However, there is a general desire to employ more agencies as a means of diversifying risk. The ability to do so depends on their ability to increase their face-to-face fundraising budgets as, under current market conditions, the large fundraising agencies prefer to work with charities with sizable budgets.

Pareto Fundraising's Benchmark Report into 82 charities found that the most successful charities have a long history of undertaking face-to-face fundraising. An estimated 49% of funds came from regular giving and a significant proportion of that came from face-to-face fundraising.

Figure 17: Range of External Fundraising Agency Derived Funds, 2017



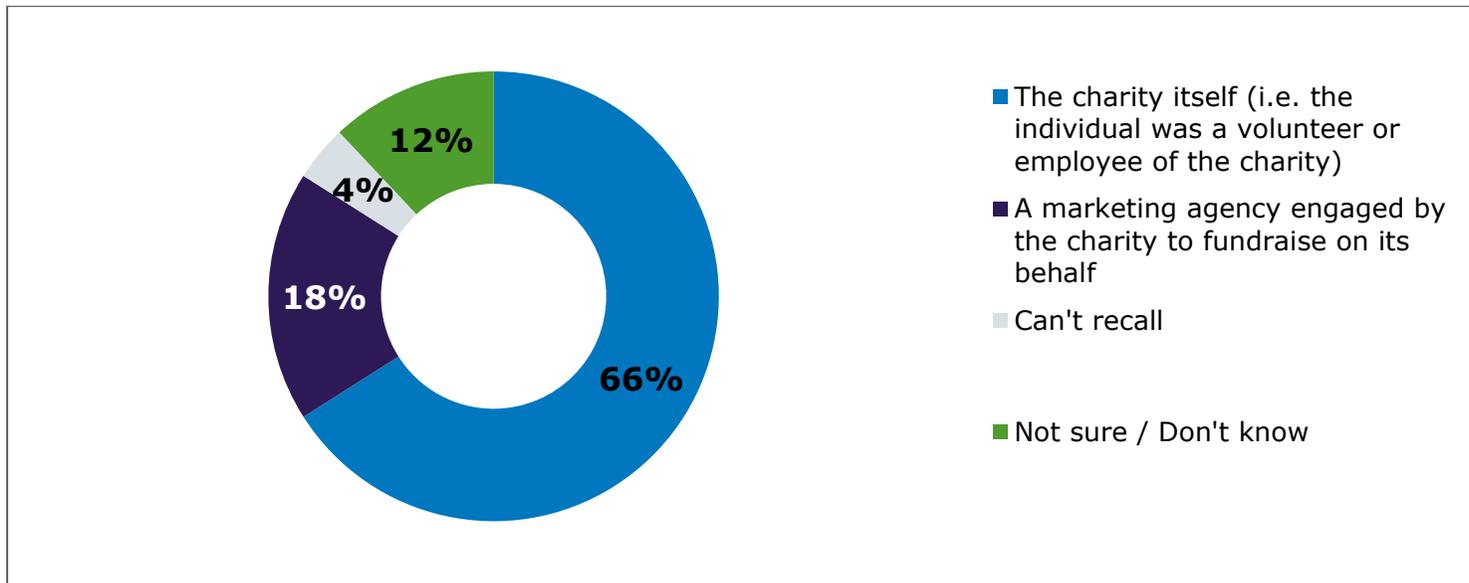
Source: Frost & Sullivan based on industry interviews

Charities interviewed reported a wide range in terms of total fundraising that is provided by external fundraising agencies. Fundraising agencies may contribute anywhere from 10% to 85% of total fundraising of a particular charity.

5.4. Solicitation Dynamics

Most individual donors (66%) believe that the individual fundraiser that solicited them for a donation was directly working for or volunteered for the charity they were representing. Only 18% of individual donors assumed that the individual fundraiser they interacted with worked for a fundraising agency.

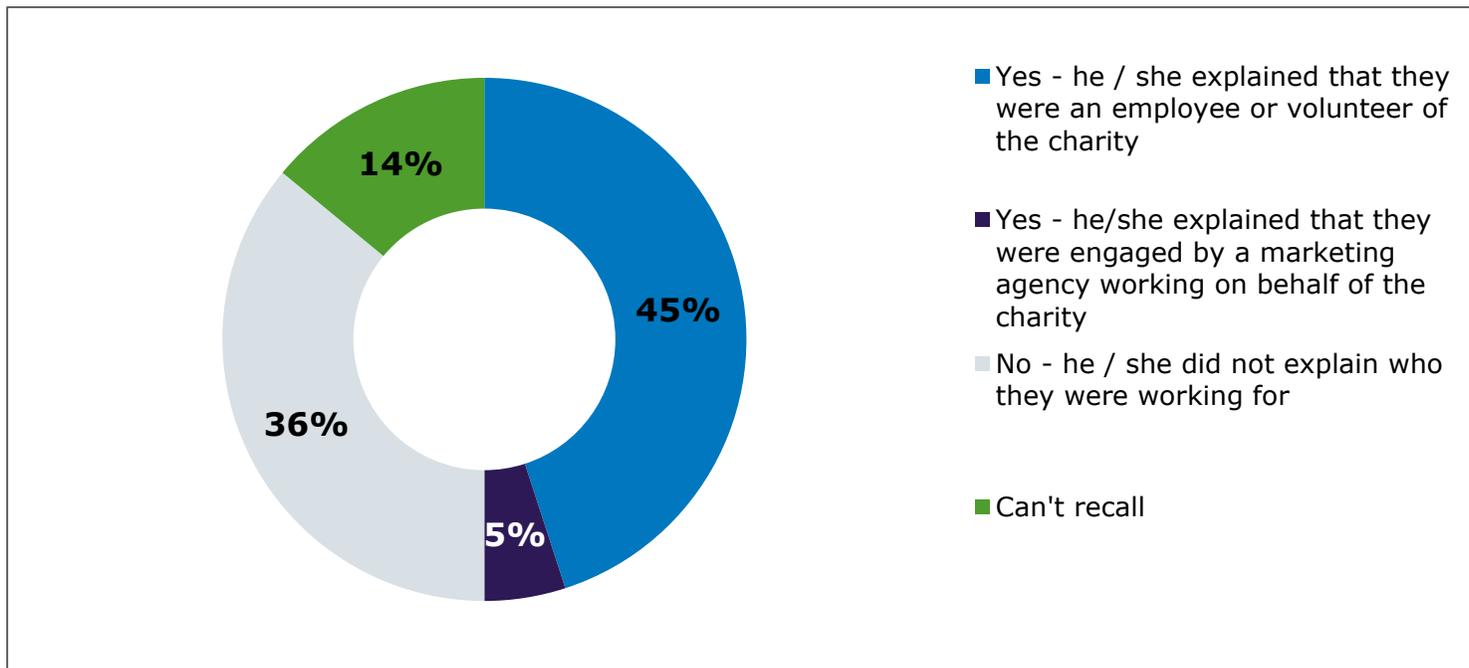
Figure 18: Perception of Public: Who does the Individual Fundraiser work for?, 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

These statistics indicate that, despite the PFRA mandate requiring all individual fundraisers to wear an identity tag which clearly indicates that they are a paid fundraiser and include the name of the agency they work for, most donors only pay attention to the charity branded clothing that individual fundraisers wear.

Figure 19: What Individual Fundraisers said to Individual Donors about who they were working for, 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

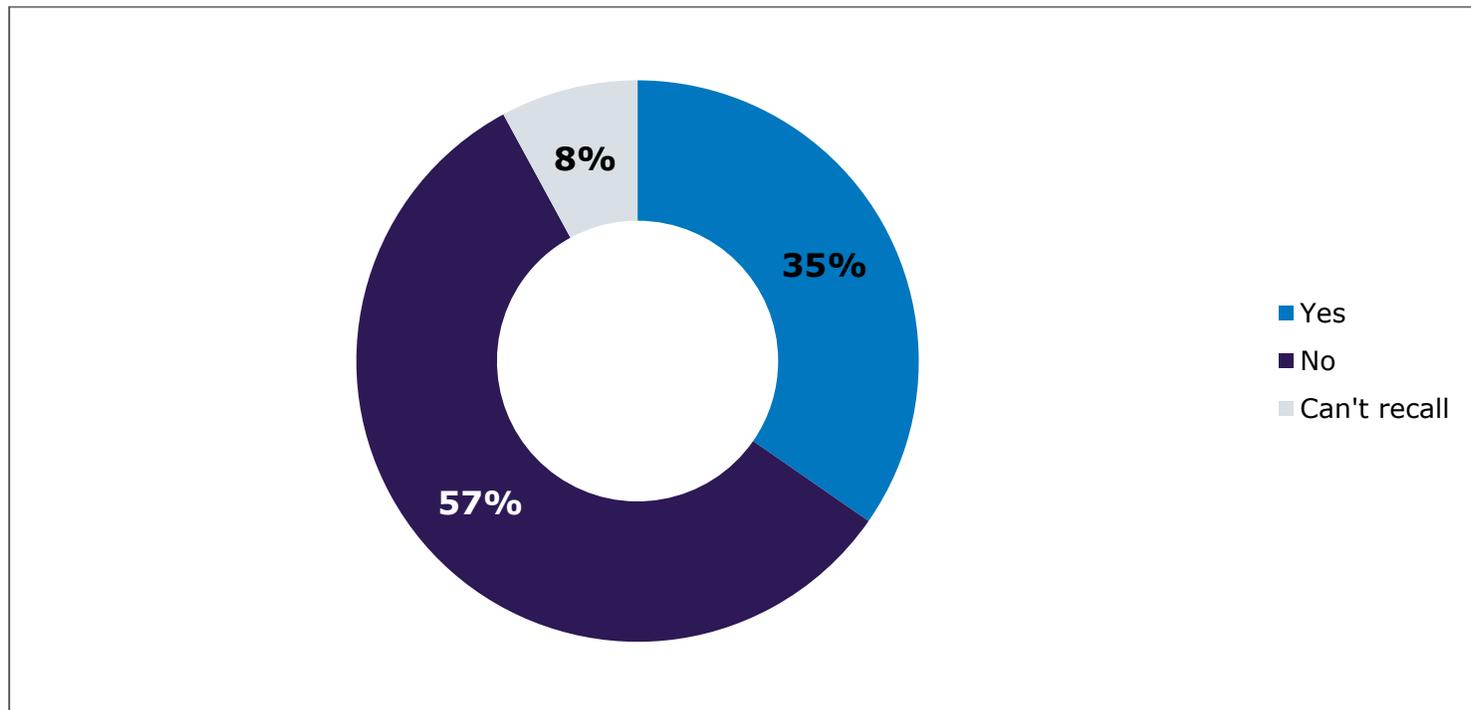
Individual donors surveyed reported a significant proportion (45%) of individual fundraisers indicated that they worked for or were volunteers of the charity they represented. Conversely, only a small percentage (5%) of individual donors indicated that the fundraiser reported they worked for a fundraising agency.

36% of individual donors reported that the fundraiser did not indicate the organisation that they worked for. This is consistent with the responses received from the individual fundraisers surveyed, who indicated that they did not actively explain to potential donors that they were employed by a fundraising agency. Individual fundraisers however, also indicated that they would not misrepresent the organisation that they worked for if asked by the potential donor. Furthermore, feedback from charities interviewed indicates that, except for the largest charities (who may have some in-house resources), most charities employ the services of a fundraising agency for their face-to-face fundraising activities. Hence, the high proportion of individual donors indicating that the fundraiser had suggested they were working for the charity could stem from a misunderstanding or a careful choice of words by the individual fundraiser.

Both charities and marketing agencies interviewed indicated that individual fundraisers would generally introduce themselves to potential donors by telling them that they were working “on behalf” of the charity in question. This, coupled with the charity branded uniforms they wear, seems to steer individual donors into believing that the fundraisers are directly affiliated with the charity they are representing.

