FTC / NASCO Give & Take: Consumers, Contributions, and Charity Conference
March 21, 2017
Segment 2
Transcript

HUGH JONES: Good morning, and aloha kakahiaka, as we say in Hawaii. I'm Hugh Jones. I'm with the Tax and Charities Division of the Hawaii Attorney General's office. I've been doing charities regulation since about 1997. I also have the all-exalted title of former NASCO president.

[LAUGHTER]

I also teach as an adjunct professor of law at the University of Hawaii. I teach the law of nonprofit organizations. Professor Sargeant and I were added, I think, to add an international component to this symposium.

[LAUGHTER]

Of course, as you can tell, Professor Sargeant is from the United Kingdom. And no they were not bugging Hawaii's Attorney General office. I was added from the exotic location of Hawaii. Tracy would not let me wear a loud aloha shirt, so I went for the loud aloha bow tie pattern instead.

It's a real privilege to be here for this conference that's hosted by the Federal Trade Commission and by NASCO. I'm glad to see it so well attended. I just want to remind everyone that we will be taking questions via the cards that were handed at the registration booth. Please fill them out, raise your hand, and they'll be collected.

For those that are watching on the webcast, you can email questions in to consumergiving@ftc.gov, or you can tweet us your question at the hashtag #giveandtakeFTC.

I'd like to introduce-- before I introduce Professor Sargeant I'd kind of like to frame his discussion a bit. This session sort of lays an important groundwork and foundation for the afternoon sessions that will be devoted largely to emerging technologies and emerging challenges that face the sector and donors.

Obviously, Professor Sargeant's going to address the very fundamental question about what motivates people to give. And before I introduce him, I'd just kind of like to touch on some of the things, briefly, that were discussed in earlier presentations-- that 75% of all giving, as we've heard this morning, comes from individuals. That's a very large number. That's $230 billion dollars.

You heard that mobile giving is up by double digits. And what I found interesting from some of the academic work that the professor has shared with me in advance is that only 35% of individuals do any research before they make a giving decision, and of those, 75% of those giving do less than two hours of research.

The other interesting thing that struck me from some of the resources that the professor shared with me is that the single most valuable source of information to these donors is on the organization's own website. I found that fascinating. And certainly, as we get into texting to give and peer to peer fundraising this afternoon, I think those are important considerations.

Let me give you a little bit of information before I hand you over to Professor Sargeant, who has a lot of material to cover. He's a Professor of Fundraising and Director of the Hartsook Center for Sustainable Philanthropy at Plymouth University. He formerly held the Hartsook Chair in Fundraising at the Lilly Family School of Philanthropy at Indiana University, and holds visiting appointments at Avila University and the Australian Center of Philanthropy and Nonprofit Studies in Queensland University of Technology.

He's received many awards for his services to the profession, including the Outstanding Contribution Awards from the Institute of Fundraising in Civil Society, and was named as the Nonprofit Times Power and Influence list in 2010. He's published more than 10 books, around 150 academic publications, and designed new qualification frameworks for fundraising professional bodies across the world.

Professor Sargeant is a fellow of the institute of Direct and Digital Marketing and Institute of Fundraising. So please join me and give him a warm welcome. Thank you.

[APPLAUSE]

ADRIAN SARGEANT: OK. Well, good morning, everybody, and a very warm welcome to a session on why people give, which is what I'm going to focus on for the next 20 minutes or so.

I guess I should tell you a little bit about myself first. I'm an unusual animal in that I'm a Professor of Fundraising. And at Plymouth, our focus is very much on how to grow philanthropy. There are plenty of excellent centers around the world that want to study it, and measure it, and so on. And in our little center, what we want to do is to grow it. And so what you're going to hear from me over the next 20 minutes is a sense of some of the issues that we might think about as we want to grow philanthropy.

Now, here in the US-- we've seen this slide already a couple of times. This is the excellent Giving USA study. Americans are immensely generous as a nation. 2% of income we've heard-- however you slice it-- is typically what's given away every year here in this country. And to give you some sense of perspective on that, we think that's about twice the level of giving in the country. I was born in, the UK. So Americans are immensely generous.

And what I want to talk about in this session is, well, why is that then? Why do people give? And what are some of the factors that influence giving decisions? And of those, which are the ones that might flag regulatory issues. So that was kind of my brief for this session.

So if I start with the first question-- well why do people give-- I quite like this way of slicing and dicing what we know about the available evidence on why people give. People give because there's an emotional utility. They give because they want to feel good about themselves for supporting the organizations that they give to.

Not news-- economists have been talking about the warm glow that equates with giving for decades now, and that's certainly a key motivator. There's also an element of what I like to call familial utility, in the sense that sometimes giving is motivated because one's family and friends-- people close to us might be hurt by the cause in some way. So I might give to support cancer research because I've lost my father to cancer, or I might give to the local sketch group because my son is engaged with that group. There's an element of that familial utility.

Equally, some people give because they're buying something tangible. And certainly through a lot of the internet sites that we've heard described earlier, people are buying a benefit for a named individual that they're trying to help in some way. And sometimes we give because we want to engineer that difference, either in society, or an individual's life.

Equally, sometimes giving is motivated from a personal perspective. And maybe I'll give to support my local NPR station because I love, love, love the programming that comes out from that NPR station. So sometimes there's a kind of a benefit which accrues from supporting an organization for the person who's giving.

And then, finally, what I like to call spiritual utility. And you've already heard from [INAUDIBLE] that that's kind of on the wane a little bit here in the States right now. But it's certainly the case that some Americans give because it's part of their faith to do so, and either it's an articulation of that faith, or it's a root to that faith. And whatever way you look at it, those are kind of key reasons why people give.

So does that explain that massive giving that you've seen here in the United States? Well in itself, no, because all of that is focused very much on the individual, right? And actually there are a lot of contextual factors that influence whether we give or not. There are not-- much as we might wish it otherwise-- thousands of people out there walking around thinking, who shall I give to today? Right? Life is not quite like that. And so actually there are a range of other factors that impact on giving.

And we know that the biggest of those is you are asked. Right? At least 90% of giving is because somebody asked you to give money to a cause, or to support them in their own fundraising efforts, through one of those online platforms.

We know, too, that people give to an organization because they feel like they know, understand, or have a relationship with the brand. An organization or brand in our context is important. People use that as kind of an adjunct hook, if you like, or reputation.

We also know that history of giving is a key determinant. One of the big things that predicts how much giving will accrue to an organization next year is how much giving is accrued to it this year. Somebody's past history of giving in our sector also is going to impact on it.

Emotion-- I'm going to talk about that in a second-- guilt, images, case for support, premiums, and perceived deficiency. All of these things I'm going to elaborate on, because for me they at least raise some interesting regulatory issues.

Let's talk about the first of those-- emotion. If you want to get people to give, you've got to make people feel something. Logic leads to conclusions. Do we want conclusions as fundraisers? No. We want people to do something. And so you've got to get emotion to get people to take action.

Now I thought-- standing here in Washington-- I probably wouldn't cause any offense to anybody by showing you a Dutch example. But the reality is, this is the kind of rubbish that most of the sector generates here in the United States, which generates a problem of its own in terms of retention and loyalty. How anyone would think that in three paragraphs of boring text and with a picture of the chief executive, we're suddenly going to motivate people to send in checks by the bucket-load. Who knows, really?

Why is it we as a sector think that by showing pictures of our chief executive somehow people are going to swoon and send us loads of money, I do not understand. And look at that. And he's there in a suit. Doesn't look like he needs the money anyway.

[LAUGHTER]

Now you compare that with a British example for exactly the same cause-- this is Kidney Research. And immediately there's a hook on the outside envelope, which are those little tags that some of you may recognize, certainly if you have children. Why? Because you've probably still got one stuffed in the drawer at home, having saved them when you brought the child home from hospital.

So that's an immediate hook that kind of drags you into that communication. And then you read a beautiful human story. And you read the experience of a mother who was given the diagnosis that her child, while it's still in her womb, has a kidney defect and is going to die within a few minutes of having been born.

Now, if you've got children, you'll remember that first time when you were able to hold baby in your arms for the first time. This is a story about mom who holds baby in her arms knowing that baby is going to die, slip away, over the course of the next few minutes.

You cannot read that story-- even as I speak to it now, I can feel a lump at the back of my throat. You can't read that without that emotional connection with that family and be moved to want to do something about it. That's good fundraising.

Similarly this-- same organization, Kidney Research again. What drags you into this communication is the letter that you can see there in the middle. And it's not a letter to little Katie-- who, as you imagine, has a kidney condition-- it's actually a letter from Katie's kidney to Katie.

And it says, "Dear Katie, I'm so sorry I've let you down. I wanted to be a strong and healthy kidney so that I could clean your blood of toxins and keep you safe. But instead, here I am, covered with ugly cysts, and I'm useless. Katie you are such a good little girl. I really wanted to be there--"

And again and you can feel that lump build in the back of your throat. That is good, emotional fundraising. If you want to get people to give us what you have to do.

Now one of the ways in which you find that powerful, and you experience it powerfully as a human being, is that I'm telling you there the story of one person. Too many people in fundraising want to tell the story of their numbers. They want to talk about the tens of thousands of people we helped here, and the hundreds of thousands of people we helped there. And of course you can't feel anything in terms of the contact with those individuals. And so you have to have a focus on one or two kind of named individuals for it to be powerful.

