

FTC / NASCO Give & Take: Consumers, Contributions, and Charity Conference
March 21, 2017
Segment 3
Transcript

BOB CARLSON: I'm going to get underway. Just start calling people out by name. I can't see you with the lights, but I know you're out there. Oh, and I can see Chuck in the front row. That's one person. Tracy, am I waiting for a go-ahead from somebody to start talking?

TRACY THORLEIFSON: Go ahead.

BOB CARLSON: All right. Hi, folks. My name is Bob Carlson. I am an assistant attorney general with the Office of the Missouri Attorney General's Office. I sit in the consumer protection division, and I coordinate all the nonprofit law and charity matters for that AG.

With me up here is, in order, Tiffany Neill, who is co-owner and partner of Lautman Maska Neill & Company, an award-winning, full-service direct response firm. Bennett Weiner, COO of the BBB Wise Giving Alliance. Amy Sample Ward, who is the CEO of NTEN. Daniel Gordon, who has a great title of head of trust and safety at GoFundMe, who is rapidly learning, yes, there are 50 AGs and they now all seem to know exactly where his office is. David Hessekiel, who is president of Engage for Good and also leads and owns the Cause Marketing Forum.

And so what we are going to talk about here is to kind of bring the conversation we've had today back into the practical realm. We've been talking about how stories drive fundraising, and the big, broad ways you can tell those stories. But now we're going to talk about the tools and platforms where those stories get told, and just as importantly, how the money actually flows once the excellent fundraising pitch has been made through the story.

So then Tiffany is going to cover direct marketing and telemarketing. Amy will cover online tools. Daniel will cover peer-to-peer and crowdfunding, and David will take cause marketing. So, Tiffany, you're up.

TIFFANY NEILL: Great. Thank you very much for having us this afternoon. This is terrific, and it's a beautiful room.

BOB CARLSON: This controls the slides.

TIFFANY NEILL: This controls the slides. Well, now I have all the power. I also have the one-minute sign, so if you need this, come up and grab it.

So I am Tiffany Neill. I've been doing direct mail fundraising for 25 years, and I love it. And yes, people still read the mail. They still respond to the mail. It is still one of the best ways to get long-term donors. And I continue to love it.

So I'm going to talk briefly about best practices, fundraising in the mail and on the phone and some of the things that we identify as good practices, good donor stewardship, good long-term

relationship-building and communications. So I believe that some of this you went over this morning. But in general, charitable giving in 2015 was \$373 billion, of which the largest part was from individuals. It was about \$274 billion.

So the question always comes to, well, what part of that was on the mail and on the phone? And it's actually very difficult to quantify. Nonprofit organizations, large and small, all use the mail and use the phone to communicate with their donors. Not all of them call it direct mail fundraising. And it's amazing how often you talk to a development director and they say, we don't do direct mail. I just mail my donors from time to time.

Well, indeed, that is direct mail. So the best numbers that I can give you are from some of the larger organizations, who are more than willing to stand up in a crowd and say, yes, we do direct mail fundraising, and yes, we do telephone fundraising. And a lot of those organizations participate in a co-operative with Blackbaud, Blackbaud being a large nonprofit tool in the industry.

Now, 76% of the donors to those 2,000 large organizations are making gifts through the mail. This is something that people are comfortable doing. We have trained generations of people to be what I call checkbook philanthropists. They read about organizations they care about. They go home, and they write a check. They get updates from those organizations, and that's how they interact.

Within that base, a lot of those direct mail donors are giving to 12, 13, 14 different organizations. This is really how they choose to interact with the world philanthropically. They don't go to events. Their average gift through those direct mail gifts is about \$32. On the phone, 25% of those organizations have donors giving to telemarketing.

Now, again, they identify it as telemarketing. If you talk to most large organizations, they will tell you that they have volunteers making calls. They're making calls themselves. These are nonprofits that actually report having telemarketing revenue. This revenue is slightly higher, at about \$33 per donor. So this is still a significant source of revenue to nonprofits.

And the reason it still works, and the reason it is still so popular, is the mail is a great way to communicate with people who have time to read, and people who have been trained to learn about organizations by reading and by reading the mail. So a lot of the people that are direct mail responsive are slightly older. They tend to be better educated. The audience skews slightly more towards women. But we've basically trained an entire generation-- and now the boomers, who are aging into that generation-- that a good way to interact with nonprofits is through the mail.

The other reason that the mail still works, it has been proven as a tool to build relationships. And we see this time and time again, where you do focus groups with direct mail donors, and they are so well-educated about the organization. They really read the correspondence they're getting. They know the stories. They know the outcomes that they're advancing. It's very powerful as a tool.

The other great thing about direct mail donors is these individuals are great donors. They renew year after year. They have proven to be loyal to those charities with whom they first give by writing a check through the mail.

They have a predictable return on investment. We can project how they're going to behave over the years, how many gifts they're going to give over their lifetime, when they're going to give larger gifts. And that interactive pattern has been established. And organizations who are doing it well keep those donors for a very long time.

And even better is they've proven to be great donors for major gifts and planned gifts. A lot of bequests and estate gifts are coming in from individuals who were first acquired, who were cultivated and were stewarded through the mail. So as far as a high return on investment for a charity, they're investing over the lifetime of that donor in the mailing, but it's paying off in bequest giving. And that trend has continued.