We say 'for' or 'on behalf of x charity'. We do not proactively say we work for an agency; only if asked. Otherwise it is not relevant to donors. Very few donors ask this of us. The average donor does not know that we work for an agency - but some do.
- Individual Fundraiser

Figure 20: Perception of Public: Assume that Commission was paid to Individual Fundraiser, 2017



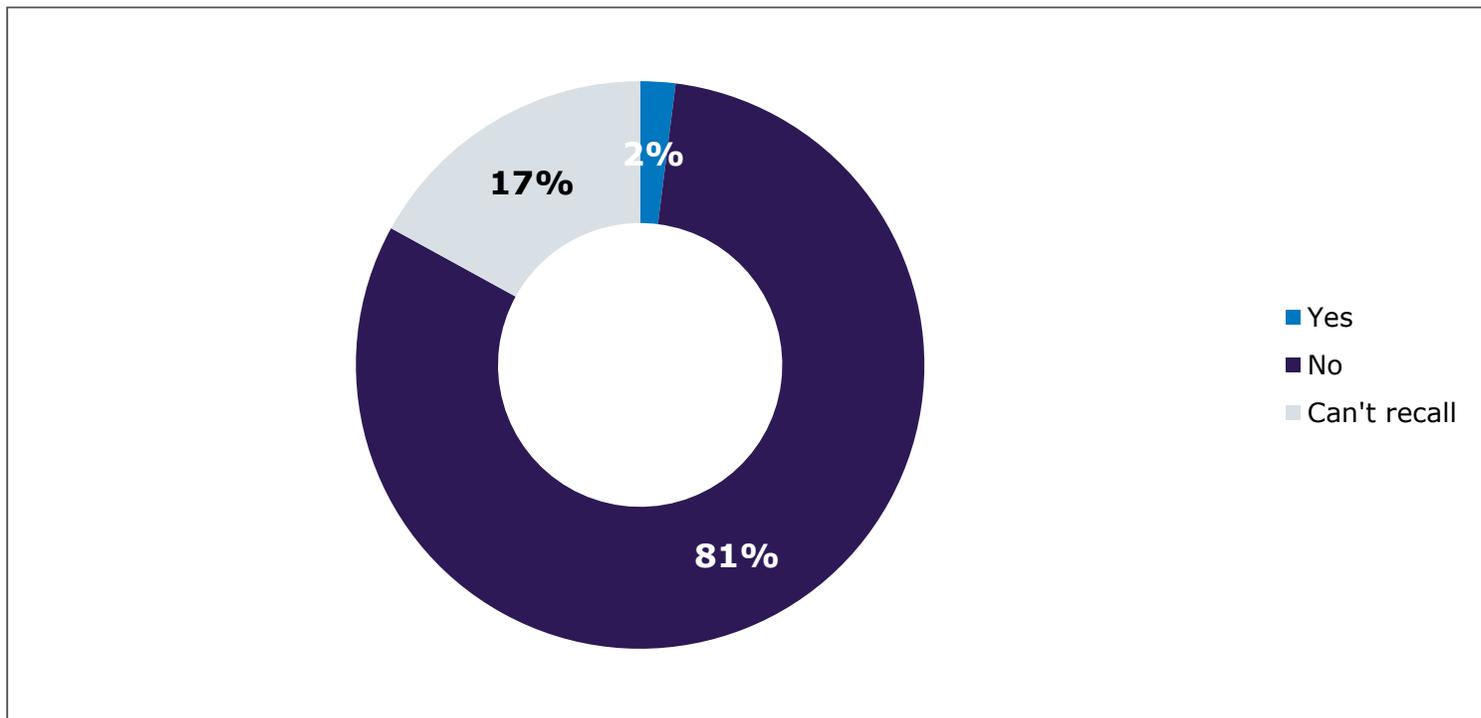
Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

The majority of individual donors surveyed (57%) indicated that they did not assume that any part of their donation would go towards paying a commission to either the individual fundraiser and/or to the fundraising agency they worked for, whilst 35% of donors did assume some form of commission would be paid.

The high proportion (57%) of individual donors believing that their donations do not go towards any commission is understandable given that they also reported that most fundraisers (81%) did not explain any part of their donation would go towards a commission. Only 2% of individual donors indicated that the individual fundraiser explained that part of their donation would go towards paying a commission. Charities and fundraising agencies interviewed do however, point out that the fact that the fundraiser and the agencies receive compensation for their efforts is indicated in the disclaimer / terms & condition section of the sign-up form that donors agree to when signing up for a regular donation.

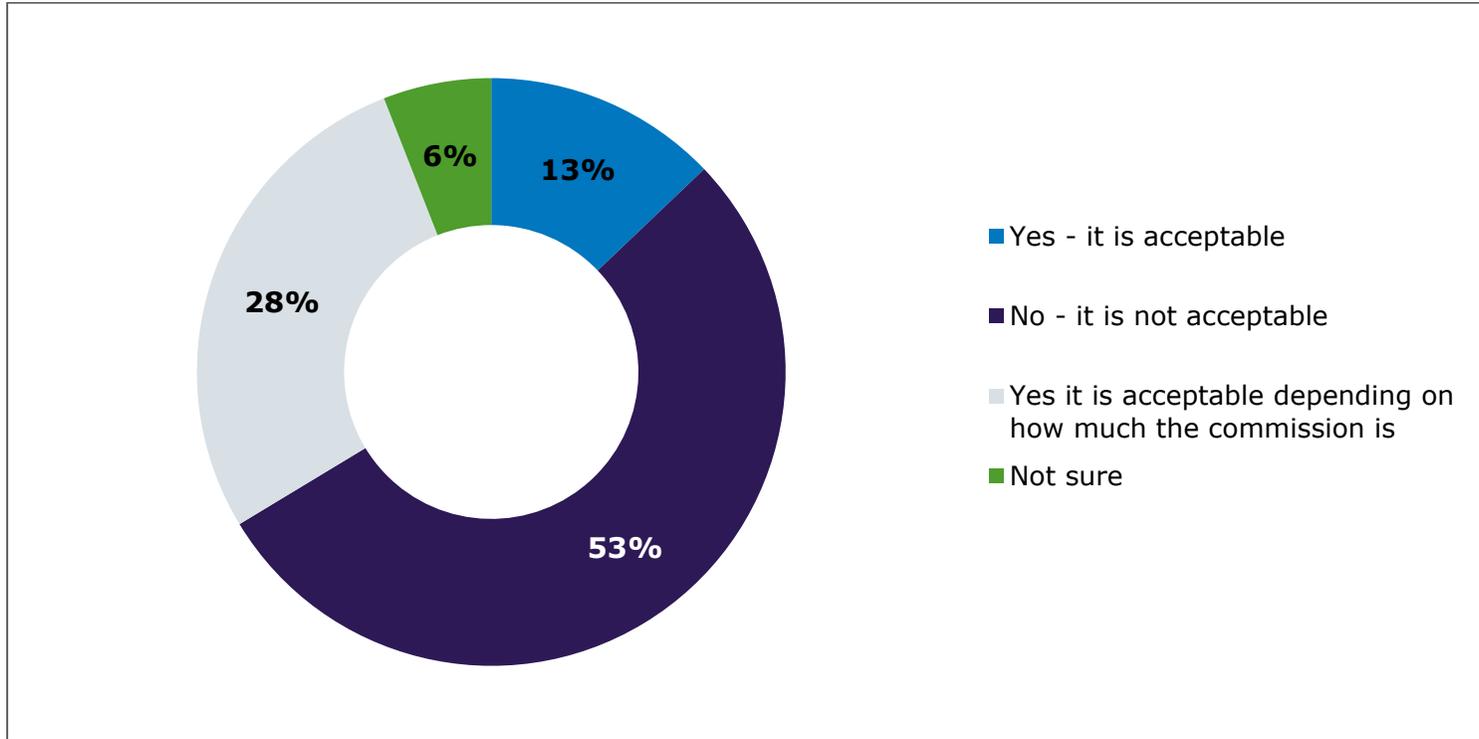
We don't give that information (about commissions) proactively and we are never asked. If asked we will tell the truth. But I don't think the average donor knows we receive a commission.
- Individual Fundraiser

Figure 21: Did the Individual Fundraiser explain that part of the Donation would go towards paying a Commission to the Individual Fundraiser and / or Agency?, 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

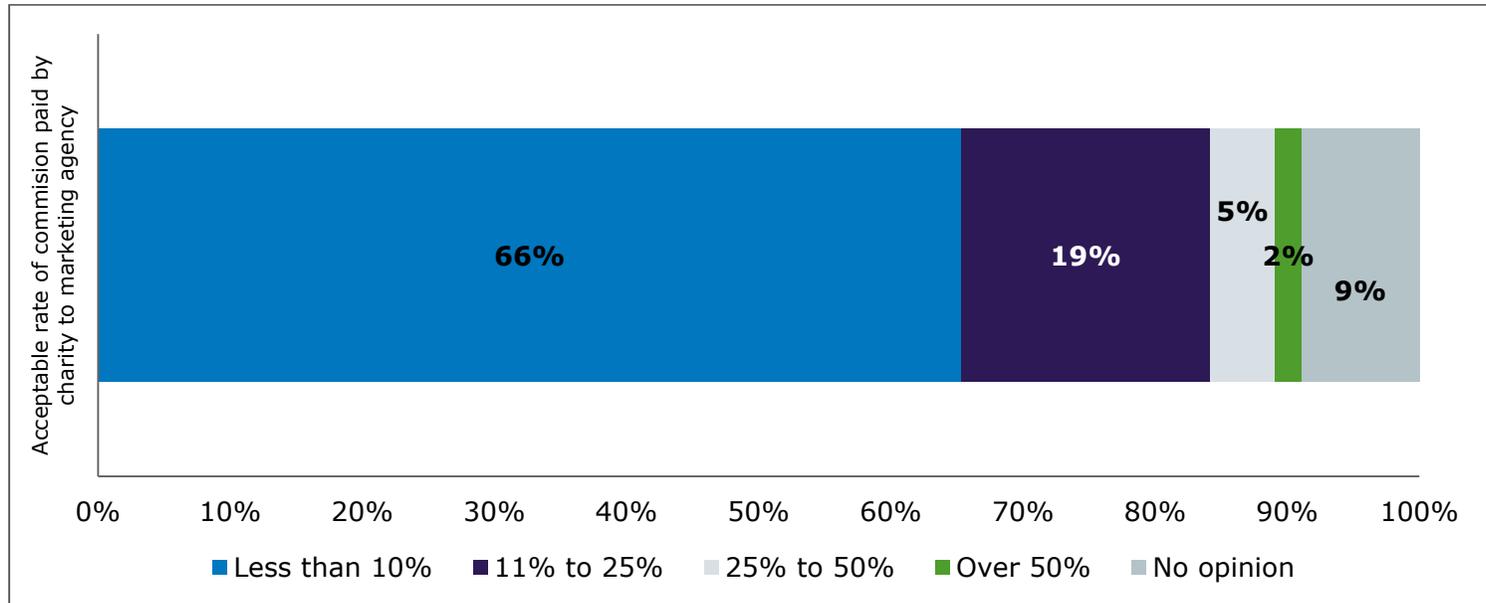
Figure 22: Is it Acceptable for a Portion of Donation to go towards paying Commission to the Individual Fundraiser and / or Agency?, 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

53% of individual donors also indicated that they do not believe it is appropriate for any part of their donation to be used towards paying any form of commissions either towards the individual fundraiser and/or to the agency they may work for. 41% of individual donors surveyed, however, do believe it is appropriate for some form of commission to be paid from their donation, with 13% indicating it is appropriate, whilst 28% believe it would be appropriate depending on the rate of commission.

Figure 23: Acceptable Percentage of Donation to be used to pay Commission to the Individual Fundraiser and / or Agency, 2017

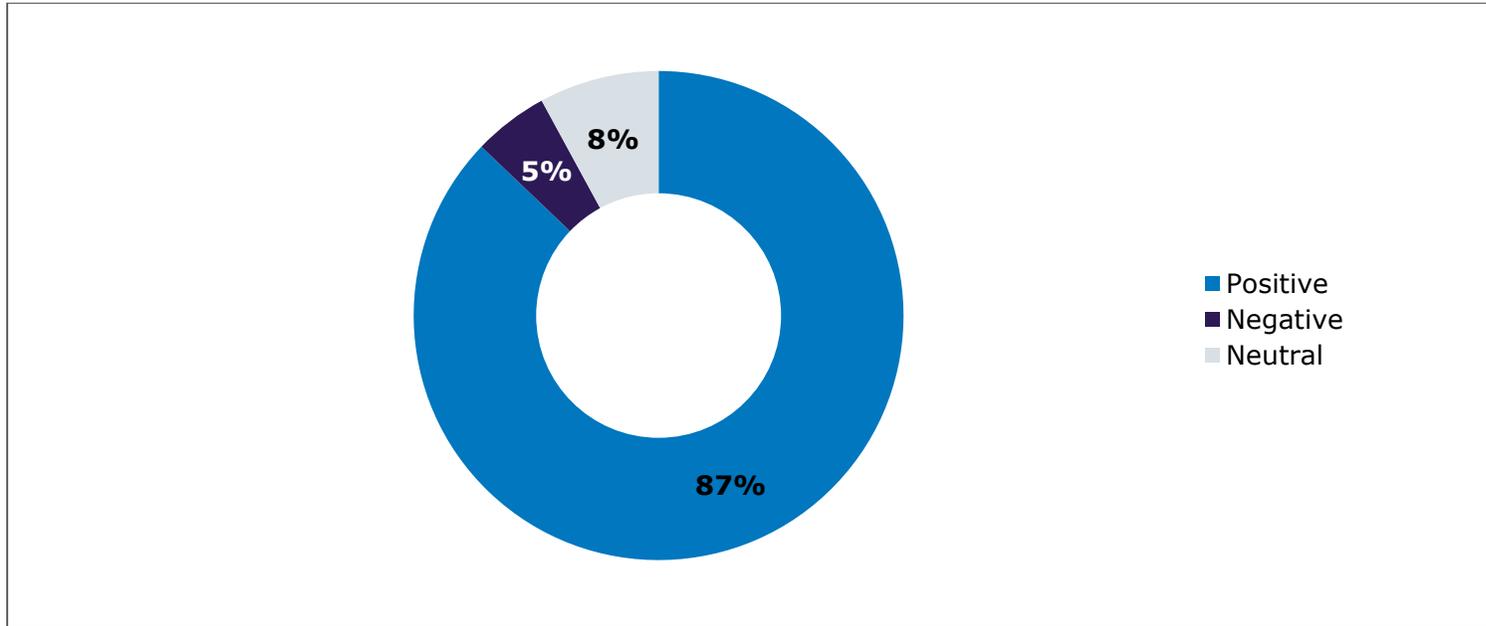


Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

66% of individual donors believe that a commission of less than 10% would be an appropriate commission for the activities undertaken by the individual fundraisers and/or the agency they are work for. A further 19% indicated that a commission between 11% and 25% would be appropriate, whilst 5% indicated that a commission of 25% to 50% would be appropriate. Only 2% feel a commission above 50% would be appropriate.