To show you what I mean, this is a bad example-- a communication I received at home-- and it talks about the flooding in Pakistan, which was a major disaster a few years ago. And it starts badly because it talks about the disaster that's unfolding in that country's environment. So straightaway, they're not us, they're them, which is problem number one.

Problem number two is that they're talking about one fifth of the country being under water, 500,000 homes being impacted, will you give me $10? Probably not. What the heck is my $10 going to do against that backdrop of need? Much more powerful to tell the story of one named individual.

Here we have the story of little baby Ibrahim from a solicitation from Save the Children. Now you read that little baby Ibrahim is one of the lucky ones, because he's made it to one of the Save the Children's support centers, but of course there are other children like him that you might be helping.

Now one of the regulatory issues that we've had to juggle with in the UK is that sometimes charities can take that too far. They can start to give the impression to donors that they are helping baby Ibrahim. And in fact they think they're helping baby Ibrahim, and they're not. And so we have to be really careful about the use of language to talk about a baby like Ibrahim, or those that will follow him.

So one of the things they've done here, which is smart, is to tell the story of what happened to him as he's been picked up and helped by Save the Children, so he technically doesn't have that need moving forward.

What else? Guilt I talked about in my list of things to talk about. This is a communication I've seen now in several countries, including here in the United States it's been banned in the United Kingdom. Why? Because it's claimed that by sending out Coins of the Realm, it arrives on the desk of elderly people who remember when a couple of cents actually meant something, was worth something, and so they're kind of guilt-tripped into sending back money to support the organization.

Why do organizations do this? Well, they do it because it works very well. Most organizations lose money on new donor acquisition. This pack generates $15 for every dollar of investment. Why does it do it? Because it plays on that-- well, my industry want to call it guilt. For me, it's the need for reciprocation. And in the UK, you're not allowed to do that now.

What else? Some people give because they're incentivized to give in some way. Our industry is rife with premiums. And so the issue is, well what's an appropriate premium? Well, for me the test is whether or not the premium is linked to the cause that we're taking out and putting in front of the donor.

So I have zero problem with the sorts of stuff that Public Broadcasting does in the way of t-shirts, in the way of mugs, in the way of recordings, whatever else they want to send out, because it links me in an intensely personal way to the cause and reminds me that I'm a supporter of that organization. It's tied up with what I do.

Compare that with some bad examples, again from the UK, of unrelated premiums. I can't even remember what this cause was, but here they are sending me a packet of gardening gloves or an expensive looking shopping bag. And the key there is that use of the word expensive looking.

People respond to this because they feel like the charity has spent a significant sum on them, so they ought to respond and give back to the organization. And so, again, in the UK's jurisdiction, they have decided that actually this kind of thing is inappropriate, and that actually all fundraising organizations must demonstrate that the purpose of the enclosure is to enhance the message or the emotional engagement with the cause in some way, not to send out stuff that people feel is high value, and that therefore they're under a kind of a moral pressure, in some way, to respond.

And again, the reason organizations do it is because it generates that really stonking pattern of return-- $15 for every dollar invested, when the norm for new donor acquisition is you get back $0.50 for every dollar invested.

What else? One of the key reasons why people give is because there is a compelling fundraising proposition and compelling imagery that goes alongside that. And the key here, I think, is that there should be a powerful, unifying idea that people can get behind to, and that needs to be kind of authentic to the organization's cause, and its brand.

Here's an example that I think is an example of what not to do, frankly. I show it because it's an old example, and they've now got a very good head of fundraising who wouldn't go anywhere near this. Everyone deserves life's little luxuries-- you know, food, water, that kind of thing. It's a little smug it's a little self-satisfied, and it didn't raise any money. This, as a core proposition, tanked the organization's fundraising.

This as a core proposition doubled the organization's fundraising, over the course of, I think, from memory, about three years. This is Save the Children, No Child Born to Die. And the image here, I think, is very striking, because it depicts the need in an authentic way. And it doesn't cross the line into something which an individual on the receiving end of that would find personally distressing.

Now I know that's a balance, but I think nonprofit organizations have a responsibility to pick images that do tell the need, and are on the edge, but don't cross the line into starting to be distressing for individual supporters.

And if you think that's bad-- this was the single most complained about advert in British advertising history. And fundamentally-- and I don't know if you can read the words. I know we have the same expression here in the States. "There are no silver spoons for children born into poverty."

Yeah. Horrible. And counterproductive in a fundraising sense, because psychology tells us that when people see images like that, they shut down. They don't want to look at it. Or, worse, they see you as being deliberately manipulative, and, again, they don't support you as a consequence.

In the UK, you're not allowed to use images or words that will cause unjustifiable distress or offense. So they leave the gate open a little bit in the sense that I can use images that are out there on the edge, but you can't go too far.

What else? Well, the next item on my list was perceived efficiency. It was interesting to see Elizabeth's figures on just how efficient the sector is in the United States. You've seen up to, I think, 84% being spent on programs for some categories of organizations. Fantastic level of performance.

Ask donors, though, what percentage of by dollar do I think goes to the cause, as opposed to being squandered on horrible things like fundraising and admin, and they'll tell you it's about 60%. As non-donors, they'll say it's about 40. So when you ask the public in general, you end up with, well, it's about $0.50 on the dollar.

The reality is, it's around the 80 mark. When you talk to donors with a slightly different question, and you say, well, what would you ideally want from the sector? Well, that's the number you end up with again. They want it to be about 80%. So they think that we're kind of well-meaning and wasteful, when actually what they'd like us to be is pretty much where we are right now.

So why is it, then, that we have to play these games? Why is it that for some organizations in this country, the best thing they can say about the cause, the only reason you should be giving to us today, is because it costs us less to fundraise than it does that organization over there. That's sad when you think about all of the great things that the nonprofit sector delivers in this country-- you know that our selling proposition would be that we have zero cost of fundraising or very close to it.

The other problem with that is it creates unrealistic expectations, because, frankly, organizations that tell you that are lying-- unless they're teeny tiny micro organizations that don't have a phone, never send any mail, never ask anybody for money, and certainly don't bother to thank anybody when they do. That's what you're talking about, zero costs, right?

So putting aside the fact that organizations are probably lying when they do that, the problem is that it then creates the expectation on the part of the public that other charities, good charities, would somehow be able to match those figures. And of course they can't.

So, again, in the UK, we have our Code of Transparency, The Code of Practice for Transparency and Accountability, which tells us that charities ought not to make statements such as, all of your pound goes directly to the cause.

The word ought here is important, because that's not enshrined in legislation, but it is part of our voluntary code of conduct that pervades our sector. So anybody that signs up to that is supposed to support that.

Now having said I don't think that focusing on things like fundraising costs or admin costs are terribly helpful, there are actually a whole focus in our sector of metrics that I wouldn't want to be reliant on. Too many of the metrics in our sector our short term. They're to do with money raised, the amount of new donors we've acquired, the immediate return on investment.

And, frankly, if those are the metrics that your nonprofit organization is using, you want to take your board and spank them, because none of that speaks to the long term health of an organization. And actually the things that speak to the long term health are how good people feel about their support, how satisfied am I that my gift is being used in a manner that I find appropriate, and that I'm treated with an appropriate standard of service. To what extent am I fundamentally committed to seeing the mission of this organization achieved? And to what extent do I trust that organization?

And for every one unit increment you get in satisfaction, commitment, and trust, it increases the likelihood that somebody will give next year by 51%. It's interesting to me that very few nonprofit organizations fail to measure those metrics and even fewer actually take the time and trouble to remunerate their fundraisers for how good they make their donors feel, because that's what drives long term value. Instead you've got all this short term stuff, and we're playing these games, frankly, over how we report our aggregate performance.

And there's one last little bit of research I'll kind of leave you chewing on in that general space, and that is that even when you've tweaked those numbers and you've got the best possible numbers that you can report, actually there's a psychology attached to how you should report them. All of these frames say exactly the same thing. "Our charity raises three pounds for every pound it spends. Every pound we raise, we spend 65 pence on those in need of help. We've raised a pound for every 33 pence we spend. And for every three pound our charity raises, two pound goes directly to those who need it."

Well, there's a massive difference. And I have to reach for-- I'm showing my age here. It's fallen off the bottom of that slide. Would that I didn't have to use glasses. Right.

Over 60% of people were genuinely impressed with A and D, and well under 50% of people were genuinely impressed with B and C. It's exactly the same information. What matters to public perception, frankly, is how you present it. And why does it matter? Well, of course it matters because of this thing called public trust. And in our sector we have to be-- if I can get past that slide-- we have to be concerned about the public trust.

Now, for me, there's a difference between trust and confidence, and trust in the sector, and trust in an organization. Confidence you have when you can see the predictability of how somebody is going to behave. And you know that if they don't behave like that, they don't keep that promise, that there's some regulation or self-regulation that you can rely on to compel them to do so.

Many relationships in fundraising, though, there's no basis for that predictability. And we have to trust that somebody is going to do what they said they're going to do. If I send $30 as a check to your organization, I have no way of knowing, frankly, how you've used that money, but I have to trust that you've used it in the way that you say you're going to use it. So there's a difference between trust and confidence.