So one of the things about return on investment is direct mail is an investment channel of fundraising. Responsible organizations look at direct response and direct mail in particular and say, how much can we afford to invest to bring in this cadre of donors? And how much will those individuals produce over the years?

So what you see before you is just one projection. So if we were approached by a new organization, or even by an established organization, who said we want to invest a lot in getting new donors, what we would do is work with them and say, OK, here is the projection for at what point this investment will start to reach net revenue. Here's how many of those donors that you will have. And success is measured against those benchmarks continuously.

Solid nonprofit organizations with strong direct mail programs look at that investment model constantly, and they're always looking at, what is the return that we're getting? Are we doing this in a cost-effective way? Are we stewarding these donor contributions in such a way that it's resulting in a profit in the end? Because when you first go out there and try to find someone and tell them about your organization, it's going to require an investment to make them become a donor. And responsible organizations are looking at when that investment will pay off.

The other thing is, and the key to the entire fundraising and direct response, or direct mail, is that the donor names go to that organization. So the organization can cultivate them, can talk to them, can send them annual reports. The list of those donors, the new donors acquired, and the contributions go directly to that nonprofit organization. The relationship is between nonprofit and donor.

And if they use a counsel firm like ours, we're advising them on how to do their fundraising. We're helping them with the process. But the relationship between donor and organization is always controlled by the organization.

So again, the real key is to communicate with these donors on an ongoing basis, to build the relationship, to enhance the connection between charity and donor, and to do that in a cost-

effective way. So using the mail, making phone calls periodically, it's a chance to expand that relationship and tell more in the story.

One of the keys for responsible nonprofits, and we've seen that in all the mail we do, is really having some transparency about how they're accomplishing the goals. With the investments we made last year, we were able to feed 2 million people. Or, with the investments we made last year, we were able to build three new daycares in this part of the underserved community. Those sorts of reporting back on the benchmarks being accomplished towards the achievement of the mission are the critical thing in maintaining credibility in that relationship between donor and organization.

And it's something that you can do in a direct mail program very easily. We actually can tailor the kinds of communications back to the donors, so if they invested in a particular program, the report back refers to that program. And again, constantly measuring success in terms of not just how well are you getting donors to give you one time, but how long are they staying with you? When are they becoming major donors? And are they leaving you bequest gifts?

So responsible mail and phone is really a mix of solicitations-- asking them to make an initial gift, to renew their support, or make a special contribution-- and cultivation efforts, so something where you're just reporting back. Those sorts of cultivation efforts are-- again, they cost money. They're counted against that return on investment. It's an investment they are making in their donors. But it's done so to steward that donor along, to bring them farther in the story, and to ultimately reap the reward in terms of larger gifts and high lifetime value-- again, always measuring the return that you're getting on those various means of communication.

So what can hurt fundraising and the public confidence? This is one of those questions that I was asked. It's like, oh, gosh, really bad apples can hurt public confidence. But I think that where we've started to work with organizations and they've had a bad experience prior to us, and we sort of go through, well, why was the-- if they lose control of those donors, if for whatever reason the relationship is not between nonprofit and donor, but if the list is held by a third party, or if they don't-- those are sort of red flags we look for, because it inhibits the ability to really build on that long-term relationship, and the investment model of direct mail fundraising gets harmed if you can't build that relationship and, say, get a multimillion-dollar planned gift.

The other thing is when those relationships between the nonprofit and the partners they use are not transparent. So if for some reason there's people in the mix that are taking a percentage of the gift, or if there's something that is not easily explained to a donor. I am sure you have a very technical legal term in this room. I call it the New York Times test. Like, if I couldn't go on the cover of the New York Times and, with integrity and pride, explain what I was doing, I'm not going to do it. And I think that any solid charity never wants to be in that position of having to have that kind of thing.

And the other thing is when the long-term view of direct mail is lost, so when organizations become so myopic on one aspect, for example, just the investment part of direct mail, and aren't considering that long-term relationship and when the return on investment is going to come, that can really harm an organization as well as their reputation.

So one of the advantages of being in direct mail, unlike some of the more emerging channels, is we have long-established ethical requirements. We've seen where some of the pitfalls are. And there's a lot of different organizations that we turn to both for advice and counsel.

The Association of Fundraising Professionals, of which I'm a member-- I'm a certified fundraising executive, so you go through a series of ethical standards. The DMA and the Nonprofit Federation, I know [INAUDIBLE] is out here. They have a long-established ethical guidelines that we follow. And the Association of Direct Response Fundraising Counsel-- I know Bob Tigner is also back there, as I swat at my mic. That's another organization that we turn to because as technologies emerge, as we have the ability to fundraise in new ways, we always go back to, how is this helping the organization build a stronger relationship with the donor? And that, at the end of the day, becomes our ethical go or no go.

The other advantage that we have is direct mail is pretty transparent on 990's. So we can generally, if we're considering working with a new organization, we can go to documents that are publicly available and get a pretty good idea of how they've been using the medium and how they've been using the channel.

So the next chapter of direct mail-- the good thing is demographics are in our favor. People are getting older, and lots of them. And they appear to be reading just as their predecessors did. So much as my mother keeps telling me that no one reads the mail anymore, they do. So direct mail is still a very viable form of fundraising.

We have more robust tools at our disposal, so we can better target the people who are most likely to embrace a new nonprofit. This decreases that upfront investment and helps in terms of that overall recovery and the building of the donor relationship, because we're better able to reach the people who are more likely to say yes.