It is important to note that technically an individual donor’s donation does not directly go towards paying a commission to either the individual fundraiser or the agency they are employed by. Whilst most fundraising agencies are paid on the basis of donors acquired, usually in the form of a multiplier of the monthly donation, agencies are paid this commission in full shortly after sign-up at which point the donor may not yet have made any regular payment, or at most one or two months. Hence, the donations made by donors are not directly used to pay commission to agencies. Furthermore, no commission is usually paid to agencies for one-off (single) donations that they acquire from donors. Refer to 6.2 and 6.3 for further details on contracts with charities and remuneration of fundraising agencies.

Figure 24: Was the Most Recent Interaction with an Individual Fundraiser a Positive or a Negative Experience?, 2017



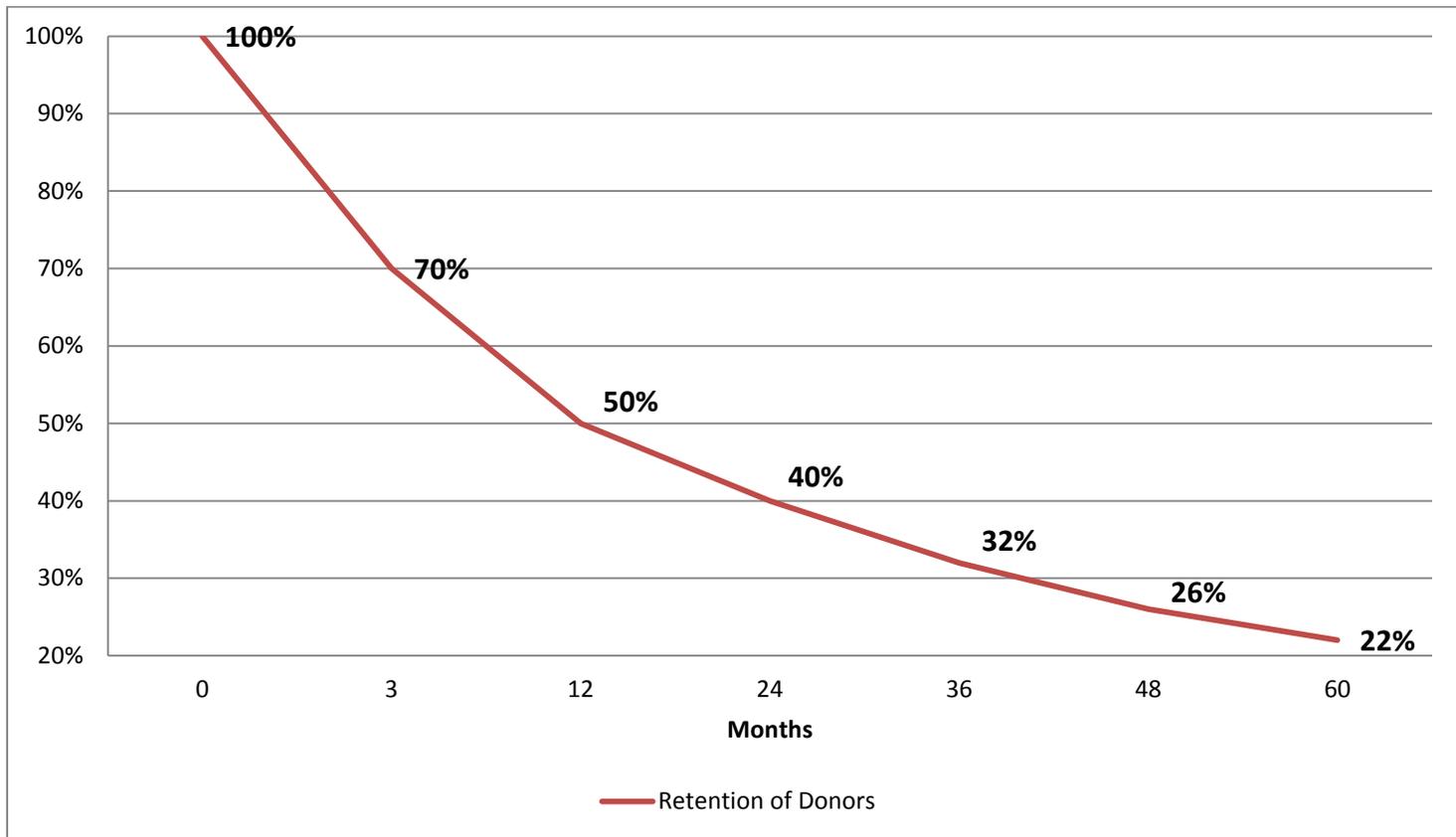
Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

A significant majority (87%) of individual donors surveyed reported the process of being solicited for a donation to be a positive experience. Only 5% indicated the experience of being solicited to be a negative experience. However, it is important to note that Frost & Sullivan only surveyed individuals who have made a donation as a result of being personally solicited. If individuals that had been solicited but not made a donation are included, the proportion of negative experiences is likely to be much higher.

However, the low incidence of negative experience does support the feedback received from charities interviewed who also reported a very low rate of complaints from the general public regarding their personal engagement fundraising activities.

5.5. Retention Rate of Donors and Average Period of Continuous Donation by Donors

Figure 25: Average Retention Rate for Regular Giving Donors over 5 years, 2017



Source: Frost & Sullivan interviews with charities and fundraising agencies, June 2017, n=17

Individual donors who sign up for a monthly regular donation have a high attrition rate, particularly in the first 12 months. Whilst the figures vary from charity to charity, on average, charities expect to lose 50% of new regular donors in the first 12 months, of which nearly 60% are lost in the first three months. The rate of attrition slows down considerably after the first year.

Based on industry interviews, it appears that the average period of continuous donation by an individual donor also varies between charities, with an approximate industry average of five years.

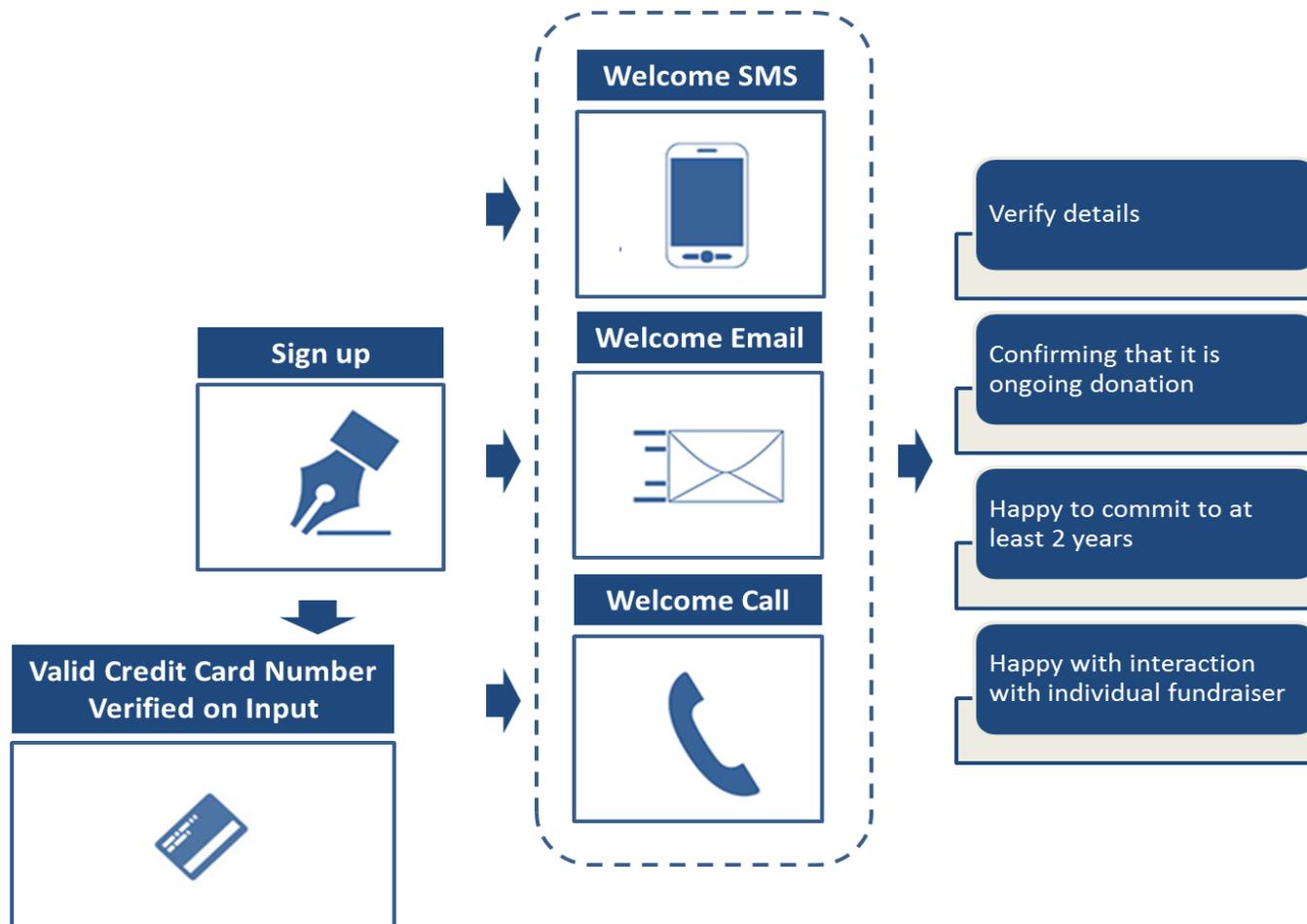
Given that fundraising agencies are usually compensated a multiple of the monthly donation upfront once a new donor has been signed, attrition of donors would adversely impact charities financially. However, charities often build in clawback clauses within their contract with the fundraising agencies and also negotiate the multiplier based on an expected attrition rate of donors. For instance, a clawback feature in a contract could mandate a full

refund from the fundraising agency should the donor not make a single donation or cancels donations within the first few months. These clawback features also discourage agencies from “selling on cancellation” (i.e. individual fundraisers inducing sign-ups by saying that “you can cancel at any time”).

Furthermore, given that a donor is likely to continue donating to a charity for a long period of time should they not cancel the regular donation in the initial years, in the long term, charities still benefit significantly from regular giving fundraising activities. As such, charities estimate that they receive an ROI (return on investment) of between \$3 and \$4 over the long term for every \$1 they spend on fundraising agencies to undertake face-to-face fundraising.

To help minimise attrition, a number of strategies are used by charities and fundraising agencies. Figure 26 shows the main best practice verification options used by the industry to reduce the incidence of cancellations after sign-up, although these are not always adopted.