There's also a difference between trust in the sector and trust in the organization. Trust in the sector helps distinguish givers from non-givers. So if you want to play the game of growing philanthropy, you have to build up trust in the sector.

Trust in an organization is key because it's linked to the percentage of somebody's charitable pot who is going to come to you, as opposed to other organizations that they support. And the reason I tease apart these things-- trust, confidence, trust in the sector, trust in the organization-- is that the buttons that you need to press to grow giving are a little bit different.

Now, remember, I told you that the perception of current American donors is that we're kind of well-meaning, but wasteful. And that actually the pattern of performance people would kill for is the pattern of performance that we pretty much deliver right now. So if you want to build up trust in the sector, what you need to do is to educate people about just how good we are, and the realities of our modern sector.

This is a British initiative-- something I developed all the way back in 2006-- it's Charity Facts. You go here, you find out exactly how much it costs to raise a pound. You find out how much it costs to raise a pound through different channels, different forms of fundraising, and the difference between donor recruitment and looking after supporters who are already on board. Because the economics of all of that stuff is very different. And the site also educates you about administration costs and the kinds of questions that you should be looking to ask of nonprofit organizations.

Trust in the organization, well, that's a different thing. You have to press different buttons to get that to work. Trust in the organization? Well, you don't need a fundraising professor here to stand here and say, well, you need to tell people how you're using their money. If you want to build up trust in your charity, you have to be transparent about how that money is being used and make sure that people get that information.

You can also tell people just how well placed you were to have that impact. So if I'm an international aid organization, I can tell you how many people I've helped, how many inoculations I've done, how many people's lives I've saved. But I can also tell you about the structure I've got on the ground-- the infrastructure I've set up, the team that I've assembled, their qualities, their skills. And you think then, my goodness, if I've got all of those things, they must be delivering those outcomes. That's role competence.

Judgment. You can demonstrate to me good judgment in some of your decision making. And as human beings, we take those little tidbits of information, and we generalize. So you can tell me about the decision that you had to make over here-- how you evaluated it, how you thought about it, how you reached your conclusion-- and I think, wow, that's really smart that they're doing that. And I'll kind of assume, therefor, that every other program is equally as smart. And of course it may well not be.

The quality of service providers or donors. There it is again. Also helps drive trust. And so, too, does a complaints handling scheme. Every nonprofit should have a named contact, in my view, to deal with any issues that individuals might have with the organization, and to put up their hands and say, I had a problem with this. And when you do that, you help build up trust and you also enhance satisfaction.

What else? I'm almost out of time, so I'm going to go back again to my initial list where I talked about the different motives that people have for support.

I think that a big step forward in fundraising will be to design fundraising that helps meet those fundamental motives. But we've just completed a major new piece of work on what I want to call tomorrow's philanthropy-- looking at trends in the sector, looking at trends in the kind of giving that's taking place, in the philanthropic journeys that high value philanthropists are going on, and the kind of general move towards technology that we've seen highlighted in earlier presentations today.

My sense of the future of that is that that could be massively significant for charity, if we pay as much attention to the needs of the donor as we do to the needs of the beneficiary. And, actually, the story over the last 20 or 30 years is that we've become very good as a sector talking about the needs of the beneficiary and communicating those to donors. We haven't given as much thought to how we make people feel when we do that.

And for me, there are six fundamental human needs that if we get it right, we can build into those future philanthropic innovations. These things contribute to what's called in the literature, human well-being. You get these things, you experience a feeling of well-being.

A need for competence in the philanthropic space-- that's competence in expressing our love for others. The need for autonomy-- to have some choice, or options, or feel that in some sense we're doing something new and exciting that kind of bucks the trend. So it's being autonomous.

Their need for connection-- with an organization, a brand, the people at that organization, or, more likely, the beneficiaries. A need for growth that we have-- to feel like, as human beings, we're on a growth trajectory, that we're changing, or becoming more knowledgeable, more effective.

Having a clear life purpose we know translates to a higher degree of well-being. If you're clear about your direction, you feel better about yourself. And then, finally, this notion of self-acceptance. Looking back on your life, can you accept the kinds of person that you've been? And I use the word in the plural very deliberately.

And you can imagine a space where we could design philanthropic innovations that deliver not only benefit to the beneficiary, but actually begin to, in a very conscious way, deliver those needs to the individuals who are giving that philanthropy.

And this is my penultimate slide, just to make this point. It turns out that as human beings we are very good at knowing when our lower order needs are met. We'll know when we're hungry, we know when we're thirsty. But do we know when we've experienced growth? Do we know when we've experienced an optimal level of connectedness?

It seems not. Because the higher the level the need, the more ambiguous and uncertain we get about knowing whether actually we've fulfilled it. And, it turns out, that the higher the need, the more likely it is we're going to rely on others, or organizations, to give us some sense of how well we're doing. And if we're really not sure what it means to be living a fulfilled life-- remembering my earlier slide-- we tend to look to others for that kind of help.

Now, again, you can imagine that in tomorrow's world, where we've got the whole range of different technologies, that we can begin to structure giving opportunities in a way that could deliver massive value for philanthropy. And what's exciting about this is that when you get that right, you can deliver growth in philanthropy in a sustainable way.

Thank you, folks.

[APPLAUSE]

HUGH JONES: Do we have any questions, Tracy, that have been e-mailed or tweeted in?

[INAUDIBLE]

Question in the back? Are there any questions in the room? I have one. Yes?

AUDIENCE: Do you see a growth in sort of targeted solicitations like you'd see on the commercial side? Targeted marketing through Facebook, you know, particular individuals through ad brokers and that sort of thing?

HUGH JONES: So the question is, does the professor see an increase in targeted marketing by type of demographic, or sub-demographic, etc.

ADRIAN SARGEANT: My sense of that is that I would hope that we're going to see more of a trend towards that. We learnt from the UK context that what really irritates people is very poorly targeted communications. So sending people stuff they've really got no interest in at all clutters up their inbox, clutters in the mailbox at home, and they really don't want to see that kind of stuff pop up through their social media.

So the more targeted that you can be, the more likely it is that the messages are going to end up in front of people who might be actually motivated to want to genuinely support your organization. So I think using data in a smart way to kind of profile the kinds of people who are supporting us now, and then to try and find other individuals who share some of those characteristics, I think is a smart thing. And I think it's also good for society, because it doesn't swamp society with a mass of solicitations that people really aren't going to be interested in.

HUGH JONES: I actually have a question. In preparation for this panel the professor actually assigned me homework. And one of them was an interesting article that really drilled down deeper into what he was talking about-- the difference between trust and confidence, which, until I was schooled by the professor, I thought were synonymous.

But one aspect of confidence in the sector really derives from either having knowledge of the organization, or data about their performance, or what they do. Another important area of confidence is having some confidence that that organization or its sector has to operate within enforced norms, or enforced regulations.

And that leads me to a question about whether the perceived absence of a big player in this arena-- that being the Internal Revenue Service in America-- whether that may have an impact on Americans confidence in the nonprofit sector.

ADRIAN SARGEANT: The key to confidence is that predictability that I talked about earlier. If you know that somebody has to behave in a particular way, because if they don't, there's a regulatory or legal backdrop to compel them to do so, then that's the environment in which confidence-based measures are appropriate.

But that, of course, assumes that people have the ability to know how you behaved once that gift was provided. So to enhance confidence in what the organization is doing, you have to make sure that that information is out there, and in a timely fashion. And if you want to promote confidence in the sector as a whole, then we want to be ensuring that those mechanisms are set in place, so that we can track actually where the promises are being kept, and that people understand that there are places that they can go for help if it appears that those promises are not being met.

Confidence is that balance of knowing that something is going to happen, or being able to see what happens, and also knowing that there are regulatory rules that people have to follow, and that therefore you can follow up to make what was a bad situation right.

Sort of a follow up-- thank you, professor. I have a sort of a follow-up question, and that was something that I learned in my homework assignment, was that after the 9/11 attack and the series of what were perceived media scandals about the nonprofit sector, only about one third of Americans had confidence in the nonprofit sector.

So it seems to me that the people in this room-- that would be regulators, academics, and representatives of the sector, or their professional advisers-- that we really have a symbiotic relationship, that the level of confidence in the sector goes up when those donors are confident that there is a structure out there to enforce donor expectations.

Do you have any comment on that issue?

ADRIAN SARGEANT: Yeah. What we're talking about here is the excellent work that came out of Brookings and a researcher by the name of Paul Light who tracked trends, and he bundled them together. So he would talk about trends in public trust and confidence.

And it took a real knock after the events of 9/11, and it never really recovered from that. And so, as you say, around a third of Americans don't have any, or a great deal of trust, in nonprofit organizations in our sector. That's a problem, because that's going to hammer participation in giving.

So it was interesting to see Una's slide earlier about the percentage of people who are electing to give, because she showed very clearly how that's on a kind of a downward slope. And that would follow with declining trust in the sector.

The other big problem we've got, I think is kind of linked to trust as well, is donor retention. One of the horrifying figures in the United States right now is that 70% of the people who give money to our organizations this year-- newly acquired donors-- will not come back and give again to the organization next year.

We have terrible levels of donor attrition. So put it around the other way, only 30% of the people we recruit this year will make a subsequent gift in year two. You try running a business from that perspective.