So I will turn it over to Bennett for a few comments from the BBB.

BENNETT WEINER: All right. Thanks, Tiffany. And also thanks to the FTC for hosting this conference. I'm really pleased to be part of it, and I hope this panel will add to the deliberations you've had.

I'm going to be doing a little bit of a three-minute take after each presenter, giving the donor perspective in terms of certain issues. So I'm going to start with just a two to three-minute commentary after Tiffany, and talking about mail appeals and phone appeals.

For those who are less familiar, the Better Business Bureau is over a century old organization. There are about 100 local Better Business Bureaus across North America, in the US and Canada, and one in Mexico. And they have accumulation of 160 offices. We've been reporting on charities since the 1920s in the BBB system.

And one of the distinctions with some of you who are familiar with BBBs in terms of complaint handling on businesses, with charities, we really focus a little bit differently. We're a standards-based evaluator. We have a holistic set of 20 standards that we use in evaluating charities.

And in terms of direct mail and telemarketing-- or telefunding, however you want to refer to it-- the one standard I wanted to focus on was standard 15 in our guidelines, which calls for appeals to be accurate, truthful, and not misleading, both in whole and in part. Accurate in terms of having correct facts and figures, truthful in terms of describing what you're doing correctly, and not misleading-- every sentence in the appeal may be true, but it may be providing a misleading impression.

And some examples of these problems, I refer to photos, stories, and finances. Sometimes photos and stories are represented as being current, when actually they're very old. We had a case about a year ago or so of a charity that had a photo in an appeal with a story about an old woman who lost her home, her husband, her children, that was in desperate need, and upon our inquiry, it found out that the story was over 15 years old. They didn't know whether the woman was still alive yet or not, and yet it was represented as being current in the appeal. That's an example of something that we feel is misleading when it happens.

In terms of misrepresenting finances, just an example, there was one organization that said they had a heating bill in December and they were in desperate shape, and they really wanted some funding to make ends meet. Well, you look at their financial statements and they have over \$3 million in unrestricted reserves. So we said no, that's not correct. You really do have the funds to be able to pay that bill.

So those are types of things that we see. There are other examples of misleading things that we take on. But we do look at appeals and verify their accuracy.

One thing I wanted to talk about, the last thing, is BBB Scam Tracker. It's a new program that got started by BBBs around November of 2015 when it really got activated. You can go to BBB.org/scamtracker/US, and this particular mechanism was used as a means to report scams on businesses. But it also accepts, you know, scam reports from individuals on charities.

And to date, there have been over 63,000 entries on Scam Tracker since November 2015. And only 420 of them have been about alleged charity scams, but it's still a significant number to report, in the sense that there are individuals that, on average, \$147 lost per scam, if you average it out.

The other thing I wanted to point out, the last thing, is that 20% of the complaints that were filed for this Scam Tracker program were about police organizations, firefighter organizations, and veterans appeals that were made over the phone. So that's been a prolific problem around the country over many, many years at BBBs. So there are pockets of problems in telemarketing and direct mail that we've seen to address using these standards.

BOB CARLSON: Hey, folks, does anybody have any questions on direct mail and telemarketing before we move on? OK, Amy, all you.

AMY SAMPLE WARD: Nothing? Super clear? You know everything about direct mail now? OK.

I will now tell you everything about online fundraising in, like, 10 minutes. Yeah.

BOB CARLSON: Amy's just that good of a speaker, everyone.

AMY SAMPLE WARD: And I'll excuse myself now if I go into a coughing rage, because that's the stage of the cold. We've entered that part of the body.

OK, I want to-- there's a lot to talk about with online fundraising, and the only way I could think to do that was to speak super, super generally about it and not get into specifics. If you have questions that are specific, let's totally tackle them. But I tried to separate it into what we see at NTEN most often with very passive fundraising and then active, actual fundraising.

So the first is what folks are probably really used to. There is a Donate button, and nothing else is happening, but that button exists, and the organization is just hoping and praying that you visited their website for some reason that they don't know why, and that for another reason that they also don't know why, you decided to click on the Donate button. Most organizations will have been told at some point, by a consultant or their web developer or their board member, that they need to have a Donate button. That is all that they will be doing for online fundraising, because they don't know what they're doing. So they just have a button, and it exists.

And if they're in a meeting or they're at an event and somebody says, oh my gosh, I love NWF! This doesn't happen with NWF. They're too big. But you know, oh, I love your organization. They'll say, oh yeah, you could donate. We have a PayPal button.

And they don't even know what that means, but they have said it, and the person they're talking to is like, great. I will click on the PayPal button. And that's it.

So it's very passive. It's also super low investment. All they had to do was spend probably longer than they anticipated on the PayPal website figuring out how to create a profile that connects to their bank account and then getting the one piece of code that they emailed to their developer and said, please make this a button. And then it was there. And they never thought about it again. They never did anything about it again.

But even though it's very low investment, and then whatever they do get from it is basically revenue, there's not a lot of value from a data and kind of donor cultivation perspective. When organizations are relying 100% on a third-party vendor to manage a button gateway, right, they don't really have a lot of information about why somebody came, why did they donate that day.