Figure 26: Best Practice Verification Options to Reduce Cancellations, 2017



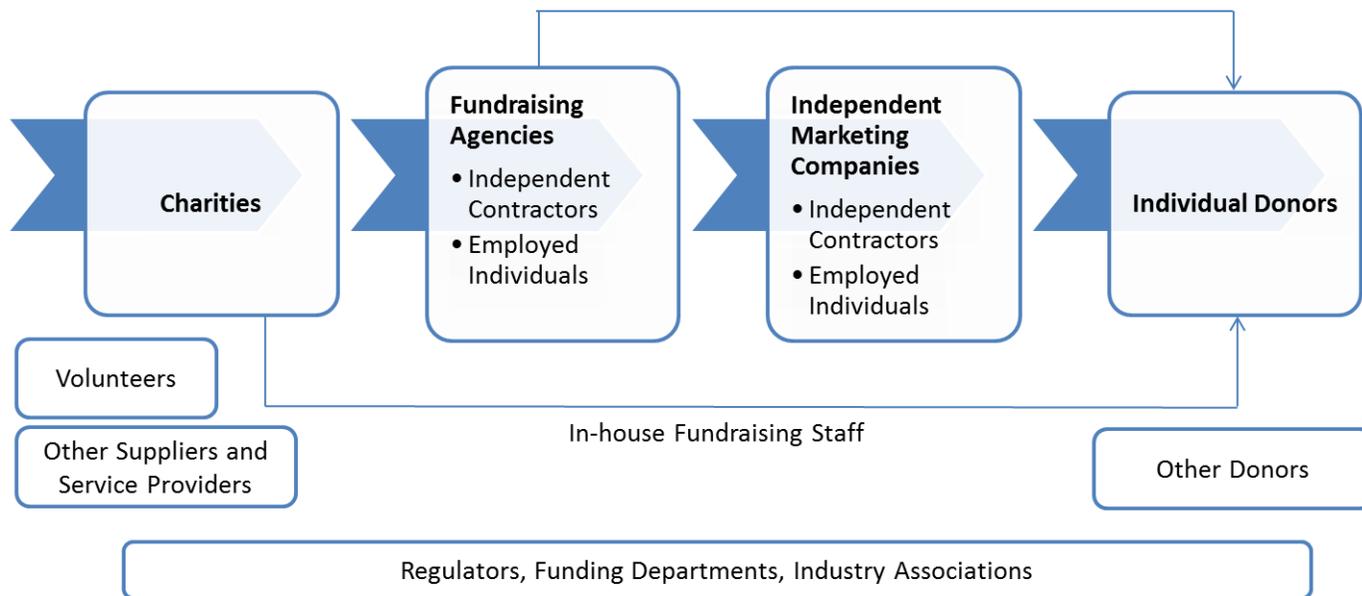
Source: Frost & Sullivan based on industry interviews

6. The Commission-based Charity Fundraising Industry

6.1. Structure of the Commission-based Charity Fundraising Industry

Figure 27 shows the structure of the commission-based charity fundraising industry in Australia:

Figure 27: Commission-based Charity Fundraising Industry, Australia, 2017



Source: Frost & Sullivan

Commission-based fundraising is undertaken either directly by agencies themselves or through further sub-contracts with independent marketing companies who engage and manage individual fundraisers. In 2017, it is estimated that there are around 35 fundraising agencies and around 150 independent marketing companies operating in the sector.

Higher demand growth than available supply of face-to-face fundraising services

The number of charities in Australia undertaking face-to-face fundraising has risen from around 20 in 2009 to around 100 in 2017. Over the same period, the number of agencies providing face-to-face fundraising services rose from around 17 in 2009 to around 35 in 2017.⁴³ In addition, a single charity may contract separately in different states. Hence, the number of potential clients for agencies is much more than 100. With the demand far outpacing supply, charities have to compete for the services of a limited number of agencies.

We sent the tender for face-to-face fundraising to 30 agencies and only 3 came back with responses.

- Charity

As a result, small to medium-sized charities find it more difficult to engage fundraising agencies since their contract volumes are smaller than those that the larger charities can promise.

We are in a suppliers' market where the agencies can cherry-pick the charities they work for. Charities have enormous difficulty in getting stable suppliers. When the charity is national it is more attractive for the agency since it provides the agency flexibility in terms of locations to raise funds.

- Charity

Because we are not a large charity, we struggled to find agencies willing to take up our contract.

- Charity

Low Entry barriers

The fundraising agency and marketing company industry is characterised by low barriers to entry (the business is not capital intensive, with little or no infrastructure needs and relatively few permanent staff). Also, with individuals exiting fundraising agencies and marketing companies to start up their own agency or marketing company, there is a large number of small firms operating in this industry.

⁴³ Industry estimate from interviews by Frost & Sullivan

Smaller agencies and marketing companies have director-owners who work in the business instead of on the business. They need to remodel to be better prepared for the future and that is the greatest challenge for them.

- Charity

New capacity in terms of face-to-face fundraising services is being added from fragments of old suppliers.

- Fundraising Agency

The industry has a number of small firms who do not have the scale or the systems in place for consistent adherence to standards.

- Fundraising Agency

6.2. Contracts with Charities

Fundraising agencies are typically contracted on an annual basis by charities, although some may choose to engage through a longer term contract or just on a per campaign basis. In long term contracts, a charity may engage with a fundraising agency over a number of years, with a scheduled annual or bi –annual review of performance and contract.

The level of fundraising activities itself is predetermined by the budget that the charity allocates to the specific fundraising activity they undertake. Should the fundraising agencies reach annual targets early, and consequently exhaust the face-to-face fundraising budget of the charity, a charity would typically halt any further face-to-face fundraising activities for that year. Conversely, certain charities choose to increase the budget in order to keep the momentum from face-to-face fundraising going, and minimise any additional training costs related to new individual fundraisers engaged when a campaign is restarted.

Charities typically include a Service Level Agreement (SLA) within the contracts with the fundraising agencies that includes various stipulations such as:

- Type of fundraising activities
- Reporting on activity / location
- Threshold on cancellation rate
- Threshold on value of donations
- Threshold on age of donors

- Schedule of soliciting
- Behaviour of fundraisers

For example, a charity may stipulate that the minimum target age of potential donors should be 25 to 30 years and the maximum donation should be not more than \$30 per month. This is in recognition of the fact that if young donors, such as students, are approached, high donations may not be sustainable, which will consequently lead to high cancellation rates at a later point.

Some charities also stipulate a minimum donation amount as a low monthly donation may not be economical for the charity to process and service. Whilst charities typically specify the type and mix of fundraising activities (i.e. door-to-door, on-the-street, shopping centre, etc.), they generally allow the fundraising agencies to propose the locations where the activities are to be undertaken, based on the campaign objectives of the charity. In some instances, charities may set a cap on shopping centres per year (since there is usually a cost associated with fundraising in a shopping centre), as well as a cap on the number of travel trips for individual fundraisers to other sites beyond where they are based.

6.3. Payment for Agencies

The search for an equitable sharing of risk between charity and agency has led to the use of diverse fee-for-service and commission-based payment arrangements.

Face-to-face

The industry norm for compensation / fees to be paid to a fundraising agency is a pre-determined multiple of the monthly donation that an individual donor agrees to contribute to the charity. No fees are typically paid for one-off donations as a result of personal solicitation. Whilst there are contracts between charities and fundraising agencies that are based on a flat fee per fundraiser hour and agreed minimum donor acquisition rates, these are rare.

Figure 28: Range of Multiplier used for Payment to Fundraising Agency, 2017

Source: Frost & Sullivan based on industry interviews

The multiple of monthly donations paid to the agency can range from eight to 17 times, depending on the agency and the channel through which the donor was acquired. For instance, donors acquired from door knocking have been typically shown to be less likely to cancel their donations in the short term and hence command a higher multiple from fundraising agencies. In most cases, the charities include a rebate or clawback feature on this payment should the donor fail to make a single donation or stops after only a few months (most commonly three months).

This multiple of monthly donations that is agreed on between charity and fundraising agency has increased in recent years, as fundraising agencies move away from using independent contractors as individual fundraisers, who are compensated only on a success basis, towards a casual / full employment model in engaging individual fundraisers (a move which will increase operating costs for the agencies).

Assuming an average of 12 times the monthly donation as a fee to the fundraising agency and an average life of the donor as five years, the effective proportion of donor funds that equates to the commission paid to fundraising agencies is approximately 20%. Recently, fundraising agency, Appco Australia stated: *“Donors give for an average of 3–5 years. Over this period, the one-off fee paid to Appco Australia equates to approximately 9%–30% of the total donation.”*⁴⁴ However, depending on the actual longevity of the donation and the multiple of monthly donations paid to the agency, the effective commission rate can vary significantly from this average.

⁴⁴ Appco Australia takes legal action against Seven Network, 27 June 2017, <http://www.appcogroup.com.au/appco-class-action/appco-australia-media-statements/index.php/media-release-2/>, accessed 29 June 2017

Table 4 highlights a number of scenarios to illustrate the effective commission paid to fundraising agencies, based on a multiplier of 12 times monthly donation:

Table 4: Scenarios to Illustrate Effective Commission to Fundraising Agencies, 2017

Months of Continued Donation	Effective Commission paid to Fundraising Agency	Remarks	Percentage of Donors that have Terminated Donation
0 to 3 months	0%	No commission paid due to clawback features in contracts between charities and agencies	30%
4 – 11 months	300% (4 months) – 109% (11 months)	If an individual stops regular giving after passing the minimum threshold for the number of months donated to activate the clawback, but before the number of months agreed as the multiplier, the charity would lose money on acquiring that particular donor	50%
12 months	100%	If the donor stops donating at the same number of months agreed on as the multiplier, the charity effectively does not make any revenue from the donor.	
24 months	50%	It is expected that up to 60% of donors stop their monthly donations after two years.	60%
60 months	20%	Based on industry interviews, on average, it is expected that the individuals would maintain their regular donations to a charity for around 5 years.	78%

Source: Frost & Sullivan based on industry interviews

Telemarketing

Charities typically undertake telemarketing fundraising activities for a range of reasons, specifically one-off cash appeals (e.g. Christmas and tax time appeals), encouraging donors to upgrade their current donation amount, or to reactivate a lapsed regular donation. Fundraising agencies that undertake telemarketing activities are typically paid on a flat per hour basis or on a successful contact with a donor (e.g. \$8 to \$14 per contact). A successful contact is defined as speaking with the right person and explaining the reason for the call. The outcome of the conversation is not relevant to the call being counted as a successful contact. The rates of payment for telemarketing activities are dependent on the complexity of the call, ranging from a simple reactivation of donation due to credit card expiry through to encouraging an existing donor to increase their monthly donation

amount. Fundraising agencies may also be remunerated via a proportion of funds raised from telemarketing activities, particularly for one-off cash appeals.

6.4. Working Relationship between Charities and Fundraising Agencies

Overall, based on our interviews, the level of control that a charity exerts in the working relationship with fundraising agencies is variable; with some adopting only a broad overview, whilst others are more hands-on. This is apparent particularly in the frequency of reviews of contractual arrangements, visibility of individual fundraiser remuneration arrangements, and training.

Generally, the agency creates the sales script based on background information provided by the charity. The charity may suggest modifications and sign-off on the final script. In some instances, there is no detailed script, but a talking guide or key talking points is provided.

Almost all charities produce promotional collateral themselves, and this is supplied to the fundraising agencies for fundraising activities. Promotional material includes brochures, pamphlets, welcome packs, merchandise, charity-branded clothing for the individual fundraiser, pop-up kiosks, etc.

In terms of complaints resolution, most charities interviewed have expectations on the timeframe within which the agency must respond. On the occasion that a complaint goes to the agency first, most interviews suggest that contracts usually stipulate that the charity must know of any such complaint received and how it was resolved.

6.5. Main Companies Involved

The main service providers who provide commission-based charity fundraising on an outsourced basis in Australia are listed below in Table 5. Overall, there are estimated to be at least 35 companies operating in Australia. As well as providing commission-based charity fundraising, many of the service providers offer a broader range of customer contact solutions such as kiosk sales, consulting, training, etc. Most service providers are privately-owned.