And of course, one of the reasons for it is because some of the quality of fundraising is unemotional and uninspiring, but equally there is a problem of the public trust. And there's a problem of trust in organizations. And if we're able to fix that, we could go a long way to doing something about donor retention and loyalty.

HUGH JONES: Yes? Up near front.

AUDIENCE: What are the problems that the UK experienced with telemarketers, and how did you [INAUDIBLE]?

HUGH JONES: So the question for those viewing at home is, what experience did the United Kingdom have with telemarketers, and what was the response?

ADRIAN SARGEANT: Well, there was an undercover reporter who got themselves a job in a telephone fundraising agency, and discovered that that telephone fundraising agency was putting elderly, frail, and even vulnerable people with Alzheimer's under pressure to give money that, well, frankly, they couldn't afford. And if you're interested, you can listen to the tapes of this on the Daily Mail website. And it's pretty horrific.

That, plus other issues that we had as a sector, led to a whole new raft of regulations. So in the UK we have a fundraising regulator. And that regulator is the place you direct complaints if you're unhappy about some aspect of fundraising. We have a general move in communications from opt out to opt in. So you could opt out of being contacted again by charity, now you have to opt in to being contacted by a charity for future communications. That's massively impacted our ability to fundraise.

And worst of all, probably, we ended up with something called the fundraising preference service, which was originally conceptualized as a method where you could literally press a reset button and not be solicited by name by any other charity in the UK. They've since kind of watered that proposal down a little bit, so it's now become kind of a charity preference service in the sense that you can specify, I don't get any more communications from that charity, that one, or that one, and the regulator will take care of that for you.

So all of that flew out of the face of all of this very bad media publicity that the sector had. And in my view, a lot of that was kind of an overreaction. But such is the way of things. Once it gets into the press and there's a media storm that builds up, then the powers that be decide they have to take action on it, and that's what we've ended up with.

AUDIENCE: [INAUDIBLE] the charities then that [INAUDIBLE] that system be the ones that actually connected with their donors and would retain their donors from year to year?

ADRIAN SARGEANT: Well, I think the reason that we had a problem in British fundraising is that we are-- or we were-- pretty much where American fundraising is. We spent a lot of time and effort, as I said in my presentation, thinking about the needs of the beneficiary and communicating those effectively to the donor. We hadn't thought sufficiently about how we make people feel when we engage in that communication.

And it's that era, in my view, that has led to the new tranche of legislation in the UK. If you want to convince me that your organization does care, then make sure that one of the mechanisms for rewarding your fundraiser is not just how much money did they bring in, but how good did they make their donors feel? And that should be an integral part of the appraisal process. And when that happens, there will be a massive change in the quality of fundraising.

HUGH JONES: So that's all the time we have. Please join me in thanking the professor who, but for Hawaii, came the furthest distance for this conference.

ADRIAN SARGEANT: Thank you very much.

[APPLAUSE]

HUGH JONES: Thank you.

Tracy, do you have an announcement?

TRACY THORLEIFSON: No, we're just ready for the next panel.

HUGH JONES: OK.

SPEAKER 1: So one of the unique things about this panel is that we are beaming someone in live from the Federal Trade Commission's office in San Francisco. And it's sort of ironic that she's our futurist. So the future is actually today.

[LAUGHTER]

CINDY LOTT: Well I was going to say that I haven't met Rachel. She's maybe one of the only people here that I actually don't know among the speakers. But hi Rachel, wherever you are.

So I'm Cindy Lott, and it is great to be in this room. We've had a lot of years of convening regulators, and it is a fantastic thing that the FTC is now doing this as well. We always like to have more folks doing more.

So for those of us that have been working in the regulatory sphere for a long time, this day has been coming. And I want to congratulate the FTC and the states, again, on all of their work in the last couple of years together on major cases. And I know, and hope, that we are going to be seeing more of that.

And also for NASCO. I want to congratulate NASCO for getting a standing committee with the Attorney General together to really look at a lot of the issues at the state level that are being raised over time. Many people in this room have been looking at different issues for a very, very long time.

And it feels right that we have lots of different things going on these days in the regulatory space, and being informed, if you will, by lots of people from the outside-- as we would say, non-lawyers, non-regulatory scholars, per se-- but coming in from other areas to really look at some of these issues. And I feel like that's what this panel today is for.

It's been really, really a treat to talk to both Marcia Stepanek and Rachel Hatch, who are two folks today. This part of the agenda, if you will, was to really kind of follow the trajectory of the morning and think ahead and say, what is out there that's coming down the pike?

For those of you that have worked with me over the years at Columbia University, you know it's one of my favorite things to do is think what next do we have to look at? And one of the issues, as you've heard, we've got, as we've all acknowledged, the 20th century laws for this century that we're entering into now. And even more so-- so we already know that we're somewhat behind the ball on regulatory issues and how we think about those.

But now we've got all sorts of new different future ideas coming to bear, some of which are already currently with us. And they are going to make us, and those of us that think about the regulatory space, I think, have to do double time in really trying to catch up and get where we need to be.

So one of the age old questions from my regulator colleagues in the room and out there is about whether, when you look at something new, is it-- and we're going to be talking about that very thing today-- is it really new? Or is it old wine, new bottles?

How elastic are our regulatory regimes that we have across the states, and also in terms of federal and state jurisdiction? How much do we have in place that we actually could apply to some of the things that we're going to be hearing about today? And how much is truly new that is going to require new definitions, new applications, etc.?

So from a regulatory brain, that's what you're hearing and thinking about today, and I know all of you at the private day tomorrow will be tackling that as well. So with that frame up, I'm going to do a little very quick intro of both of our speakers, because their bios are out there. You all have them. But I think it's worth talking about both of them for a moment, specifically as to what they represent today.

So Marcia Stepanek, as you will read, and, again, comes from a journalist background before she walked into this space. And she is very, very well known in the nonprofit media and communications, marketing space, dealing a lot with narratives and storytelling, which is a major piece of how people think about fundraising and charitable solicitation.

So Marcia happens to also teach with me at Columbia University, and she teaches a couple of very high level courses in dealing with social media and other technologies, which she's going to be talking about. So in many ways, Marcia is going to be talking about what are the new ways that we hear about charitable solicitation.

We've heard over the years that there are new innovative vehicles for charitable solicitation. We've heard today some about what may be some of the new motivations. Some are age-old, but some are also very new in thinking about social media and how that eggs on, or urges people to work, in terms of their peer groups. Now we're going to be hearing about what the different methodologies, or ways, that people ask for things.

And then Rachel Hatch is with us from the Institute for the Future, which is just the coolest name ever of anyone that I've ever gotten to introduce. It sounds very George Jetson, which I love.

Rachel's actually going to be talking about what it is that-- and I never can find a good word for this-- that we are now selling, or marketing, in this space. And I say that with those age-old air quotes, because it really is something to try to find a label for what it is that is being marketed in the charitable arena when you hear Rachel talk about personal economies and how people are making a commodity out of their personal data, etc.

So that takes us yet one other further step in thinking about what else is changing in terms of this sector. And in that, it reflects very much all of the other economies that we have, the other sectors as well.

So with that-- both of these guys probably have the coolest visuals. No offense to all of you that already gave your visuals. But these guys get to talk about all sorts of interesting online and other media components.

So what we're going to do is have Marcia, whose slides are loaded first. Wherever you would like to speak. And then we're going to take a small break-- or not break-- but just a break enough to move into Rachel, and then we will also have a little bit of time for Q&A. We are going to try to end this session just a bit after we were scheduled to, at about 1:05.

With that, Marcia--

MARCIA STEPANEK: Yeah. I can sit-- maybe, or wherever you want me. OK.

So good afternoon everyone. Thank you Cindy. Thank you Tracy and Janice for organizing this really terrific conference. It's so timely and so critical.

We've been talking so much this morning about present day challenges for the sector. And Adrian's talk just now about the need to increase urgency and relevancy of our communications to raise more money is so spot on. So Adrian, thank you. We were applauding in the back.

What I'd like to do now, though, is build on Adrian's talk and maybe speak a little bit about the coming marriage of new media technologies and big data. And how that pairing is only beginning to disrupt the nonprofit sector's approach to solicitation-- this new movement toward using immersive media technologies to help nonprofits engage more with their supporters, and participants, and influencers across online networks.

And how to generate empathy in that immersion. And also, then, to measure and quantify responses to nonprofit narratives. All of this is both helpful and, in some ways, this kind of, what I'm calling machine-assisted storytelling, might be a little concerning the further out that we gaze at this.

So let me just set the stage for what I'm talking about here. I don't have the clicker, folks. So I'm going to say slide. OK? Let's get that cell phone slide up.

[INAUDIBLE]

Oh, OK. Because I'm not at the clicker.

CINDY LOTT: Do you want to do that, or do you want me to?

MARCIA STEPANEK: Yeah, I can do that. Thanks. OK.

So we live in an amazingly, very well documented time. And over the past 10 years, a lot has changed in this sector. We're being pushed by the rapid evolution of media technologies to start using all sorts of media platforms and devices, large and small, pocket-size screens to appeal to donors, and to share with them our work, advocating, to prove to them that we're having impact.