Oftentimes they don't even understand how to access information in that third-party vendor tool to say, like, where are these donors from? Are they even in our town? Are they from somewhere else? You know, there's very little either access to the data or knowledge of how to access the data that's providing the organization with means to do some of the same best practices that Tiffany was talking about that apply to online-- being able to follow up with people, be able to tell them where their donation went, ask them to give again, because you can tell them that it did go somewhere.

So a lot of organizations feel like, oh, but we have this button, and they spend all the rest of their time doing phone or doing direct mail. Or, for a lot of them, just talking to people in person. Most organizations rely on having coffee with a major donor-- and major is \$1,000 to them-- and really working on in-person donations.

So on the other side of things, and I think this is really like the next step up of sophistication in organizations, when they realize they could do more online than have a button, this is where we start having active asks, which I consider a campaign, because if it's an active ask forever and always the same active ask, it's not probably very active and probably doesn't have much to it, much meat to it.

So here's an example from the Red Cross website. And they're very clear. This is what-- every eight minutes we respond to someone in crisis. You know, they're being very clear that our mission is, we are emergency response. We are the organization we want you to associate with emergency response, and here's how you can donate to us.

And what I think is a little bit different about this as an example, and many organizations kind of taking this route now are thinking about donations as a repeat gift from the very beginning. So just as Tiffany said, having a long view that you want to have a long relationship. You don't just want that one-time donation.

Organizations trying to take kind of what I would consider the NPR model, being a monthly giver, so that you maybe forget when it was you started giving and you just let it keep on going for a long time, because it's coming out. It's only \$5 or something every month. But for many organizations, if they're able to get into a monthly donor, whether they call that membership or monthly donor or sustainer, whatever word a wonderful firm helped them come up with, they're often getting more donations, higher donations from those donors. So it's in their interest to get a model like that going.

But again, this is kind of the next step up. The average organization doesn't even know how they would start to do this, or even that they could allow that PayPal button that they have to turn that gift into a recurring gift. But they just don't have that knowledge themselves. So this is kind of the next step up.

Email is where things start getting a little bit trickier, because even though on the website-- we're still hoping people came to the website and decided to give-- with email, we're getting more into the storytelling like it sounds like has already been discussion today. And driving people to your Donate page. And I think what starts happening with email is that for a lot of organizations, the idea that email fundraising is different, or there could be regulations that govern email fundraising differently than your website, would be very surprising.

Many organizations don't actually have good data to know that the people they're sending an email solicitation to are in another state. All that they know is this is the email address, and there was one other time in history that they gave \$50, and I can see that on our PayPal history. Right, so they're not maliciously trying to solicit donations from all over the US or even abroad. They just don't even know where people are. All that they've ever captured is their email address. So

it's a primary communication channel, and they have no idea, really, the implications of making direct asks through email.

But what I think is great about the use of email is that organizations who kind of get to the stage of being sophisticated enough with online fundraising to think, OK, we're going to send an email appeal. It's going to have a story. And we're going to drive people to this donation page where they can donate.

They have started thinking through their content to the level that they are getting a lot more transparent. They are being a lot more clear about what it is they do, what this money is going to go towards, how they're going to report on it, because they're not just relying on that one kind of banner image anymore to tell that story, right? They know that they can go into more specifics, and that, of course, more specifics will drive more responses.

And then last, because there's so little to say about it, I wanted to talk about social media a little. And with social media, what I think is really interesting is that, again, most folks have no idea who these people are that follow them or why they started following them. Or they might not even have a user name on Instagram that is a real name, to have matched it with somebody that they do have in their database and do know who they are, right? So there's such a kind of cloud around who these folks are, but there's that kind of call to, well, if they're following us, we might as well tell them to come donate and click on this magical PayPal button that we have. We're doing something, and we should tell them.

And so again, they're operating with a real deficit of information. And often, with social media-- unlike, I think, email-- the messages on social are much more community-based. They're focused on, please share this. Help us raise this by sharing this call to give, et cetera. And so really hoping that people are using the social platform to be social.

But there are also a multitude, unfortunately, of niche fundraising platforms that exist just to manage donations within that one specific social media platform. So you enter this world where you might have a beautiful fundraising donation page on your website for your campaign. You have sent out a beautiful postcard that matches it and has the same story but maybe some different quotes or something, same photo. And then you have supporters or even staff on social media saying, oh, give to our campaign by using this tiny-give URL in your tweet, and it will donate every time you retweet it. And people are like, what are you talking about? Like, what are you talking about? What do those words mean?

But then also, is that the same campaign? I think that's a question that we see a lot, is this confusion that the channel where people are giving confuses people if it's the same campaign at all, if it's going to the same end use.

So, because I've covered everything, I will just share a few reality checks that we often talk with organizations about. But then again, if you do have specific questions, I want to make time for what you're really working on.

So again, we've talked about the limited data, and I think that it plays into both the ability to plan for campaigns to be successful, as well as the ability for organizations to create a valuable donor experience for folks, to be able to follow up with them, to thank them, to be able to say, this is where your investment has gone. Please give again.

There's a reality-- again, just because this is our reality check slide. Just think about yourself in your normal life. You aren't thinking, oh, I've read a piece of mail. How interesting, this piece of mail. Oh, now I'm looking at my phone, and on it, I'm using email. Now I am on a website.

Like, that is not how we interact with the world. So of course, donors don't think that way. You know, if a donor sees something great in the mail, they don't just say, well, I've received this in the mail, so I will only respond to this by creating another piece of mail.