Table 5: Commission-based Charity Fundraising Service Providers, Australia, 2017

Agency	Background
2Evolve	Sydney-headquartered provider of face-to-face, telemarketing and direct mail fundraising services. Established ~1998. Client list includes Make-A-Wish Australia and Australia for UNHCR. Also provides fundraising consulting and training services.
AIDA	Gold Coast-headquartered provider of face-to-face and telemarketing fundraising services, as well as event support and fundraising consulting and training. Established in 2002. Clients include CanTeen.
Appco Group	Part of the largest face-to-face donor recruitment agency globally. Provider of face-to-face, telemarketing, online/mobile fundraising services, as well as fundraising consulting. Established in 1988. Appco Australia is currently the defendant in a \$60 million class action by individual fundraisers, accused of "sham contracting" and a damaging work culture.
Cornucopia	Brisbane-headquartered provider of face-to-face and telemarketing fundraising services. Established in 2000. Client list includes CARE Australia, WWF, Mission Australia, House with No Steps, Cerebral Palsy Alliance, Four Paws, Cancer Council, Oxfam and Greenpeace.
Fundraising Results	Melbourne-based provider of face-to-face fundraising services. Client list includes Greenpeace, Oxfam, ChildFund Australia and Amnesty International.
Global Interactive Group	Gold Coast-headquartered provider of face-to-face fundraising (mainly door-to-door, with some shopping centre; no street fundraising). Client list includes Cerebral Palsy Alliance, Cancer Council (Qld, NSW and ACT), Mater Foundation, Smith Family and Oxfam.
MonDial Telephone Fundraising	Sydney-headquartered telemarketing fundraising service provider. Established in 2005. Client list includes UNICEF, Mission Australia, The Wilderness Society, Greenpeace, RSPCA, Oxfam, Cancer Council (NSW), Caritas Australia and Starlight Children's Foundation Australia.
Pareto	Provider of telemarketing, direct mail fundraising services, as well as fundraising consulting services. Client list includes Australia for UNHCR, Breast Cancer Institute of Australia, Cancer Council (NSW and Qld), CanTeen, CARE Australia, Cerebral Palsy Alliance, Greenpeace, House with No Steps, Make-a-Wish Australia, Royal Flying Doctor Service, Plan International, The Fred Hollows Foundation, WWF, etc. Pareto phone head office - Brisbane. Pareto fundraising head office - Sydney.
The Fundraising People	Sydney-headquartered provider of face-to-face fundraising services. Client list includes Guide Dogs (SA, NT, Vic), Cancer Council (ACT, Qld, Vic, SA), CARE

Agency	Background
Ways Fundraising	Australia, Habitat for Humanity Australia, Save the Children, The Fred Hollows Foundation.
	Provider of face-to-face and telemarketing fundraising services. Client list includes Make-a-Wish Australia, Oxfam, CARE Australia, Taronga Conservation Society, Cerebral Palsy Alliance and Alannah and Madeline Foundation.
Others	<i>(estimated at around 25 including Apex, Apple Telemarketing, Aspire, Focus International Marketing, Fundraising Partners, Kidney Health Telemarketing, NGO, Pro Fundraising Services (PFS), Public Outreach, Smart Health Melbourne, Succurro Marketing, etc.)</i>

Source: Frost & Sullivan, publicly-available company data

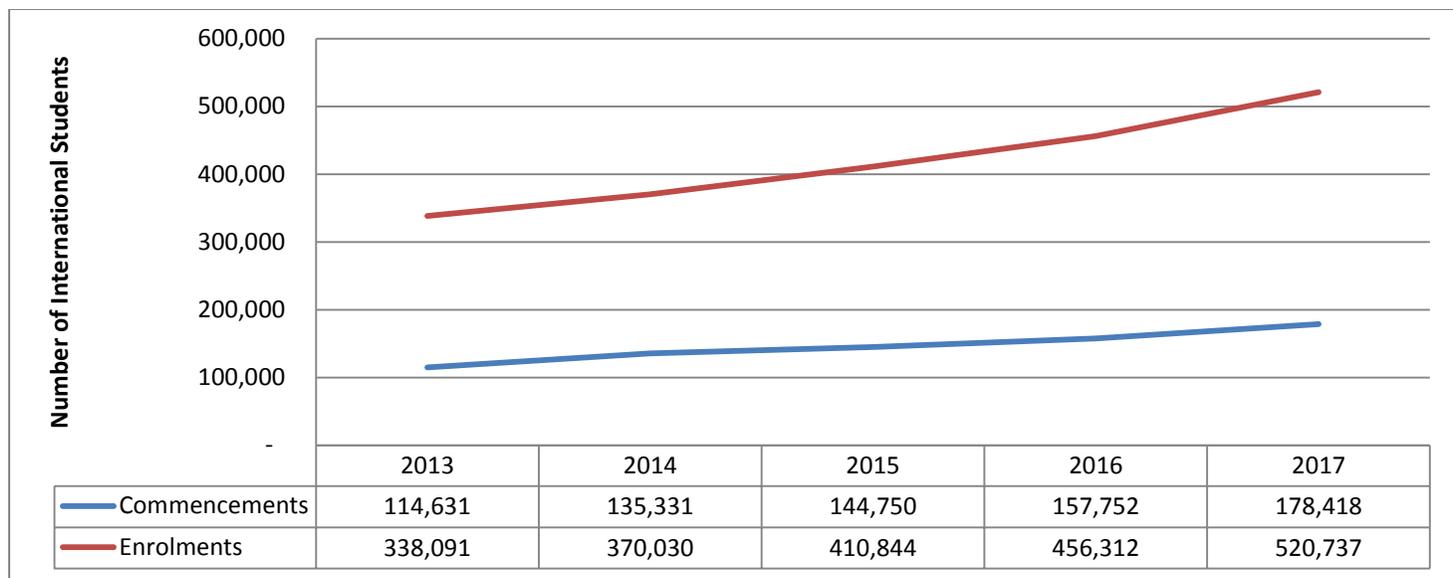
Entry barriers to establishing a service provider offering commission-based charity fundraising are relatively low, and in some cases companies have been set up by ex-sales agents. Particularly if the independent contractor model is used, set-up costs can be modest, with the major item often being the working capital required.

7. The Commission-based Charity Fundraising Workforce

7.1. The International Student Market

A major source of face-to-face fundraisers is international students studying in Australia who need the flexibility and the ability to work outside study timetables. Hence, a large portion of the individual fundraiser workforce comprises international students. In this context, the fundraising sector in Australia enjoys the advantage of the country being the third most popular destination for students choosing to study overseas.⁴⁵ Four out of the top 25 best student cities globally are in Australia.⁴⁶ Figure 29 shows the growth in international student numbers in Australia for the period 2013 to 2017.

Figure 29: International Student Commencements and Enrolments, Australia, YTD March 2013 to March 2017



Source: Department of Education and Training

⁴⁵ United Nations Educational, Scientific and Cultural Organization (UNESCO), Institute for Statistics, Education, Total inbound internationally mobile students, both sexes (2014 or latest data available); quoted in the Why Australia Benchmark Report 2017, Austrade

⁴⁶ Melbourne 5th, Sydney 13th, Brisbane 20th and Canberra 22nd, QS Top Universities 2017, QS Quacquarelli Symonds Limited, <https://www.topuniversities.com/city-rankings/2017>, accessed 21 June 2017

7.2. Workforce Characteristics

The industry estimate for the number of individual fundraisers engaged in face-to-face fundraising for charity in Australia at any one time is around 3,000 individuals.

To obtain insight into the profile and practices of individual fundraisers, Frost & Sullivan interviewed 13 individual fundraisers engaged in face-to-face fundraising for charities in Sydney and Melbourne.

Whilst this represents a fairly small sample, it provides insight into characteristics that are indicative of the wider workforce.

- The average age of the individual fundraisers interviewed for this study was 22 years;
- The average duration of work as an individual fundraiser is 9 months;
- Around 77% of the individuals interviewed were not Australian citizens (student visas, working holiday visas, work visas); and
- Most are engaged as casual staff (i.e. they are paid an hourly wage plus a bonus based on successful sign-ups)

7.3. Recruitment Approaches

There are a range of methods for recruiting individuals to the commission-based charity fundraising industry, varying across companies and ranging from unorganised (peer referrals) to professionally organised (online job sites).

Target candidates are typically individuals on working holiday visas, fresh graduates or working professionals looking for a different role. Generally, no prior experience is required for individual fundraisers or telemarketers, as training is provided by the agency. Attractive features of the role that are highlighted to potential candidates include the promise of a 'high-energy', 'fun' working environment, the chance to meet like-minded people, flexible hours (including late starts for telemarketers (12pm - 8pm)), flexible days (work four or five days per week), travel opportunities, etc. In some instances, agencies also offer sponsorship to extend individual visas.

7.4. Training

Generally, tenders for fundraising services outline the charities' expectations in terms of training of individual fundraisers, frequency of refreshers etc.

Upon acceptance of an offered position in commission-based fundraising, there is usually (but not always) some form of training involved for the individual fundraiser. This can vary from only a few hours of training to days of training, culminating, in some instances, in testing of knowledge and skills.

During their induction, individual fundraisers are often told of PFRA guidelines and local council permit guidelines. In some instances, they also answer a questionnaire on the guidelines at the end of the session. Some agencies provide individual fundraisers with a booklet covering relevant regulation and agency drafted “do’s and don’ts” that need to be adhered to.

Apart from initial on-boarding, ongoing training is primarily through discussions at internal meetings - provided by Team Leaders. However, given high attrition rates of individual fundraisers, initial on-boarding needs to be done frequently as new individuals join the team.

I trained myself and I learnt more while on the field.
- Individual Fundraiser

Training generally comes from two sources – the agency and the charity.

Table 6: Training for Individual Fundraisers

	Agency Training	Charity Training / Inputs
Content	<ul style="list-style-type: none"> • How to stop • How to engage • How to pitch • How to close • Psychology of selling • Negotiation • How to obtain details and complete sign up on forms • How to use the devices (Ipad) 	<ul style="list-style-type: none"> • About the charity – who, what, why, how, the ethos • Answering questions in relation to the charity • Input on terminology relevant to the charity (if applicable) • Statistics relevant to the sales pitch • Impact statements or what the donation can do (“Your XX dollars will help provide.....”) • Pricing options for regular giving • Guidance on tone • Regular update on topical events relevant to the charity sales pitch

Agency Training	Charity Training / Inputs
Tools	<ul style="list-style-type: none"> • Classroom-style training sessions / via Skype / via Teleconference • Videos • PowerPoint presentations • Sales Scripts / Talking Guides • Information booklets
<ul style="list-style-type: none"> • Role playing and hypothetical situations • Pitch practice • Shadowing team leaders • Sales Scripts / Talking Guides 	

Source: Frost & Sullivan based on interviews with charities and individual fundraisers

Some of the best practices used in the sector include:

- Recognising high performance fundraising (good comments from donors) by ‘shouting out’ the individual and giving them tokens of appreciation during internal meetings.
- Running a competition for good quality donor sign up, with the winning individual fundraiser being gifted a holiday or equivalent gift.

7.5. Performance Management

Performance is typically assessed based on number of sign-ups and attrition rate. These KPIs are usually tracked on a daily basis, with contact between individual fundraisers and their supervisors usually on a daily basis or every other day.

Individual fundraisers are encouraged to focus on the ideal donor (full-time employee, living in Australia and willing to commit to 2 years support).

If the individual does not meet the targets, the team leader generally provides additional training and /or a warning. Eventually, if underperformance continues, the individual is let go. However, there is no standard timeframe on how long supervisors (managers / team leaders) give individuals before they are terminated for underperformance. Some managers see potential in some individuals and some accept that different individuals take varying timeframes to perfect the craft. It is therefore, at the discretion of the manager.

We ran a competition for good quality donor sign up (31 years and over; as well as low incidence of first debit cancellation). The winner won a trip to build a home in Indonesia for a family. It was a great personal experience for her. Significantly, during the competition, the average age of sign-ups went up by 5-6 years.

- Charity

7.6. Remuneration Schemes

Commission-only models create an element of desperation to survive. It may allow marketing companies to price slightly lower than others, but it shifts risk to the individual fundraiser.

- Fundraising Agency

Whilst there is an industry award for telemarketing, there is no similar industry award for face-to-face fundraisers.

Two out of three agencies interviewed by Frost & Sullivan report that there is a move away from a commission-only basis towards a more formal employment model in engaging individual fundraisers, typically using casual employees. This was corroborated by six out of fourteen charities interviewed by Frost & Sullivan, who indicated a clear preference for individual fundraisers representing them to be engaged on a formal employment model. However, it must be noted that this is only a recent trend that has gained some momentum only after the negative media coverage. Most individual fundraisers interviewed reported being a casual employee of their respective agencies, with an hourly salary between \$22 to \$25. The fundraisers also receive a “bonus” on successful sign-up of donors. The bonus could range between \$10 and \$20 per successful sign up. These bonuses are typically paid upon reaching a certain KPI, such as five successful sign ups.

Fundraising agencies that engage with individual fundraisers as independent contractors typically pay a more generous commission (e.g. four times monthly donation signed up) in lieu of an hourly wage. The agency however, may also pay a flat daily fee (e.g. \$60) to fundraisers engaged as independent contractors. This flat fee is particularly necessary during the initial training period of an individual fundraiser when they are not able to solicit donations.

Some leading agencies also report adopting a full-time employee model with individual fundraisers, with annual salaries plus a commission structure. Part time fundraisers are paid pro rata to the annual salary. The reason for adopting this model stems from the insight that the commission only models suffer higher “staff” turnover than full employment models.

We find that commission-only models suffer higher turnover than full employment models.

- Fundraising Agency

Travel costs for the individual fundraisers are not typically reimbursed and neither are there any food & beverage allowances or other reimbursements.

For telemarketing, the average hourly rate is \$24-25 plus superannuation, incentives and bonuses.

Charities typically do not have any visibility on the remuneration of individual fundraisers engaged by fundraising agencies. However, certain charities include clauses in their contract with fundraising agencies to ensure that individual fundraisers are paid at least minimum wage or may choose to only engage with agencies that use an employment model with regards to their fundraisers.