So there are now more cell phones on the planet than people. The devices in our pockets are enabling a rise in new activism online and off. We are also becoming ever more focused on society in scrutinizing ourselves with all this data, instrumenting our own bodies to be able to measure everything from our heartbeats to also, in this sector, what tugs at our heart strings. And we're also becoming ever more focused on a society in kind of deploying these sensors and satellites and data gathering devices around our own planet to kind of keep this big collective eye on all of us.

So what all of these new technologies are showing us is that we now have all of this information and we are able, hopefully, to see more social problems, or interventions. And the hope is that with the new data, and story platforms, we can start using intelligent machines to build new solutions to these problems and new fundraising environments in which to bring people together.

So intelligent machines are already working. Algorithms are trying to persuade us to do things, whether that's Amazon or Barnes Noble deciding what books you should read, what routes to take-- what the safest and fastest routes are-- or which charity to benefit with our contributions. Global Giving is already using algorithms to help us make those decisions.

And so we're suddenly in this new era where technology isn't just partially automating the fundraising ask, it's storifying it. And it's plunging us into these intentionally emotional experiences, and these up close and personal environments. And this is all in the hope of boosting donor revenue and kind of getting us off the dime from these kind of written stories that aren't really generating a lot of empathy, into places where we are having lots of emotional response, and building lots of empathy, and lots of proof for what we do.

And so what's very new here is that all of these immersive platforms for fundraising-- virtual reality, augmented reality, live-streaming like Facebook, live and other donor immersion platforms-- it's making it easier for us to be co-present with the nonprofit, to have our donors be co-present with us in our work, and despite distance, time, and ability, to be able to work with us.

So we're seeing Mobile Justice California putting out its own app. Some nonprofits are creating shared awareness apps to seize the moment like this and to engage members more deeply. And of course we saw the ice bucket challenge to engage more donors to make it fun, even though that was grassroots.

But let me share some of the more intriguing examples of how this demand for co-present fundraising experiences is working for a variety of nonprofits across the sector. This is Mr. Pinchas. And the Shoah Foundation in Los Angeles has used artificial intelligence and holographic imagery to connect people to Holocaust survivors, building this co-presence to support the mission and to raise funds.

Let's roll tape and take a look at how they're doing this.

STEPHEN SMITH: The Holocaust is an undeniable and horrific chapter in human history in which 6 million Jews and countless millions perished in genocide and crimes against humanity during the Second World War.

[MUSIC PLAYING]

New Dimensions in Testimony is a new format of interview by which you can ask your questions of a Holocaust survivor who has videotaped many, many answers to many questions so that the questions that you have will be answered directly, in person, life size, and 3-D.

SPEAKER 2: How old were you when the war ended?

PINCHAS GUTTER: I was between the ages of 13 and 14 when the war ended in 1945.

STEPHEN SMITH: We understand very well the power of conversation between Holocaust survivors and the younger generation. We've seen it in our schools, we've seen it in our universities. That conversation, that moment of dialogue where I ask my question and I get it answered is magic in the room when that happens. And we want to try and find a way to preserve that as best possible.

MARCIA STEPANEK: So it's really amazing when you see this. Mr. Pinchas is no longer with us, but Mr Pinchas is with us in the room. And it's really amazing how hours and hours of this video testimony has been taken, and we have a way, through artificial intelligence, to interact in intelligent ways that simulate conversation. It's really very interesting. Oh, and by the way, using this has raised a lot of money for the Shoah Foundation. And so there's a real, real authentic engagement around this that that can be very promising.

Global Nomads, which is working with young people around the world and trying to use new technologies to connect them, is using high speed conferencing technology, live streaming technologies, to support its mission and demonstrate to donors, and potential donors, the value of its work. So it held this conversation between teens in South Central Los Angeles and Syrian refugee teens now living in Jordan.

And it matched them together in real time to talk with each other, and ask each other questions, and to have it be so much about what the teens wanted to talk about. And donors loved it, but the teens really loved it, too. And the fact that the teens were very inspired by what the Syrian teens were doing to grow their own food and honor their neighborhoods in new ways was very profound. So that's another one.

The Chicago Double O Project is another one. And if any of you have kids, or have seen a crowd and thought it was for an event that you were having but instead it was a Pokemon stop, you know what augmented reality is.

So we've got a Chicago museum using augmented reality to, once again, build this co-presence with donors and potential donors-- museum goers of all stripes-- by making their history come alive. So let's roll tape. This-- let me just set this up-- but this was taking people out to various neighborhoods around the city of Chicago and using iPads and augmented reality to tell the stories of what happened here. And this particular story was Al Capone and the St. Valentine's Day Massacre. So let's watch a little bit of this so you get the idea. Roll tape.

SPEAKER 3: You wouldn't know it, but that's the site of the city's most infamous gangland killing, the St. Valentine's Day Massacre-- there across the street, that vacant lot with the tree. The building where it happened was torn down a half century ago, but on February 14, 1929, the attention of the entire nation was on this block of North Clark Street in Chicago.

The photographs of the scene shocked the country and turned the tide of public opinion against Chicago's violent bootlegging gangsters. That morning, a crowd gathered outside the SMC Cartage Company, a garage that was known to be a front for George "Bugs" Moran's north side gang. Gunshots had been heard from inside.

MARCIA STEPANEK: And so on-- It's just bringing, superimposing, what happened there. I'm also working with some people in Greece, in Athens, to use the same kind of technology to re-integrate youth around why money is being spent, in a very economically challenged community, to save and restore many of these monuments. And by superimposing a lot of augmented reality over these places, that kind of value is coming back with new discussion.

Nonprofits-- I want to show you one other thing here. There's a group called Honor Everywhere. Let me just flash you through here. Oh, let's show Fear of the Sky first. This is actual 360 virtual reality. Ideally, you would all have headsets and you would be kind of walking into this space. But there's a shortcut. It's called 360, and we saw a little bit of that just now.

This is from Amnesty International, and it made this to give supporters, and potential supporters, an idea of the devastation that we always hear in the headlines of Aleppo, but we don't really walk into the story to experience ourselves. Let's take a look at this and see how they were able to show people what a neighborhood looks like, and how people are still living there, and some of the threats to their safety, to be able to raise a lot of funds.

[EXPLOSION]

[EXPLOSION]

SPEAKER 4: Welcome to Syria, a place where people live in fear of the sky, scanning the horizon for helicopters armed with barrel bombs. Made from rusty oil drums filled with scrap metal, barrel bombs are illegal weapons ruthlessly plunged from the sky by President Assad's army. We don't know when, or where, they'll land, but it's often on homes, hospitals, and schools across Syria.

Amongst the rubble, the people of Syria remain resilient and strive to make ends meet. Some call this place the circle of hell, but too many-- to me-- it's still a home.

MARCIA STEPANEK: And then you can go to the donate page. Virtual reality is the new fundraising, and it's by all measures so far very effective and building support, very effective in building money and recruiting new hearts and minds.

But this stuff isn't inexpensive. We've got a lot of people still dabbling with it. We have a group called Honor Everywhere, and it has old aging veterans being able to go back to the battlefields that define their youth using VR.

You've got Hidden Dangers, which is for children, which is a new VR project that educates kids about clean water and raises funds for this new nonprofit called Water is Life. And the monsters are pollutants to avoid. So there's an educational function to this.

But perhaps the most powerful use of VR by nonprofits is VR that intends to generate-- intends to generate-- empathy for causes, elevate awareness of social problems, and tries to replicate, with audio, sound, photography, and animated avatars, real-life situations, so that people can be brought into everyday events that can change their mind about things.

Here's a clip from Noni de La Pena, who is a journalist who's working in immersive storytelling. And it's all about hunger. Let's take a look at some of this.

SPEAKER 5: Please stand here. You know, you're blocking the-- You should be right where your number is. Please step forward.

NONI DE LA PENA: In Hunger Los Angeles, we recorded audio at food banks to record a day where a guy went into a diabetic coma while waiting in line for food.

SPEAKER 5: Oh, somebody help--

SPEAKER 6: OK, he's having a seizure.

NONI DE LA PENA: And what we would do is-- once we put people in the virtual reality scene, we put them in virtual reality goggles, and they're trapped everywhere they go. So in this particular scene, you can see that this person won't step on the body. He's very careful to walk around him, because the body feels real to him.

The effect for people was profound, because you're lined when your eyes are completely covered like that, and when the audio works-- the audio is key-- then you get a real sense of being there.

[INTERPOSING VOICES]

So I really think that immersive journalism is the future of the way that people are going to get their news. We're going to give them immersive experiences that are really based on what happened instead of watching it on a video screen, flat and away from them, they're going to actually be in the story. And by doing that, we're really going to be able to convey the sights, the sounds, and the feelings and emotions that accompany the news.

I got asked to put in a proposal for, believe it or not, an immersive briefing room for the president. It's sort of a laugh to me that somebody would ask me to do this, given all my other journalistic leanings, but the idea is that the president would no longer just read a brief. He would come into a room like this, experience the story-- you know, what happened at the Boston Marathon.

Suddenly you're there, you're seeing what happened. That's how we take in information. That's what we do as humans. We didn't always take information in through the page. We take information in through our eyes, and our ears, and how we see things visually is, by far, the dominant way that we get information. So this is a no-brainer of a place that we need to be working in.