The majority of people who donate by mail still go look at a website to make sure that that campaign is active, that the organization is telling the truth, right, that all those things are real. So that experience across all these different channels, I think really has to be taken into consideration, because it doesn't matter if they use that PayPal button or they mailed in a check or they had to have seen something on Facebook. They got something in the mail. They got an email. But then finally when they got the phone call, they were like, fine, you've beaten me down! I will give you my money if you stop.

Right? So I think that's part of what we have to think about when we're looking at stats that say there's this much from this channel. It's actually the cacophony of channels that are really at play for most donors, because they're not only ever receiving mail, or only receiving phone calls. An organization that's smart is going to hit you with everything they have got until you give them all your money.

So thinking about how that impacts the campaign planning process too is important. Thinking about, OK, if we drop a piece of mail and then we give it 10 days and then they get the email, they will have for sure received the postcard, read it. The email is going to have a higher open rate. We can follow up on the story.

Right? So the channels also help organizations plan for better response. And then, like I said, there's such a reliance, I think, on the third-party vendors, not only to process a credit card, but also to be in compliance, to manage the reporting, to do everything, because a lot of organizations just don't have that knowledge in house, and are looking for a service that will be able to send out a donor-- a confirmation letter that says, yes, you made a donation, and here is the tax-exempt code.

So it isn't just thinking about the struggles around online donations are in third-party tools for the actual processing, but for almost the entire donor experience. And again, to some of what both Tiffany and Ben have said, that gets into a place where, from the donor's perspective and then the organization's, what that experience is, is really not up for them to create. Right? They're now kicked into a system that's just going to be how that tool operates.

So I'll just stop there and see if there's questions. Or Bennett, you want to go?

BENNETT WEINER: Just one slide. OK. Just three minutes on this, and two things I wanted to mention I didn't get into earlier. One is, there is more information on our standards and how we apply them, as well as the reports that we do on charities at give.org. The BBB Wise Giving Alliance reports on nationally soliciting organizations in regards to these standards. And local BBBs, 57 of them, do local charity evaluations and use the same set of standards in the reports that they prepare.

Virtually all charities have websites, and if you have a website, nine times out of 10, there's going to be asking for a donation somewhere, donation button, or some other means, as Amy mentioned. So in terms of websites, I want to talk about in online giving two standards that come into play that we use in our evaluations.

One is website disclosures, that on the organization's website, if they're soliciting, and virtually everyone is on their website, there should be access to the same type of information you'd find in an annual report, such as a summary of your programs, what your mission is, a board roster, as well as information on your finances in the past fiscal year, and lastly, a link to the IRS form 990 that you have. We recommend that that be there on the website as well so you can have access to it.

The one area that we see in this particular guide that comes up quite often is sometimes a 990 is not available on the website. It's coming up more frequently now, but there are some that still don't have access to it.

Standard 18 on donor privacy-- this particular standard, one part of it calls for all charity websites to have a privacy policy that's clear and easily accessible that includes certain basic elements, the four elements of notice, access, choice, and security. And one of the mistakes that we find that many charities make is that if they do have a privacy policy, they may even assume that, well, we use a third-party payer, like PayPal or somebody else, and they think, well, their privacy policy is ours, so we're covered. Well, no, not really. That covers PayPal. That doesn't cover the charity. The charity should have its own privacy policy, because their data is coming from PayPal, in terms of name and address.

And most websites also have other means to communicate with the charity beyond just making a donation transaction. You may be emailing them through the website or doing some other communication with them. And there are privacy rules that you hope the charity will disclose about how that information is going to be used. So that's important.

In terms of problems, in terms of online giving, one thing that we've seen that happens quite often unfortunately is after disasters, we see that disasters and tragedies generally attract questionable websites popping up, and maybe phishing emails and other types of untoward things that occur that donors have to watch out for in terms of online giving.

I also wanted to mention issues regarding third-party online giving platforms, because they're becoming more prolific in terms of more of them are coming into existence. And not all of them are always transparent, these platforms, as to really what's going on. And what I mean by that is some operate like donor-advised funds, where they have variance power over the gift. The gift

may not necessarily be transferred to the charity in the year that you're making the request, and some of these cause problems. And particularly, I know they compete with local United Ways in some cases and other things. But people may not be aware of the specific transaction possibilities that may or may not occur in the year that they make the gift.

The last thing I wanted to mention is a study that was done by another organization in the BBB family, the BBB Institute for Marketplace Trust, and this is called Cracking the Invulnerability Illusion. You can search for that name and access that report. And this talks about a study that was done of a survey over 2,000 individuals that identified what I would call optimism bias. And there is sort of an assumption that the most vulnerable populations, in terms of scams, whoever that might be, are going to be older and uneducated.

And in this survey that was done, it was found that actually, the problems were more prolific in that survey community amongst some of the millennials, rather than the older Americans. The older Americans were more skeptical, and the younger people felt, well, I know if it was an online problem, I could know when it's a problem. And they felt optimistic that they were able to catch issues when, in fact, more of them in the study were susceptible to scams than some of the older Americans. So we're all susceptible to risk, of course, when scams are concerned. But younger populations are also something that needs to be scrutinized more, because they're also more vulnerable than some people think.

DANIEL GORDON: Oh, Ben, just to follow up, after disasters, nobody makes websites anymore. They make GoFundMe pages.

BENNETT WEINER: That's true, too.