7.7. Sales Approaches

It is common for agencies to provide individual fundraisers with a sales script or talking guide. A key part of the sales script is the provision of 'dollar handles' (showing the donor what their dollar will buy in terms of what it could do for the beneficiaries). In this context, a charity with compelling stories and causes is seen to be an easier 'sell'.

Even if not signed up, the member of the public must leave with a positive experience and a good understanding of what the charity does.

- Charity

For face-to-face fundraising, the individual is expected to follow the script in the initial learning phase and is often allowed to adapt it once they have a greater level of comfort with the solicitation process. However, for telemarketers, the need to consistently adhere to the script is often more marked.

For many charities, the sales pitch changes over time (with charities feeding the agency with relevant news or topical insights or updated statistics that can make the pitch more impactful).

Objection handling is seen by the industry as a critical skill success factor.

In general, people are more accepting if you sell them a product. So a charity pitch is hard since it is not a tangible product.

- Individual Fundraiser

It is getting a lot harder these days. People are actually getting sick of fundraisers on the streets.

- Individual Fundraiser

When we don't reach our target, it is usually because we are not taking care of the most basic things such as keeping eye contact. So we have to get it into our subconscious, so that it flows out; that we are actually confident of what we are saying, we know the facts about the charities and we share the stories that connect.

- Individual Fundraiser

7.8. Overall Attitudes to Commission-based Charity Fundraising

Most individual fundraisers interviewed agree that personal engagement fundraising for charity is a challenging job. Whilst, the 'fun' element of social interaction is attractive to many individual fundraisers, the repeated rejection by members of the public can prove extremely demotivating.

Apart from unresponsive members of the public (not stopping or not acknowledging the presence of the individual fundraiser), individual fundraisers also provided specific examples of members of the public being abusive or rude. Therefore, the need to stay motivated is seen as crucial to longevity and success in this role. One way that some individual fundraisers find effective in retaining motivation is the belief that their work makes a difference to people benefiting from the charity's services.

We get to inspire people to look outside themselves and their families. So our impact is higher than making a donation ourselves. And if you know the truth of why you are doing this, when people are difficult it is not going to affect you.

- Individual Fundraiser

People in Australia can easily forget what conditions people in much of the third world face. So our work also helps raise awareness (it is not only about the money).

- Individual Fundraiser

8. Regulation of Commission-based Charity Fundraising

8.1. Compliance Programs & Industry Codes of Practice

The following are key industry standards / codes / guides relevant to charity fundraising:

Table 7: Industry Standards, Codes, Guides

Title	From	Scope and Applicability	Status
Face to Face Fundraising Standard	PFRA	Applicable to PFRA members only	
FIA Code	FIA	Voluntary, self-regulatory code of conduct Adherence to the Code is a requirement of FIA membership	Changes made – June 2017 Changes include 1) reduction in length of the Code, 2) new protections for people in vulnerable circumstances and 3) a new compliance framework has been proposed involving 'spot checks' and compulsory Code training
<i>Working with fundraising agencies - Information for charities conducting fundraising activities</i>	ACNC, PFRA, FIA	Guide	

Source: PFRA, FIA

PFRA: The Public Fundraising Regulatory Association (PFRA), established in 2015, is a charity-led, membership-based association comprising charities that benefit from face-to-face fundraising and the professional fundraising providers.

FIA: The Fundraising Institute Australia (FIA), established in 1968, is the professional body for fundraisers in Australia.

ACNC: The Australian Charities and Not-for-profits Commission (ACNC) is the national independent regulator of charities in Australia. Whilst the ACNC does not specifically regulate charity fundraising activities, there is a guide

provided by the ACNC on this subject (*Working with fundraising agencies - Information for charities conducting fundraising activities*, ACNC, in conjunction with PFRA and FIA, November 2016).

Figure 30: PFRA Standard: How Face-to-face Fundraisers should behave



Source: PFRA website; www.pfra.org.au

8.2. Concerns and Complaints

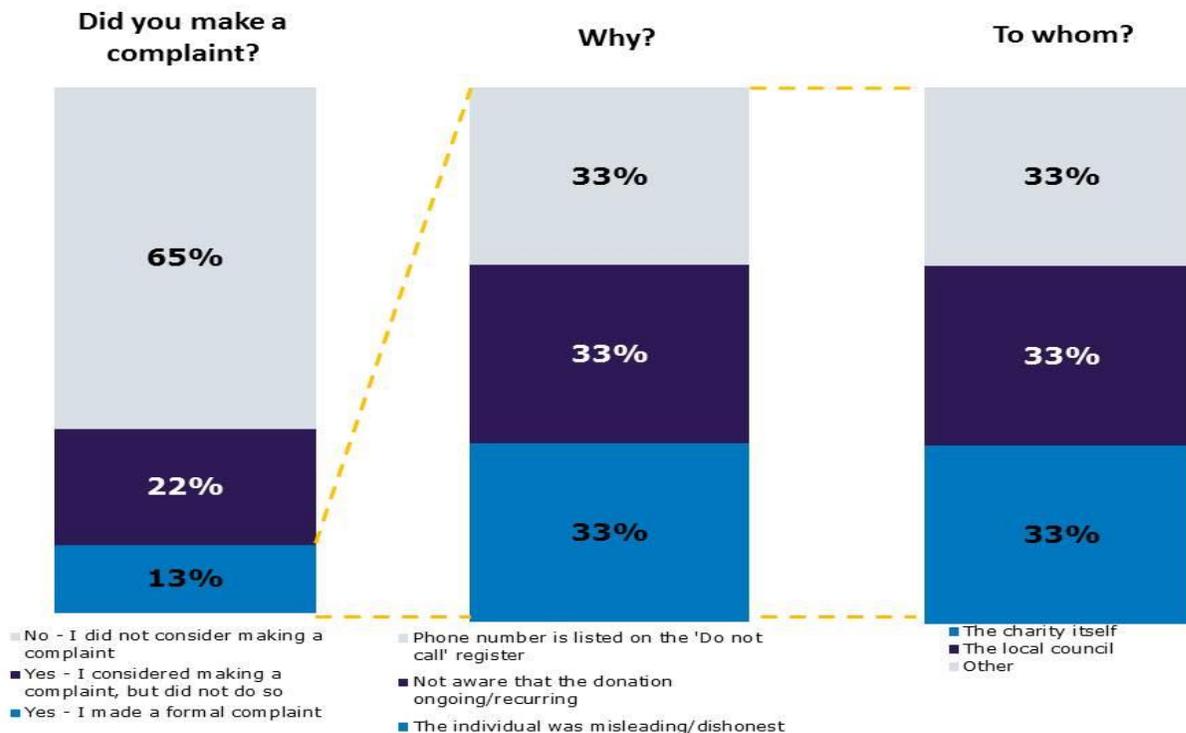
Public Perceptions and Responses

Since potential or existing donors have the option of hanging up the phone during a telemarketing call, there are fewer formal complaints in relation to telemarketing fundraising than face-to-face fundraising.

Based on Frost & Sullivan’s survey of individual donors, of those members of the public that had a negative experience (23 out of 504 surveyed) while being solicited for a charitable donation, 65% did not consider making a complaint. A further 22% considered making a complaint, but did not do so, whilst only 13% went on to make a complaint. It must be noted that this data comes from respondents who had made a donation and the incidence of negative experience may have been different if the sample included those who were solicited, but did not make a donation.

Of the members of the public that did make a complaint, the main reason for this was evenly split between the fact that their phone number is on the Do Not Call register; that they were not made aware they were signing up to a regular donation; and that the individual fundraiser was misleading or dishonest. The body to which they complained was evenly split between the charity itself, the local council and other.

Figure 31: Rationale and Response: When Members of the Public Made a Complaint



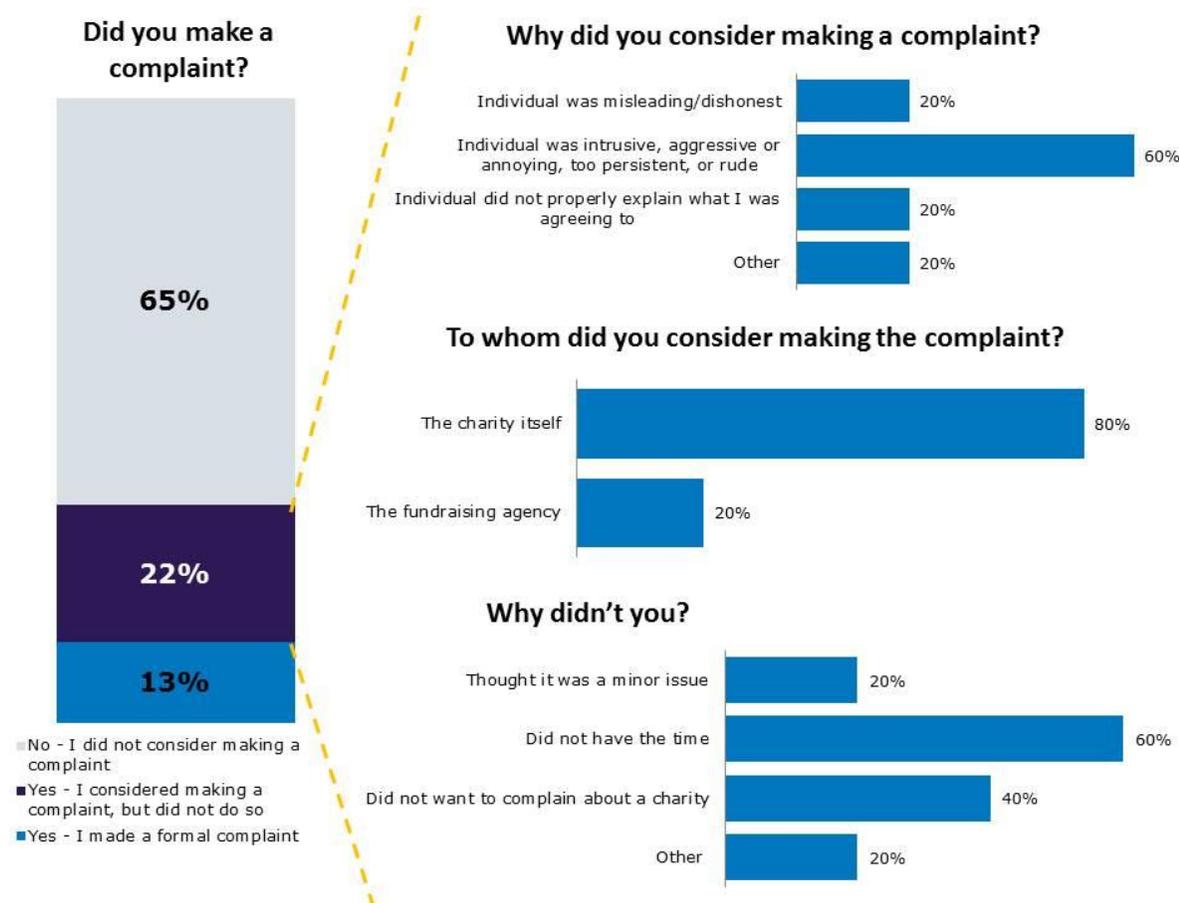
Source: Frost & Sullivan Individual Donor Survey June 2017, N=23

Those that did consider making a complaint, but did not so, were generally motivated to consider making a complaint due to the behaviour of the individual fundraisers. 60% indicated that they found the individual fundraisers to be too aggressive or annoying, whilst 20% indicated that they found the individual to be misleading or dishonest. 20% also indicated that the individual fundraiser did not properly explain what the donor was signing up for.

Of these individual donors who considered making a complaint, 80% considered making the complaint to the relevant charity, whilst 20% considered making the complaint to the relevant fundraising agency.

Ultimately, 60% chose not to make the complaint because of a lack of time. 40% also felt uneasy about making a complaint regarding a charity, whilst 20% indicated that they did not do so because of they felt the issue was too minor to make a complaint about.