MARCIA STEPANEK: So as the nonprofit sector dabbles in this stuff-- a little more Charity Water. This is from their recent gala fundraiser. And people were just giving them money after this-- big amounts. They raised $1.4 million in this sitting, which was about double what their normal galas--

So the question is, is this gimmick and novelty, or are we really headed into a good space here? But either way you cut it, this stuff isn't cheap. And it's raising some deep challenges ahead for all of us. This technology can help us to create new story lines and pitches for support, but there's a dark side to this stuff, too.

And I want to go over just really quickly here, because I know we're pressed on time, five challenges. Privacy, of course. As the tech industry continues to build VR's social future, the very systems that enable these immersive experiences are already establishing new forms of shockingly intimate surveillance. Once they're in place, researchers warn the troves of data that these kinds of products can freely mine from our bodies-- our face prints, what we're thinking, our behaviors-- can be enormous. And, obviously, the potential for manipulation is great.

And it's not just science fiction. One need only recall Facebook's experiments into massive scale emotional contagion through social networks. So this stuff is kind of around.

And then we have questions about empathy ratings. We're seeing a lot of people now wanting to measure, how was that story? Was it persuasive enough? How do you measure empathy? How do you dig into some of these algorithms to get answers to those questions? Should you?

And then neural networks-- how machines are kind of digitizing humans with face scans. This was a particularly kind of challenging reveal, is that these neural networks and algorithms can kind of identify criminals by their faces. So, I mean, the point is that humans, and not machines, need to be involved in a lot of these decisions together.

But the problem is when we're looking for how these algorithms weight media selections, what they're going to promote, stories that get shared are good stories according to a media company. They're more profitable. So let's weight some of these stories and the story selections for the emotion. So let's manipulate these emotions because anger gets shared, more likely than not.

I don't want to oversimplify here, but all of this kind of adds up to whether these algorithms are giving us the right information on which to base their suggestions and recommendations to us, and whether they're basing their recommendations on human bias. And how can we correct for that? And the only way to do that is if this sector, and if civil society, and all of you, and all the nonprofit leaders, and corporate involvement is made to help craft this new storytelling frontier with the nonprofit sector so that we can minimize this kind of fallout.

And I think I'll end it right there.

CINDY LOTT: That's great, Marcia. We're going to move on to Rachel in just a moment, but I did want to make just a couple of queries-- kind of rhetorical in thinking about this.

Hearkening back to what we talked about before, when Adrian was mentioning how in the UK they've banned-- which we have a hard time doing here-- talking about distressful content, and guilt-producing and manipulative content. The big question about VR and AR augmented reality is, what-- I would say it's two parts-- what about, from a regulator's perspective, when it is not real, when what you're showing is, in fact, not Syria.

But you've got footage. Is that deceptive? Is it enough that it's a war torn region? These are the same types of questions we had. Is it that kid that you're helping, or a different kid that you will be helping? These are all going to become more and more prevalent questions when you're actually being told that you're looking at something and you're immersed in it, about is that true or not?

The second part of it is, what about when it is, in fact, real, and super distressing?

MARCIA STEPANEK: There is a UCLA study out that says that any experience in these virtual environments is kind of doubling the emotional wallop, just by virtue of having this illusion of embodiment, they call it.

CINDY LOTT: But if you think about it in terms of unfair deceptive practices and other things that the states in particular care deeply about, real is better, no matter how traumatic it is, right? But it's better, in some way, under the law.

So I think we're going to be looking at some of that when we think about co-presence, etc.

Rachel Hatch comes to us from-- I love these backgrounds that come into play in our sector-- she comes from philosophy, and also divinity. If you read her bio, you will see that she literally spends her days thinking about the future, which is really interesting.

She has got some great slides also to talk about-- and, again, moving us into a different place now-- about what is coming down the pike in terms of what used to be called a donation that may be called something now-- she says backing-- but also about the commodification, if you will-- which is just a great word to say if you haven't yet-- the commodification of personal data. And when you see what we're looking at-- the abuses-- that we have the fact that you can get all sorts of personal data now. We want to utilize personal data out in sectors for different things.

That also means there can be abuses, but what it also means is that people say, that's my data. And if that's my data, how come I'm not getting anything out of it when everybody else is using it? So the FTC concerns itself deeply, in other parts of this building, with privacy. And I think this is where the intersection is really coming to bear for the FTC, is that as this moves forward, privacy and our donor issues are going to become much, much more intertwined than they have.

In the past, we've concerned ourselves with Social Security numbers, bank account numbers, perhaps, for donors. We're going to have a lot more, according to Rachel, that we're going to get to look at.

So, Rachel, I can't see you. There you are.

RACHEL HATCH: Maybe if I speak, it will summon my--

CINDY LOTT: It is godlike. It's awesome that you studied in the Divinity School.

I, apparently, am going to be doing your slides for you, so if you will just give a nod, I will try to pay close attention.

RACHEL HATCH: Great.

CINDY LOTT: Thanks for joining us.

RACHEL HATCH: Well, it's good to be with you. And just to do a quick sound check, can you hear me all right? Shall I modulate myself?

CINDY LOTT: You're all good.

RACHEL HATCH: Good? All right.

So just to contextualize a little bit of what I am about to say-- Cindy mentioned that I work at Institute for the Future, and that means that I'm a forecaster-- a future forecaster-- and specifically I spend my days looking at the 10-year time horizon. So right now, I've been thinking about the years 2026, 2027.

So my goal here is to stretch our thinking to that time horizon, knowing that the regulatory landscape changes in fits and spurts, but there's hardly anything new that hasn't-- where you can't spot the seeds of change from a long time ago. So I want to kind of preview some of the things that I think are likely to be changing.

And with everything that I say, I want to just frame that, I don't think-- and no one in Institute for the Future thinks-- that a person can predict the future with any high degree of accuracy. The world is too complex and uncertain and combinatorial for that. So I feel like you should never trust someone who says that they can predict the future, especially if they're from California sitting here like I am trying to speak to you.

But rather, what I aim to do is to share some forecasts, which are internally consistent, intentionally provocative, and plausible views of how the next decade might play out with respect to donors and the regulatory landscape.

So Adrian, who was up just before you two took the stage, he mentioned something that I thought was quite interesting, that going forward we're going to really need to pay attention to the donor experience. And I think that's a little bit of what is stuck in my mind as I've been contemplating this question of what is the future of fundraising.

So maybe, Cindy, if you want to do the first slide. We'll just test this and see if we're stitched together right.

This might be some of Marcia's.

CINDY LOTT: Tell me when to--

RACHEL HATCH: There we go. There we go. From Donors to Backers. That's where I'll start. One one.

CINDY LOTT: One back.

RACHEL HATCH: So to put this in the transformational context, we're really moving from a world where we think of the consumer economy as the economy. You know, when we use the term economy, that's what we tend to think of by default. Well, we're moving from that world to a world in which there will be networked personal economies. And in this kind of future, the people who we think of today as donors might perhaps better be known as backers.

And I can share an example from my own personal experience. So on the next slide we have one person that I am backing, as a person who supports science and women in science. So this woman-- just to take you into her story-- her name is Ariel Waldman. She is a woman scientist who sort of fell into work at NASA, and now she is an author.

She's often a consultant, particularly about space. She formed the beginnings of Space Hack Weekends. So she's somebody who's really focused on creating accessible science. And I use her just as one example, because she happens to be on a platform that I think really embodies this shift from donor to backer.

Some of you in the room are probably familiar with this. This is called Patreon. It began in 2013. And the model here is kind of like a Kickstarter model, if any of you have supported a project, backed project, on Kickstarter, where someone may be producing, say, the next generation watch, and they want to get you to back their project. So Patreon is sort of like that, but really what you're doing is you're supporting primarily the person, not an end product that you hope to receive.

So the innovation that we're starting to see with Patreon is that people are subscribing to support the basic livelihood of someone whose work they believe is high impact, or that they want to see more of in the world. Donations-- just to calibrate-- donations here are relatively small. On average it's about $7.00 per month that's given to one of these creators.

You can see here that Ariel at the moment has about 105 backers. All told, she's getting $481 per month from soliciting this support. And if you decide to back her, then primarily she gives you special access to how she's thinking about upcoming projects. So she kind of pulls back the veil on her creation process. And she also feeds a steady stream of science interested information into your kind of information sphere that we're all trying to curate more carefully these days.

So Ariel is a great example of the value proposition-- on the next slide-- that, basically, Patreon and platforms like it are saying, creators, come get paid. Turn your fans into predictable income by offering exclusive content.

Now, some of the people who are creating on platforms like Patreon, you might think of what they're doing as a traditional business. So for example, a set of musicians might get together, form a band, and say, well, rather than fund our own startup costs, we really want to figure out if we can get the crowd to pay for what we create.

And others are taking less of a traditional business model and more of something that I would think falls in line in the charitable sector, where it's, I seek to do high impact work in the world, so please come support my doing that on an ongoing basis.

So creator here is a non-trivial word. If we all had a dollar for how many times we've heard about the shift from consumers to producers, we would probably all be rich. But you know, it's a cultural trend, it's a technological trend.

But here, too, in this kind of sphere, we're starting to see the rise of creators and the decline, on the next slide, of the frame of consumer-- Cindy I'm giving you a workout there-- for the decline of consumer--

You can look here. This shows the number of Google searches for the word consumer over time. So this is declining from 2005 on the left, end of 2015 on the right.