BOB CARLSON: And with that, we go to Daniel, of GoFundMe.

DANIEL GORDON: Thanks, Bob. And thanks to the FTC for inviting me to join this panel. Very-- it's not too crowded. I think the best way for me to add value here is to share with you an introduction to social fundraising, and what it is and what it isn't, and how we at GoFundMe think about trust and donor safety, especially over the past 10 months, 10 long months since I've been looking at the challenge myself.

So-- am I missing a slide?

SPEAKER: Green goes-- yeah.

DANIEL GORDON: OK. So I was hoping that there'd be a slide up here that was, what is crowdfunding? I'll just talk through it. So I've heard the term "crowdfunding" being used a bit this morning. And I think that it's a relatively vague term, and has a lot of different companies and industries sort of using that term.

So I'm going to offer a suggestion to you to think about segmenting up what "crowdfunding" really means. And on one side of the spectrum, I'm going to call it community crowdfunding, or giving. And on the other side of the spectrum, let's call it getting. And so you might have

GoFundMe, which is-- our campaigns are giving campaigns. I'm going to use a quote for a second, but the "donors," they're not expecting to get something back.

In the middle, you might have an Indiegogo or a Kickstarter. That's the getting stuff platform, where you expect to get your hoverboard that you really wanted. And then on the far side of the spectrum, you have getting money. And that would be the equity and debt crowdfunding platforms, such as CrowdStreet, Prosper, Lending Club. Kiva, if any of you are familiar with Kiva, could be seen sort of bridging a little bit of both spaces, sort of like low return getting money plus giving.

And so each of those different spaces that are currently being defined as crowdfunding have very unique characteristics and different challenges when it comes to trust and contributor safety. So now I'll go to the intro to us, to GoFundMe. I love our two mottoes that we have. It's one of the reasons why I took the job. It's, we give people the power to change their world. And then my personal favorite, which is see something, do something.

And I think that there's a great way to share how these two mottoes really work at the company is through one of my pet campaigns that I probably donated way too much money to over the last month. And that's the one that was started by a young girl who wanted to raise money to host a movie night for watching Hidden Figures for other girls who could not afford to see the movie. And maybe some of you-- I see some heads nodding. Maybe you read about that in the news or social media.

Her campaign alone was pretty amazing. She's less than 10 years old, I think, and hosted a movie party for other girls to be really inspired by this amazing film, who otherwise wouldn't have been able to see it. But then her campaign inspired several dozen other girls to offer the same movie nights for their schools and in their communities. And so I think that's a great example of both quotes that I have up here today.

I have some numbers here. I mean, there's been over \$3 billion given by over 25 million donors. And as a company, we are in Redwood City, San Diego, and we have some very small offices overseas as well.

Our business is deceptively simple. It's really just a social storytelling layer that's placed on top of a transactional payments layer. We've heard a lot about storytelling and a bit about donations and payments, like most recently from Amy, and some of the struggles that some organizations may have with bridging the gap between the storytelling and the collection of funds, for example. Here, and I'll just use, again, an example from my own life, we were able-- all we do is we just take the storytelling layer and we connect it to the payments layer so that whether you're a donor, whether you're GoFundMe, or an organizer, you can bridge the gap between your giving community and you as the storyteller.

And the example I can give is a read-a-thon at my local elementary school, where I think I was required to raise \$200 on behalf of my son [INAUDIBLE] to read as many books as he could. And so I could've taken to a blog or maybe an email list of my friends and family who I'm likely

to hit up for my son's read-a-thon. Let's not make any sort of presumption that he's the one who's doing the fundraising. And then I could talk about it, and then they could send checks.

But that's where we have the storytelling offline from the payment, and we can't really connect the two. I could just circulate a PayPal Donate button, perhaps, to my personal PayPal account, but then there's no story behind that transaction either. And so on GoFundMe, instead, you're able to create a campaign where my son could every day post a little video about the books that he read that day, and the grandparents and the aunts and uncles could all pitch in.

I'd like to calibrate a little bit, too, on, what is a typical campaign? And this probably doesn't apply just to GoFundMe. We are one of the largest platforms, but this would apply, I think, fairly broadly to other social fundraising platforms as well. There are some common campaign categories, and there are platforms out there that are very niche to these specific categories, and there are other platforms that are very general.

So we are a general platform. We have categories within us, but there are other platforms, like Funeral Fund, you can probably guess what they do. Petfunder, you can probably guess what they do. RallyMe, which is an athletics, like sports team sort of platform. Patreon was mentioned earlier today. That's for creators, the artists and whatnot.

But in our case, the majority of campaigns are created by individuals for their own benefit, or, say, for their immediate family member's benefit. And they're also very grassroots. So most campaigns raise three figures, and they're raising funds from donors just in their first-degree social circle.

So if you think about who is in your address book for an appeal, that is who they are asking as well. It's their equivalent. And there are some campaigns that are more successful than this, but I don't want to lose sight of the fact that those campaigns are the exceptions, not the rule, even though the availability bias there might be that, oh, like, every GoFundMe campaign is viral and is raising tens of thousands of dollars, when that's really not the case.

And the funds are deemed-- they're personal gifts, by and large. There are a small number of charities that can fundraise on GoFundMe's platform. They receive the funds and they're able to issue out receipts. But again, the vast majority of the campaigns are individual campaigns, and then of those, again, the majority of the campaigns are raising money on behalf of themselves.