Figure 32: Rationale and Response: When Members of the Public Considered Making a Complaint

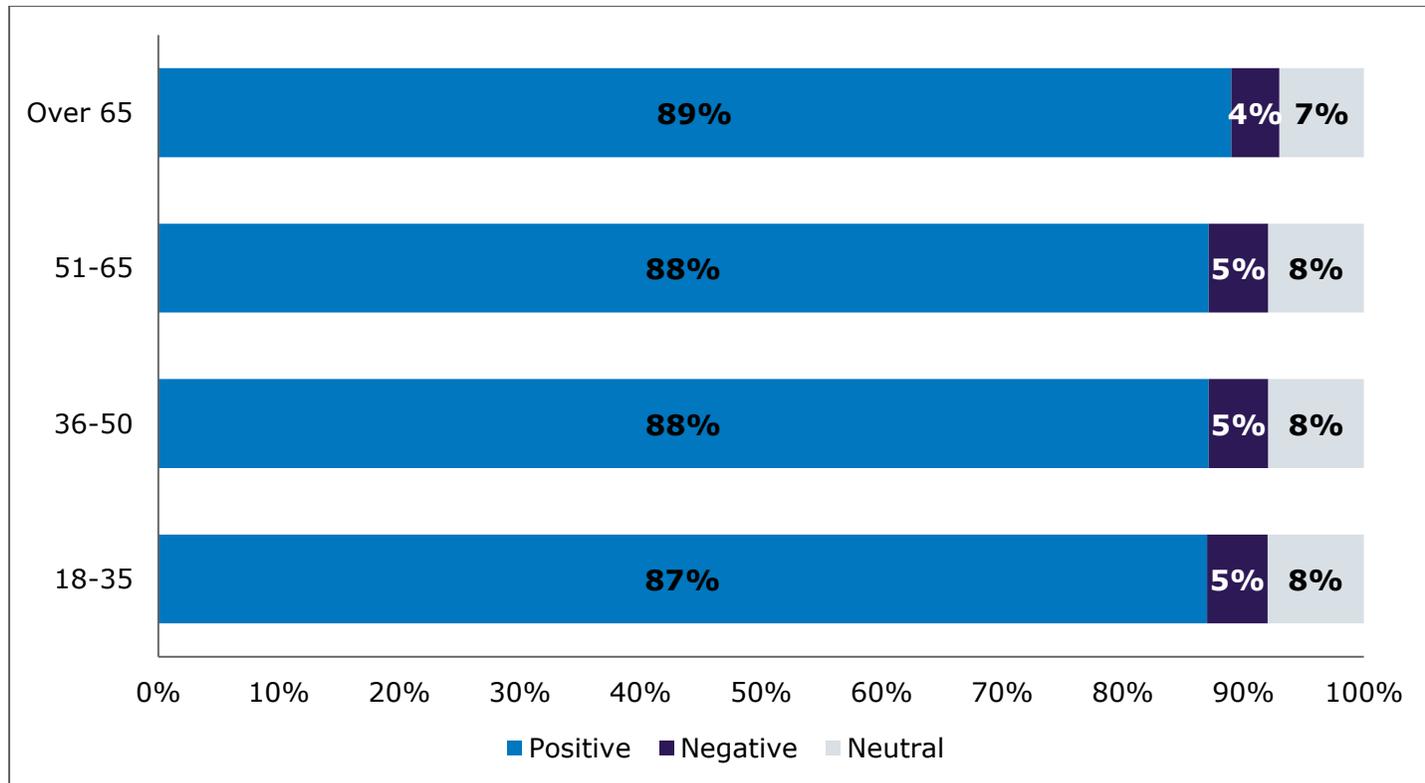


Source: Frost & Sullivan Individual Donor Survey June 2017, N=23

In 2015, the PFRA received only two complaints from members of the public in relation to aggressive or high-pressure solicitation techniques.⁴⁷ This low figure may be due to a number of reasons (e.g. the fact that most members of the public typically contact the charity directly in the instance of a complaint, most members of the public may not have heard of the PFRA or may not be sure who to complain to, etc.). However, this low incidence of complaints is corroborated by responses from charities that suggested that on average, there are around 12 complaints per 1,000 new donors acquired (including general queries on the legitimacy of the program or general calls expressing displeasure that the charity was engaged in fundraising activities).

As Figure 33 indicates, there is no significant variation across age groups in terms of the positive, negative or neutral experience proportion from the last instance of solicitation.

Figure 33: Was the Most Recent Interaction with an Individual Fundraiser a Positive or a Negative Experience by Age Group

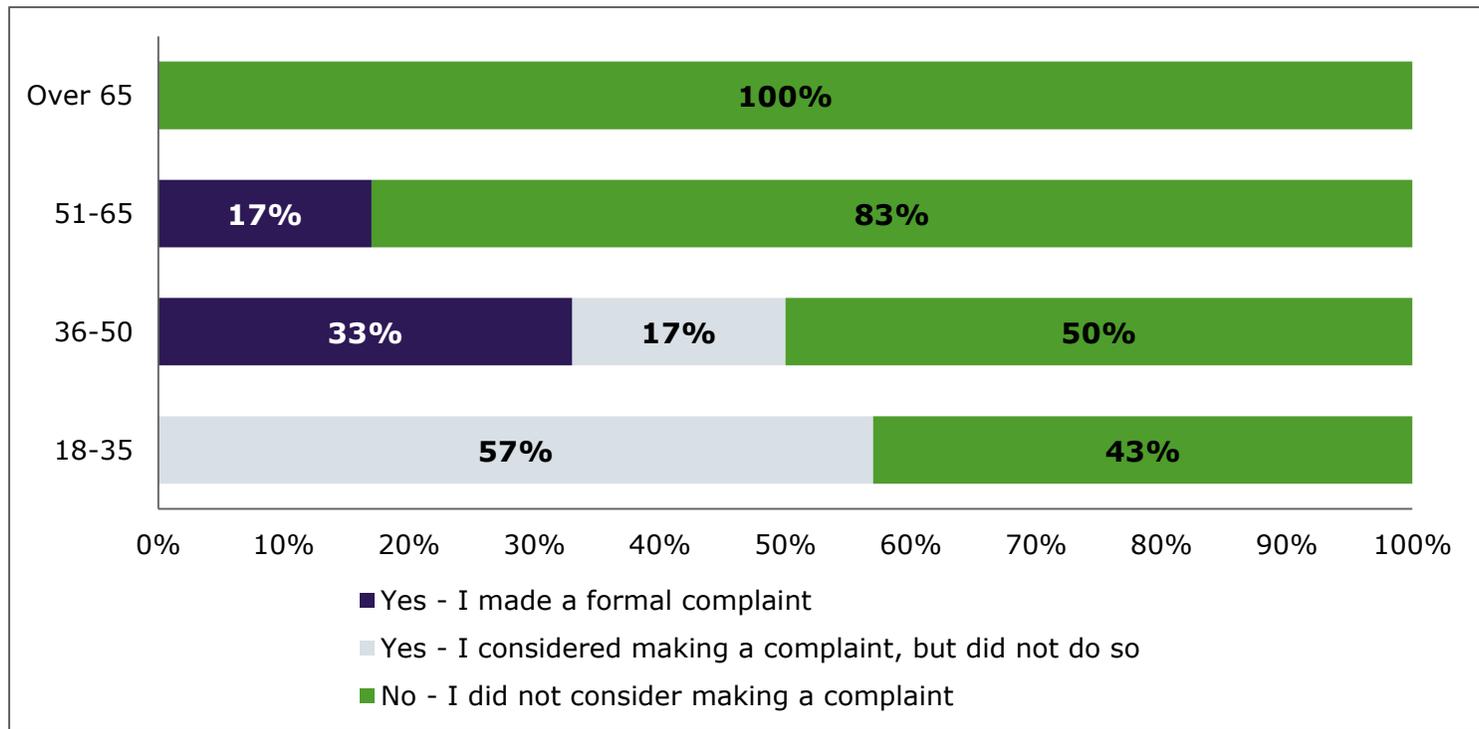


Source: Frost & Sullivan Individual Donor Survey June 2017, N=504

However, looking at the response as a result of a negative experience, it is clear that older individual donors surveyed are less likely to consider making a complaint.

⁴⁷ Australian Consumer Law Review, Submission by the PFRA, 27 May 2016

Figure 34: Considered making a Formal Complaint by Age Group



Source: Frost & Sullivan Individual Donor Survey June 2017, N=23

Complaint Handling

Interviews with charities suggest that the most common complaints received by them are the following:

Table 8: Most Common Complaints as Reported by the Charities

Type of Complaint	Elaboration
Legitimacy	<i>Are they really working for you?</i>
Aversion / Indignation	<i>I did not like being approached. You should not be doing fundraising.</i>
Pushiness	<i>I felt pressured. He / she made me sign-up.</i>
Rudeness	<i>The individual was rude to me.</i>

Type of Complaint	Elaboration
Misinformation or Inadequate Information	<p><i>Thought it was a one-off payment instead of ongoing donation.</i></p> <p><i>Was told I could cancel soon after sign-up</i></p> <p><i>Unclear what the donation was for.</i></p>
Inappropriate Behaviour	<p><i>Blocking me on the street</i></p> <p><i>Shaking hands with me</i></p> <p><i>Entering the house through the side gate / side door</i></p> <p><i>Did not have the correct ID</i></p>

Source: Frost & Sullivan based on industry interviews

- At the end of the day we can't regulate verbal things.*

- Individual Fundraiser
- (I considered making a complaint because) the caller did not want to take 'no' for an answer. There were repeated calls even though I had said I was currently unable to donate.*

- Member of the Public
- Some (individual fundraisers) are kind of manipulative and get them (members of the public) to feel guilty.*

- Individual Fundraiser

Typically, charities have a complaints resolution process in place. Once a complaint is received from a member of the public (usually calling the charity directly on a '1800' number, the switchboard or directly to an in-house fundraising team member), the charity sends a written communication to the agency querying and elaborating on the complaint received and expecting a formal reply from them.

Individual fundraisers in effect represent our brand to the public. So we will not tolerate any poor behaviour.
- Charity

Given that complaints from the public have potentially serious negative impacts on the reputation of charities, their boards are increasingly conscious of complaint handling. In general, every complaint has to be logged on the charity’s internal system, with a process to escalate to middle and senior management when required.

Best practice involves traffic lighting complaints to yellow, red or green, with differing levels of response times expected of agencies based on the degree of seriousness of the complaint.

Strategies to Minimise Complaints

The following are some of the key strategies adopted by the industry to minimise complaints:

Table 9: Industry Strategies to Minimise Complaints

Strategy	Remarks
Mystery Shopping	Some charities themselves undertake mystery shopping or spot checks of individual fundraisers. However, spot checks are more difficult in remote locations and not feasible for door-to-door fundraising.
Call Verification	In some cases, the agency's own call centre verifies a proportion of new donors (that their details are correct, that they are happy that they have signed up for an ongoing donation, that they are happy to commit to at least two years and are happy with the interaction). A variation of this initiative is the deployment of brief online surveys to new supporters to gauge how happy they are with their decision and the experience.
Retraining	When the complaint is the result of inadequate or inaccurate information being given to the member of the public, the charity will expect the relevant individual fundraiser to be retrained or checked if they have the right tools to handle the interaction.
Informal peer-to-peer meetings	Charities also informally meet to exchange notes on agencies, breaches, etc. and share best practice with peers.
Feedback from volunteers	Charities with a large volunteer base also rely on feedback from volunteers who often act as “eyes and ears on the ground” and can be quite prompt in reporting concerns with individual fundraisers where observed.

Source: Frost & Sullivan based on industry interviews

The reasons for pushy / aggressive behaviour are 1) The personality of the individual 2) Not being well trained 3) Pressure applied because of need to make a commission.

- Individual Fundraiser

There are also, in some instances, 'three strikes and you are out' policies for individual fundraisers with whom there are specific issues. Grounds for dismissal of the individual fundraiser are generally repeated instances of aggressive or inappropriate behaviour, unethical practices (for example, doctoring the age of the donor i.e. someone under 21 years registered as over 21)

Poor behaviour is not so much a result of fee structure for individuals as about the culture of the agency. That is why, the most important strategy to minimise complaints is to be strong on due diligence in selecting an agency.

- Charity

Most individual fundraisers interviewed did not feel the need to stretch the truth or become aggressive as most were told by their agency to stick to the facts of the charities. However, some stated that they had witnessed a few instances of other individual fundraisers stretching the truth to elicit sympathy from the member of the public. As highlighted in Figure 26, some agencies have protocols of calling back donors once they have pledged in order to confirm if the donation is valid and if the solicitation experience was positive or not.

We are told to not waste time if people do not want to proceed and to use phrases like "If you could afford it, would you support xxx". It all comes down to training.

- Individual Fundraiser

9. Conclusion

Regular giving enables charities to plan long-term and ensure stability of operations. In this context, outsourced face-to-face fundraising is acknowledged by the Australian charity sector as the most cost-efficient way to obtain large volumes of new donors. The overheads for in-house teams and the difficulty in managing the high turnover of in-house teams increase the cost per donor and reduce the overall ROI of the in-house approach. Outsourcing telemarketing fundraising is seen by the charity sector as a reliable way to engage existing donors; especially with the view to upgrade the amount of donations and manage reactivation or implement one-off cash appeals.

The working relationship between charities and fundraising agencies varies significantly, and so do the specifics of commission payments and clawback clauses. A key challenge remains the undersupply of fundraising agency services against the backdrop of increasing demand for outsourced services from an increasing number of charities. As a result, smaller charities, given the smaller volume of their potential contracts, find it difficult to access the services of established fundraising agencies.

Especially in the face-to-face fundraising space (less so in telemarketing), there is more power with the agencies. This is not a good balance and impacts negotiations of contracts.