And it becomes clear that the word consumer, even perhaps consumer protection, just doesn't quite capture the dynamics that are at play anymore. We're really used to thinking of the consumer economy as the way that a country produces wealth, and that's how we measure GDP, is based on production and consumption of goods and services.

But what I want to suggest to you all, as thought leaders in the regulatory space, is that we need to be prepared for a world in which individuals have economies. And here we'll click a couple times through. I Think there's a video that we were having trouble with earlier. So let's go to the signal of change, that I want to use to take us into this.

So if I were in the room, I would love to see a show of hands of anyone who has kids who are gamers. But I will just fill that in in my mental landscape here. If you do, if that is true for you, you may be familiar with this signal of change that I'd like to share with you, called Twitch.

A signal of change, in the way I'm using this term, it's really an early indicator of a future direction of change. So it's something we can point to in the current marketplace that there's a pattern of dynamism that's happening around it that suggests something new is underway. And any one signal of change may be meaningless, but if you can start to detect that pattern-- which is what we're seeking to do-- that's when you can really start to reveal the changing dynamics.

So let me take you into the signal change called Twitch. This is a gaming platform that really grows out of the age of personal broadcasting. So you could think of it as YouTube meets the gaming industry. And on the next slide, here are a wide range of people who are participating in the live streaming phenomenon.

So here, this is in China where there are more than 200 live streaming platforms. And a quote from some of these young people you see here-- "Everybody feels they have some sort of talent, but nowhere to express it. So it's good to be able to use your smartphone to show your talent off and have everybody recognize you." So just to say that this is a phenomenon that's not just happening in the US context. In fact, it's happening even more so around the world.

And people who stream on these platforms are paid sometimes in digital gifts, which is a difficult thing to wrap one's mind around. So these might be kind of in-game experiences where they're given virtual cars, virtual candy. So these are digital gifts. And where the profits-- the live streaming platform profits-- are shared between the platform and a particular channel host. So some hosts may earn thousands, or tens of thousands of dollars, per month by doing this, just to give a sense of scale.

So it's an international phenomenon. But back to Twitch on the next slide. This is the dashboard view if you signed on to Twitch. And I would refer to this as kind of the Wild West of commodification here. So it may be a disarming or jarring visual for us. It's quite a crowded space. So let me just walk us through it.

On the left, you can see one of the most famous players of all time on Twitch, the gaming platform--

You may be able to hear the siren out here in the San Francisco streets. I'll pause.

So in the upper left there is one of the most famous players. His player name is PhantomL0rd, and he's really using Twitch-- this gaming platform-- as a way to commodify his time and his experience as an asset. So Cindy mentioned earlier that people will be commodifying their data. But it's not just data. It's also attention, talent, all of those kinds of things.

And Twitch, if any of you are techies out there, you may be interested to know that Twitch is owned by Amazon. You could start to see the business models emerging from all of these acquisitions.

So Twitch has enabled this gentleman to add a monthly subscription to his personal economy. So he gets $5 a month from a number of subscribers. But that's not the only monetization strategy that he is kind of soliciting for. He's also developed celebrity and influence on Twitch-- so much so that he's actually auctioned off the very headset that he uses when he plays his games.

So on the next slide you can see, on the blog GameSkinny, you can see his headset going once, going twice. It was around $80,000 at one point. It ended up going for $97,000. And this is another source of revenue for someone in their personal economy in this kind of world.

So beyond subscriptions, there are also streamers that provide advertising space for an individual in their personal economy. There's product placement sometimes-- playing the game while drinking a Coke. Taking supporting donations for people who are just raving fans and they want to give a charitable donation to see more of this in the future, and selling merchandise.

So you can start you see how there's a whole explosion of revenue streams, and potential moments of backing, and moments of solicitation that happen in this kind of world. And then also, on the next slide, platforms like Twitch also serve a purpose of distilling some skills that may otherwise have gone unrecognized.

So in this case, in the upper right, you can see a game player who's sitting, presumably, at his home. And he's playing around with 3D modeling on one of the Twitch channels. It's called Twitch creative. So here people from around the world-- it's really 100 million visitors per month-- they value the opportunity to see Twitch broadcasters push the limits of a creative process like 3D modeling.

So, literally, just to picture it, he's sitting in his home playing around with a 3D model, and people are watching his screen and watching him. And this becomes monetizable. It becomes a form where that player might be able to make and ask for support to see more of that.

And it's not entirely exploitative for somebody who's a game player on Twitch, or who's on Twitch Creative, to make that ask. Because part of what they're doing is they're teaching. This is actually a teaching moment and a learning moment that happens. So there is some pro-social activity that's happening during the course of this.

Next slide, if you go to the popular site, Reddit, which is sort of a wiki-based conversation where people have conversational threads, in particular younger people in the millennial generation. Here someone's asking a question to the crowd-- "What about marketing your experience as a channel moderator on Twitch in your resume?"

So just to give you a sense of the seriousness of this, in Silicon Valley we're starting to see Twitch handles-- usernames-- show up in resumes for how people are marketing themselves. And this is connecting to the workforce.

So the next slide-- another signal change is Knack.it. So here, game achievements, like what you might accomplish through a Twitch, they eventually form a new kind of resume for people. So they use mobile game interfaces to surface qualities that are important to employers-- qualities like grit, leadership, problem-solving. And then it matches those skills with open job descriptions.

So the reason I mention this is because it may seem frivolous at first to look at something like Twitch-- you know, gamers are streaming their gaming and it's part of their personal economy. They may be making a charitable solicitation as part of that. But ultimately, this ecosystem is starting to build where that's actually a viable way for someone to get connected to the workforce, get connected to upskilling.

And so to build their personal economy in that sphere may connect them with more traditional forms of employment. So there's a real reason why people are engaging in this-- to fill some of those needs.

And, of course, on the next slide some of this is being automated. So what you see here is how Google is actually tracking people's search history at the moment to see if you happen to be looking into areas that they're interested in hiring. So let's say you're sending a certain number of queries, then they have this pop-up and it gives you a challenge to solve that would open up an offer for potential employment, or perhaps employment, like an interview once it's completed.

So this is all in the service of revealing what young people-- like the one on Twitch, or like Ariel, who was on Patreon that I showed at the beginning-- surfacing and revealing what those people have to offer, and helping them to share it with others.

So this is the term we're using to describe this phenomenon-- the next slide-- the personal economy. And here, Cindy, there's a few bullets, so you may just click through them. This is really referring to the value-generating potential of an individual's life, and it includes how people discover, access, manage, and share assets and services.

And those assets, as Cindy mentioned, they may be data-based, but they may also be your reputation-- your reputation on Patreon, or on Twitch, or on Uber, or AirBnB. It may be assets that relate to your identity, or your possessions, your skills, or your influence.

So this is the key concept I really want to ask us to consider here, is how do we regulate charitable solicitation and the donor experience when really that moment is focused less on nonprofits who are asking for money, and more so on individuals who are asking for monthly support? And at a very large scale-- you remember Twitch has 150 million creators on it already.

So next slide-- the commodified life, then, in the next decade-- in 2026, 2027-- we anticipate that to support themselves, consumers-- if we call them consumers still at that point-- we saw that graph, that that's becoming less of a resonant term. But consumers of the next decade will find ways to commodify their lives. They may not think of it in those explicit terms, but they're sort of hunting for little pockets of value.

Next slide-- I think there are a couple bullets here too, Cindy.

So they'll start by identifying the latent assets that they've created from their own time, their attention, physical assets. It could be their intellectual stronghold, as in Ariel Waldman, who's the woman scientist. And they'll have the ability to convert these assets into sharable, and often monetizable, digital commodities.

There's a whole bunch of-- next slide-- a whole bunch of enabling technologies that are driving this, and Marcia did a great job of referencing a whole slew of these in her earlier conversation. So I'll just tie back that, I think, in our closing conversation. It might be fun to come back to these.

So let me characterize the future's edge of this, in closing.

Next slide.

Imagine a future in which we start to commoditize the very things that we own in the physical world, using digital tools to link others so that if they see something sitting on a table, they can buy one for themselves. This is something that already exists to some extent.

Amazon's Firefly, which is what you see here, has already started to bridge the physical world of objects with online catalogs to create value from the attention that you pay toward owned goods-- even if it's a thing of chalk, or a mug that you particularly like that may be sitting at your table right now. So users can simply snap a photo of an object and the application will bring up the description and an Amazon purchase link instantly.

So what if I care about my local museum, for instance, and I have objects that are commoditizable? Might I carry those around with me with a certain intent, in 2027, to commoditize those for the benefit of my favorite nonprofit, for instance. In that kind of situation, that point of transaction happens very much on the basis of a material object. And that's not always something we're used to having this same kind of regulatory framework for. So commodified objects or commodified styles.

The next provocation is around commodified knowledge, in the next slide. So imagine here a future where we explore the world in augmented reality-- kind of like this picture of a Microsoft HoloLens headset.

So here you see there's a daughter who maybe has gone off to college, has her first apartment. And she's working on fixing her plumbing, perhaps under her sink for the first time. And she's able to patch maybe her dad, or an older friend in to say, how do I do this? In this kind of interface, similar to some of the ones that Marcia mentioned earlier, you can actually immerse in that kind of world.