When campaigns do break out from this first-degree social network paradigm, it's often because of either a press push, like maybe it was the local school teacher who was raising money for their daughter and the school rallies around the school teacher and then the news media rallies around the school. Or it might be on our homepage, which we have a vetting method, and then any campaigns that end up popping above the line, so to speak, those are all campaigns that have been pre-vetted and that are available for sharing sort of beyond that first social circle as well.

I'm not going to spend too much time on this slide. It's just an overview of our department. The medium to large-sized platforms, they all have trust and safety departments, risk departments, whatever you want to call them. Our mission at GoFundMe is to create and enforce layers of

trust between GoFundMe, its users, and stakeholders to prevent platform misuse and empower the GoFundMe community.

So there's three teams. This is how we've decided to address the issues. The trust team, they investigate and manage ongoing campaigns. Community management team, they enforce our terms of service. They moderate the content and manage what I like to call beneficiary risk. So that's any campaign where somebody is raising money for somebody else. I just call that a beneficiary campaign. And then we have a payments risk team as well.

So I'd like to spend the bulk of my time here, just the remaining few minutes on what I call the trust challenge. And this is the trust challenge for individual to individual fundraisers. There are some unique challenges to the social fundraising space. Again, this is different from the getting stuff campaign platforms, or the getting money campaign platforms.

I know that there was another presenter who had mentioned something about eBay-style reputation scores. I actually think those are really hard to do. You think about who would come back, who comes back to GoFundMe to create multiple "I have cancer" campaigns. Like, it's not- - I hope it's very rare.

And so the key to reputation scores in a shared economy is to have a dependable, repeatable transaction where the expectations of both sides can be easily identified and repeated. So eBay, Uber, Lyft, those are good examples where reputation can work really well, because if you get into an Uber, you have an expectation that you're going to go from point A to B in as safe and speedily a manner as possible. If you buy something on eBay, you expect to get the item as described in a certain amount of time.

It's different when-- and people are redoing it over and over, right? You have eBay sellers. You have Uber drivers. That's not how social fundraising really works, right, with some very rare exceptions. Maybe I'll use the platform next year for next year's read-a-thon. But otherwise, I'm not there enough for there to really be a solid reputation score.

It's laborious and intrusive to require manual investigation for every single campaign. Because the majority of campaigns are created by individuals raising money from their immediate social circle, the need to vet, I think, needs to be prefaced by a question of, for who, and why? And if I'm asking my son's grandparents and aunts and uncles for money, it would be a challenge, I think, for me to prove, and for the other tens of thousands of organizers in a similar situation to prove that their beliefs are honestly held, that they will do what they said they are going to do.

And third, and I think this is a challenge that's very unique to the space, is that good Samaritans, like that young girl who wanted to create a campaign for girls who couldn't afford to see the movie, that they may lack direct personal connection to a cause or to the people they want to help, but it's not necessarily fraud just because they lack that connection. Right? If I'm trying to promote see something, do something, then I want to encourage and protect those good Samaritans who see something and then want to do something. And I think that's something that- - it's a challenge that we face.

A fourth challenge is that around news events, there is a campaign velocity that can occur. If there's a shooting at a nightclub in Orlando, there will be multiple campaigns that pop up around that. If there is a police officer killed in the line of duty, there might be multiple campaigns, or at least multiple people who want to do something and help, or not help, but still try and take advantage of the system.

And then fifth trust challenge is that money does create controversy. We often see that the biggest fraud, if you will, is really by friends and family after there's all of a sudden now money there, where they never had any money before. And our typical users, in America, especially, this might be the first time they've ever seen \$10,000, and they were raising money for a funeral, and now their cousins and uncles all see that money too, and now there's a controversy.

But there are some unique platform characteristics that lend themselves to building novel solutions to these challenges. And this is where I think it's really critical that we have the technology and the ability to see what is available in social media and online and offline as well.

So first off, connecting to social media profiles is virtually required for sharing and receiving donations. If you don't share, you can't have people donate on these types of platforms. So how do you share? 99.9% of our users would connect to Facebook and share to their Facebook friends. But now they've connected to Facebook, so now they have a social media profile that's associated with their campaign.

Second, there are high barriers for someone who is going to defraud their first-degree social circle, which is who you ask in these situations. They're most likely to donate. And there are some instances where we've seen people who lie to their family, friends, community, media about, say, a medical condition that they don't really have. And that happens, and that'll happen whether it's on GoFundMe or offline.

Third, campaigns have similar themes and content if they're around the same event. So this is sort of like the flip side to the multiple campaigns popping up for a newsworthy event. If there's a-- again, I'll use the Pulse nightclub just as one example. Like, there are news stories that come up. There are images that are available. And there are only-- there's a number of named victims, and so there's language that's used for any campaign that's going to be created around that event.

And finally, funds can be held, refunded, distributed in a variety of flows, unlike, say, a check that's written, or if someone donates on a PayPal button.

So really quickly, the solution here I think is to leverage platform characteristics, like I described, to build trust features. So first off, let's leverage the rich social identities and surface those to donors and to the platform for their own back-end tools. If people are connecting to their social media profiles, then we know who the first few donors are. Are they Facebook friends? Are they coming in from a share? Are they coming to GoFundMe from some other place?