- Charity

Most industry stakeholders agree that there can be some negative perceptions of members of the public towards being pressured by individual fundraisers. This may stem in part from the commission-based remuneration arrangement for individual fundraisers that can contribute to high-pressure "sales" tactics. However, the actual incidence of complaints from members of the public to charities or agencies appears to be relatively low, based on Frost & Sullivan's interviews and donor survey.

Charities do not have full visibility into the remuneration arrangements that fundraising agencies have for the individuals they engage. However, based on Frost & Sullivan's interviews, many charities are taking a more proactive approach to overseeing the recruitment, remuneration and training practices of fundraising agencies that they engage. In this context, the absence of an industry award for face-to-face fundraising is seen by some charities as a barrier to ensuring fair work practices down the industry value chain.

In response to negative public and media debate around certain agencies and their practices, the charitable fundraising sector has taken a series of steps, including:

- Charities have increased the level of due diligence undertaken prior to entering into contracts with fundraising agencies. They have also implemented more rigorous processes to monitor and audit fundraising activities and obtain feedback from newly-signed donors about the solicitation experience.
- The recent establishment of the PFRA to improve self-regulation and use of best practice is viewed by both charities and agencies as a positive step towards improving outcomes for the industry and donors.

- As evident from interviews with agencies and charities, some fundraising agencies are looking to move away from a commission-only model of remunerating individual fundraisers, to an employment model (which charities prefer). However, this move to an employment model would not change the payment structure of the contract between the charity and the fundraising agency.
- A key risk management strategy for outsourced fundraising is the diversification of agencies used. Whilst this may not be viable for smaller charities, it is something that small and medium-sized charities aspire to and that large charities implement.

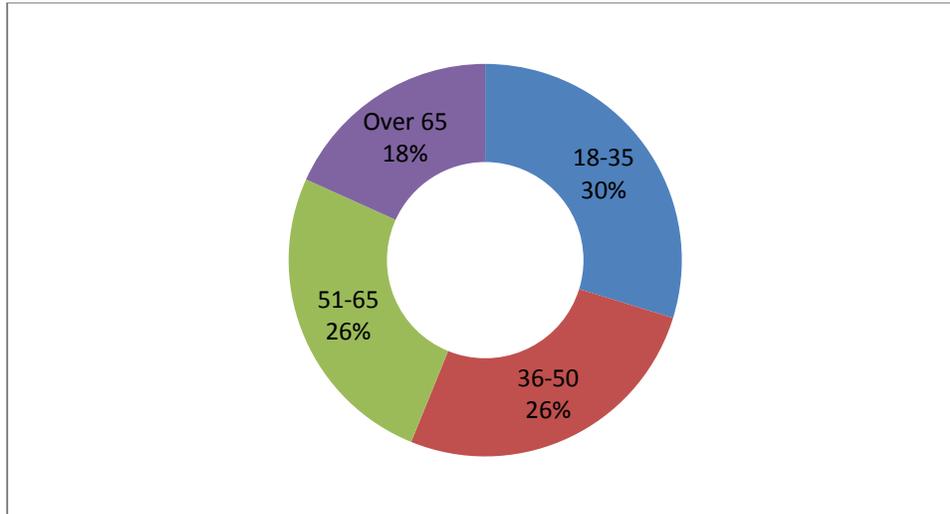
Moving forward, outsourced face-to-face and telemarketing fundraising is likely to remain an integral part of the charity sector's strategy to generate funds (although some charities indicate that they are exploring the option of having some proportion of this activity in-house).

Appendix 1: Types of Respondents Interviewed

Job titles of respondents interviewed included Chief Executive Officer, Chief Operating Officer, Executive Director, Head of Fundraising, Director of Fundraising, General Manager Fundraising, Head of Individual Giving, Director - Marketing, Head of Donor Services, etc.

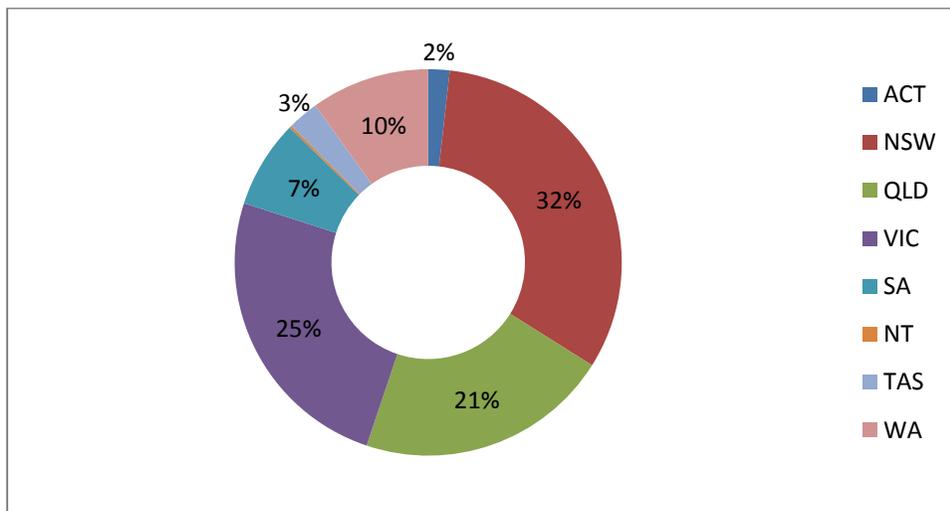
Appendix 2: Sampling for Online Public Survey

Figure 35: Split of Respondents for Member of the Public Survey by Aged Group, June 2017



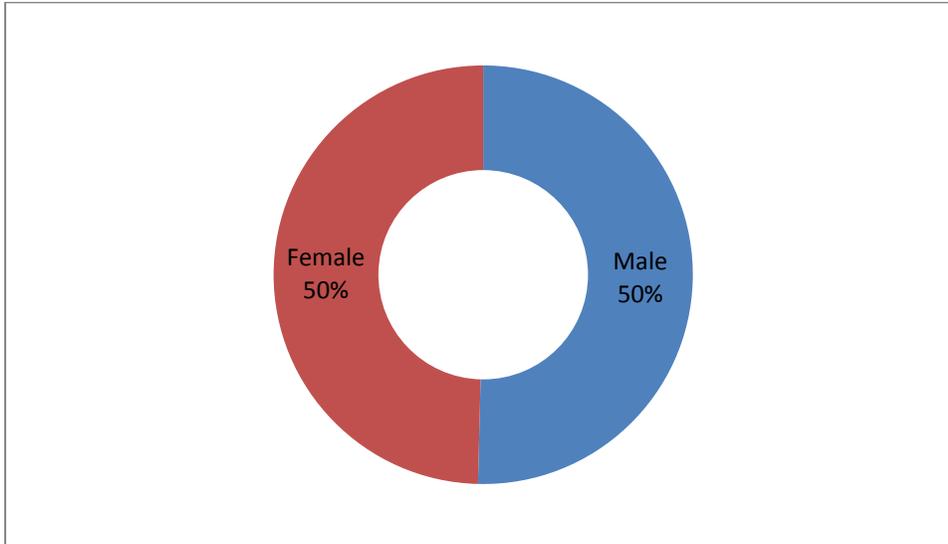
Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

Figure 36: Split of Respondents for Member of the Public Survey by State/Territory, June 2017



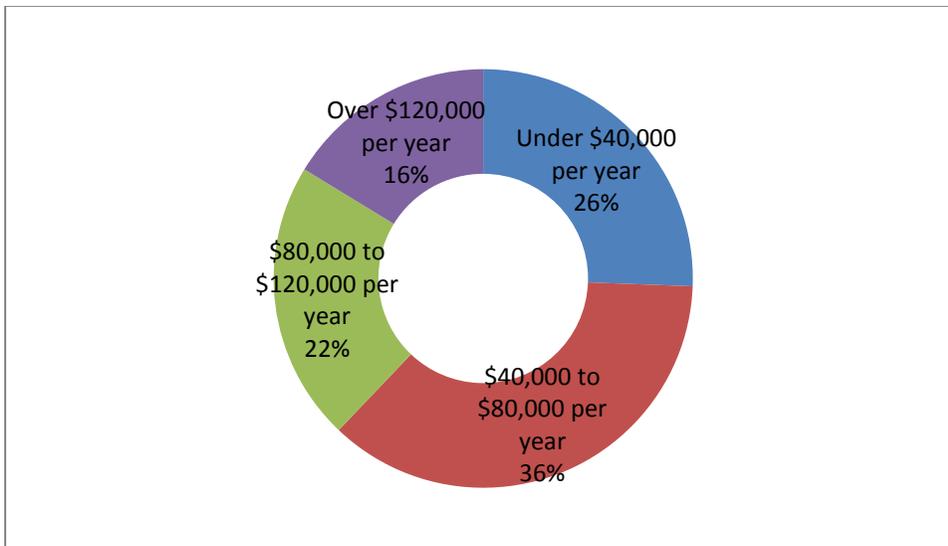
Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

Figure 37: Split of Respondents for Member of the Public Survey by Gender, June 2017



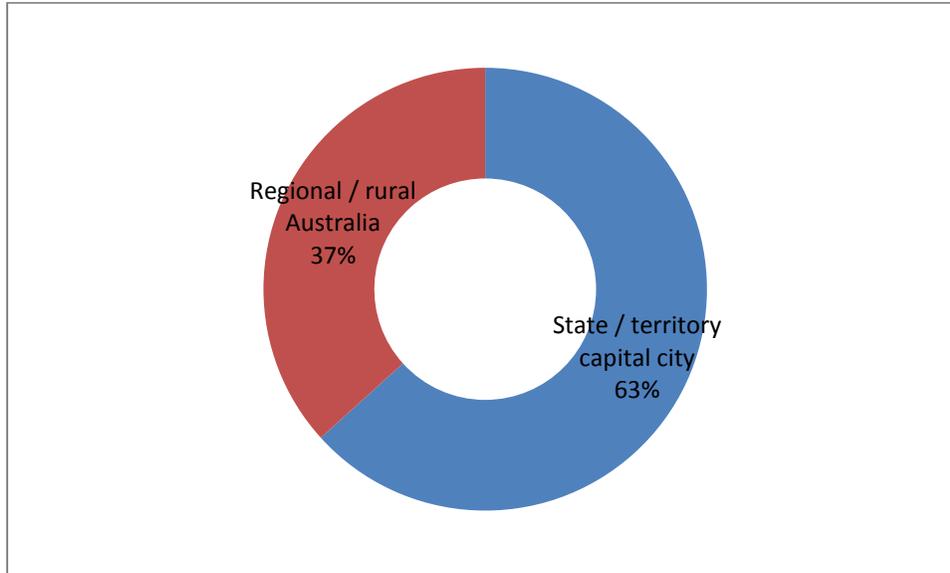
Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

Figure 38: Split of Respondents for Member of the Public Survey by Household Income Range, June 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

Figure 39: Split of Respondents for Member of the Public Survey by Household Regional/Rural versus Capital City, June 2017



Source: Frost & Sullivan Individual Donor Survey, June 2017, N=504

Appendix 3: Individual Fundraisers Interviewed

Table 10: Qualitative Interview Respondents, Individual Fundraisers, June 2017

Respondent (De-identified)	Age	Sex	Visa Status	Face-to-face fundraising experience	Location
Resp 1	25	M	Temporary Visa	1.5 years - stopping soon	Melbourne
Resp 2	22	M	NZ Citizen	7 months	Melbourne
Resp 3	23	M	Student Visa	1 Month	Melbourne
Resp 4	22	M	Australian	2-3 months	Sydney
Resp 5	25	M	Student Visa	1 year	Melbourne
Resp 6	21	M	Student Visa	4-5 months	Sydney
Resp 7	23	F	Working Holiday Visa	10 months	Sydney
Resp 8	23	M	Sub-class 407 - Spouse visa	2 months	Melbourne
Resp 9	20	M	Student Visa	5 months. Only spent 7 months in Australia	Melbourne
Resp 10	19	M	Working Holiday Visa	2 weeks	Sydney
Resp 11	22	F	Student Visa	2 years	Sydney
Resp 12	22	M	Student Visa	2-3 weeks	Sydney
Resp 13	21	M	Australian	Almost a year	Melbourne

Sources: Qualitative interviews and recruitment by Frost & Sullivan in Sydney and Melbourne, June 2017

Appendix 4: Top-10 Fundraising Charities based on fundraising income

1. *World Vision Australia*
2. *Salvation Army (Eastern)*
3. *Salvation Army (Southern)*
4. *Compassion Australia*
5. *Australian Red Cross*
6. *Cancer Council NSW*
7. *Médecins Sans Frontières Australia*
8. *National Heart Foundation*
9. *St Vincent de Paul Society NSW*
10. *Oxfam Australia*

Source: Pareto Fundraising, 2014; Top-10 list of charities with the largest fundraising income (excludes universities, churches and art organisations)