So as we accomplish challenging work tasks in the next decade, we will leave kind of digital traces of our actions in the physical world. And these digital lessons may even lay dormant, just springing to life to mentor workers or explorers in a certain space just in the moment that they're needed.

So support from the workers-- in this case the daughter may be talking to her dad-- support from those workers, perhaps as a share of someone's personal economy portfolios, goes back to their mentors. So there's a way of actually tracing that lineage of knowledge that's being passed from person to person.

So we may-- a decade from now-- we may end up paying for the combined knowledge of maybe thousands of virtual assistants-- some human, some automated-- distilled into simple guidance that's in-situ, that's in context throughout the course of the day.

Next slide.

Some will go even further, perhaps paying people directly for their attention as a commodity. So here I would point to the example of Lance Coleman. He's actually a fellow at Institute for the Future, where I work. He's created a music app called Playola. And if anyone there closely follows the regulatory landscape in the music industry, you may catch the irony in this name. So Playola.

And most music services, of course, make you pay for every song that you want to listen to, or for a monthly subscription. But what most people don't realize is that artists get more air time and they sell more copies of their music if statistics show that their songs have been played more times. So this dynamic makes attention monetizable. It makes plays valuable.

So the way that Playola works is it sends users songs to listen to, and it pays them for listening through to the end. So this flips the pay-per-listen model of music, paying the user instead of the other way around.

So the user hears the music. They might think in terms of commodifying or monetizing their attention, but listening statistics go up for artists and there is a potential flywheel effect that happens in that kind of music ecosystem. So this is an early signal still in development, but it points to the range of ways we'll be innovating our personal economies.

Couple more examples. Next, we'll commodify our social networks. So Depop-- some of you, I know I saw some nods when I shared this even with our panel here today. So this combines Instagram-like community and celebrity with an e-commerce platform. So you can actually purchase something that you see someone wearing. You can purchase it right away.

Or we might-- next slide-- we might commoditize our location data. So Waze is the world's largest community-based traffic and navigation app. And drivers opt in to sharing real-time traffic and road information. So this one happens to be owned by Google. It's now in 15 countries, just to give you a sense of scale.

And in cases like ways, the commodification, or the digital collection, of our data is passive. So an individual kind of sets it and forgets it. And there is a value that you get in exchange for opting into this service. You end up getting to your meeting on time because the app optimized your morning commute. Or you end up picking your kid up on time from day care because it rerouted you. So this personal data is meaningful to you, and you can actually put it to work.

So these were a few examples of the types of things we might commoditize. All of those could end up taking shape through crowdfunding platforms. So I want to close just by anchoring us in the scale of crowdfunding platforms that are already underway.

I know you are familiar with them. Sometimes people contribute in very small amounts, sometimes larger, to create new pools of capital that offer an entirely new funding structure that's completely, largely, outside of institutional finance as we've known it.

You notice that in these kinds of context, by and large, there are no loan managers, there are no credit checks. And it's not that there are no gatekeepers. We actually have a set of emerging gatekeepers in the crowdfunding world. But really on the platforms themselves, reputation is on the line. And so these platforms have developed reputation metrics and systems that help ordinary people feel a sense of transparency when handing their money over to back a certain person.

If you click again, you can see-- this is, again, not just a US story, this is global. And I believe that you'll be hearing from GoFundMe later on in the course of the day. So you'll get sort of more meaty case study during that conversation.

But this really is a global phenomenon. And on the next slide you can see, this information is from the World Bank, showing the crowdfunding potential by region. So China is the most advanced when it comes to this, but it has a possibility to really transform our production systems and transform our economy.

So I want to close-- I have sort of an open air slide here with implications, because I want to call out a few questions just for you to consider. I've already raised one of them, which is, will the statutes that you use today-- to regulate charity-- will they be relevant if they're focused on nonprofits who ask for money as opposed to individuals who are soliciting for monthly support of their projects and their ongoing work streams? So that's one question.

A second question-- in a world in which everyone is a solicitor and everyone is a backer, the scale for regulation is going to require some really sophisticated reputation systems and metrics of trust. So this raises an important frontier around algorithmic regulation. So how will you all, and others, regulate the very algorithms on which these reputation systems and metrics of trust are based?

And then the last question that I would just put to you as leaders in the US context is, given how quickly this landscape is changing-- particularly crowdfunding outside of the US-- from which countries should the US seek to learn so that we can adapt as rapidly as will be required to these kinds of transformations?

So those are just some thought starters, and I'll hand it back to Cindy at this point.

CINDY LOTT: Oh, that's great. We're so close to time, but I don't want to end this quite yet because I'm sure there's some other questions. And I thank Rachel. Really, thank you to both of you-- back-to-back powerhouse presentations.

I think you've hit on one of the biggest issues that regulators really have to think about. I mean, in this sector, what we're moving from is the institution to the individual. And, of course, the whole point of having a nonprofit institution is that it helps protect the mission, so that it's not just about the founder. That if the founder dies or moves on, you've got an institution around that.

I mean, even just thinking about the [INAUDIBLE] doctrine. When you're dealing with an individual, where does that go after that individual goes? Wherever they go.

So that shift to thinking about whether we want to regulate the individual piece, how we would regulate the individual piece, why we would regulate some of that, are, I think, some of the really, really big questions. And the scale of what you're talking about is fascinating, too.

I know a number of you may be attending the International Charities Regulation Conference that's going on in Canada, I think next month. And more and more, the regulating community is really paying attention to what other countries are doing. And in some ways I am hoping that we're paying attention to the very countries that were on these charts, whom I don't think always attend these types of conferences, or actually participate. And we really could be learning a lot from how they're looking at what is happening in their country, and the amounts of money that are spent on these platforms.

So it's really moving us. Years ago our regulating group together talked about what social media would be doing, and platform, and Kickstarter, and all sorts of crowdfunding issues. But that was still more about institutions. Now we're getting combined with individuals, and that's the really interesting intersection.

So I'm going to take one question, or two, depending on time, before I break. And you've got to have some, I know. Yes?

AUDIENCE: Why pay for some of that content if you can get it for free on YouTube?

CINDY LOTT: Why pay for content when you can get it for free on YouTube?

RACHEL HATCH: So in the case of Twitch, for instance, one of the reasons why people tend to go to those platforms-- also for Kickstarter, in fact-- is really for the learning process. We all are aware that the business model of higher ed is one of the business models that is being challenged right now, and that learning is really shifting from institutional forms to really episodic, embedded, in-situ learning moments-- for better, and for worse.

And so if you think about this from a learning perspective, that becomes something of value-- particularly if a person is piecing together, for instance, an education, rather than engaging in the more traditional format of higher ed. They may find value in seeking higher quality content and highest quality instructors.

CINDY LOTT: And I would say two things. YouTube may have been the alpha version-- there was a time that none of us could fathom that anybody would put something that personal for everybody to see. But that may go by the wayside that people put that up for free as time goes on when they learn they can actually commodify it.

And I think, to your point, one of the great examples in higher ed-- the mooks that have come out are now starting to appear on people's resumes. Even though they don't necessarily get credit for it, there's nothing else out there to say that they did particularly well or not, but the reality is that people are piecing together. So that's a great example.

Time for one more quick question. Lots to think about here. Yes?

AUDIENCE: Hi. I'm just wondering if you see rating systems from e-commerce communities, like eBay or Amazon, as sort of good analogs for maybe self-police [INAUDIBLE] and models for donors. And would there be sort of like a cloud for donors, if you will. That might be something a group can [INAUDIBLE] together--

CINDY LOTT: The query was-- if I can actually repeat that one-- whether or not that some of the analog that's out there already with Amazon and other services that are really about self-policing, self-regulating, and everybody's looking out for themselves but also each other's backs, might be mirrored here in some way that the donor community could do, through either a cloud or another form of networked reputational what would we call that? Looking out for that.

MARCIA STEPANEK: Reputational systems. Right. I think so much of this, though, is about transparency-- whether it's these kind of self-regulated systems that we've seen in the past-- reputational systems that have not been so transparent, have been uneven, have not been really up to par when you look under the curtain.

And then, also, as everyone has mentioned today, this algorithmic-- we can't give our algorithms too much responsibility to help us regulate in this area where we're creating best practices because, in truth, so many organizations and people who work in data, we're losing that transparency and how these algorithms are put together. There's not enough transparency in so much of this stuff.

So I think civil society needs to really look at companies that make algorithms, and to kind of get them into a conversation where we're getting more standardization, or at least some kind of transparency around how these decisions are being made for us.

All right. Well, we didn't even take any at the other questions from the crowd. This is a lot for the regulators to chew on tomorrow, and I don't even want to go there about what it means for consumer protection bureaus, because we have those in every state. [INAUDIBLE]. Good luck with the new name. I know what Rachel's doing.

So thank you both so much. We're breaking for lunch. And Tracy, what time did you want folks back, given where we are?

TRACY THORLEIFSON: If everybody could try to be back by 2:05. So you have five minutes from your lunch.

CINDY LOTT: And I'm told there are places right across the street, and food trucks along the front here, right?

TRACY THORLEIFSON: There's a cafeteria around the corner [INAUDIBLE].

CINDY LOTT: That's actually in the building. The cafeteria is in the building. So break for lunch. We'll be back here. Just about an hour.

[MUSIC PLAYING]