Number two, the social proof, as I call it, that's derived from this early donor activity is very useful to surface. And this can give donors choice and transparency. It gives a platform like GoFundMe the ability to recognize when family members are donating, and if family members

are donating first, or if it's strangers that are donating first. That would be very strange behavior, and we would know about it.

Third, we can build, and we have built, machine learning models to identify high-risk campaigns, both from internal and offline data, whether it's on Facebook or otherwise, including all the other social media platforms.

Fourth, a platform can investigate and review campaigns from user reporting, and identify and make it easy for users to contact campaign organizers and contact the platform as well.

And then last, I'll say that we can build the product, and we have tried at GoFundMe to build the product and our policies to guide organizers to the safest choices and to protect donors. So we can guide an organizer through the product to clear plans for what they're going to do with the money, for transparency and repeated updates to donors and engagement with donors, and for safe withdraw flows, so if they're not the one who they're raising money for, they can send an invitation out to the right person and that right person can control the funds directly.

And on the donor side, we've launched a GoFundMe guarantee which protects donors and offers a refund to donors, which I think is first in the industry. And we made it very easy for donors to ask organizers questions, ask GoFundMe questions, and made it very easy to report campaigns to GoFundMe.

BOB CARLSON: Hey, Dan, a quick question. Go back to your slide real quick. For number, I guess two and three, where are you getting the data from to do that?

DANIEL GORDON: So when users connect with Facebook, just like you would-- I'm trying to think of another example, like there's a variety of webpages where instead of creating your own username and password, you just connect with Facebook, right, or you connect with Google+. That's pretty common these days.

And when you do so, the next page that pops up says, like, GoFundMe would like access to your email address, your profile picture. And then again, that's very common when you do these sorts of social media connections. And so that's where we're asking for the permission. They can decline it or they can approve it at that point in time.

And so from there, we marry that with referrals, for example. That would be like one way to do this, so that if we know that if a individual shares their campaign on Facebook, and then someone else clicks on a link from that share, and then that will direct them to go GoFundMe, we would see that in a referral feed, for example. So we could see, oh yeah, so here's this individual. They came directly from a first-degree Facebook share, and so they are Facebook-- at least we know, at that point, that they're Facebook friends. Like, that would be one example.

BOB CARLSON: Technical question. Is there a method by which somebody can get a tax donation-- tax deduction for a donation made through GoFundMe?

DANIEL GORDON: Only if the fund's admin is a charity. And then there is-- depending on the platform, so we also-- there's a couple different ways to do that. But the common way is through Network for Good or Giving Fund, one of those platforms. And then they would operate the back end, and then we would connect the charity directly, and so the charity just receives the money directly.

BENNETT WEINER: OK, I'm going to give my two, three minutes on crowdfunding. And one, I wanted to compliment Daniel and GoFundMe for being active and focusing and being proactive in encouraging trust and also trying to clamp down on abuses. I hope all crowdfunding sites will do the types of things that you talked about in your presentation today.

One of the challenges, I think, for the donor perspective is that charities can be checked. You can go to sites such as ours to find out whether they meet standards, or get more information in other places. It's much more difficult to verify the veracity of individuals who are posting stories online. I think that's always going to be the case. There's going to be an element of risk in crowdfunding in general, that over time, I don't know how it could be addressed, but it's always going to be there.

The deductibility of gifts to individuals, as most of you know, you can't take a tax deduction as a charitable gift if you're directly giving for a specific individual. And that's a fact that sometimes is not transparent on some of the crowdfunding sites. Even though it may be there in the caveats at the end of the sites, in terms of things they're letting people know they need to be mindful of, I was hoping that sites would be more upfront about that.

And as Bob Carlson reminded me, yes, after a disaster or tragedy, one of the things that we see is crowdfunding stories pop up about individuals who are victims of a particular tragedy, or their families, asking for help and funding. And we also, unfortunately, see those who may be using photos inappropriately, and have no connection to the family who are trying to raise money. I would say most are well-intentioned, but some of them are trying to raise funds under inappropriate purposes.

What we have seen in terms of our own experience is that some of the specialized crowdfunding sites that are run by 501(c)(3)s, I think have been particularly effective with vetting. And what I mean by that, two examples, is globalgiving.org, which vets and posts various projects for development and aid projects, as well as donorschoose.org, which enables people to give to projects and public schools, to fund teacher projects and so forth and so on. And I think with their experience and knowledge in those respective areas, they've developed mechanisms to check out the things that are posted and do a little bit more verifying. So I think, in terms of donor trust, I think some of those sites provide a little bit more assurance to some individuals when they're contributing for those types of things.

And unfortunately, not all the crowdfunding sites operate like GoFundMe. There are some distinct differences between them, in terms of things such as when the money gets to the party that is raising the funds, and if the goal is not reached, what happens with the funds, and what administrative costs there may be in the transaction and so forth. So the other thing that we

encourage donors to do is to read the fine print so that you don't make the mistake or assumption that all these sites are operating the same way. They're not.

BOB CARLSON: OK, David, you're up.

DAVID HESSEKIEL: All right. Well, this is a hard act to follow, a whole bunch of them. This is actually a historic occasion in my life. I grew up-- I'm a terrible athlete. I played on Little League teams as a kid, collected a lot of splinters. This is the first time I'm batting cleanup. So this is really big stuff.

And to further mutilate that metaphor, I'd like us all-- if you're like me, you had a nice lunch. You've been sitting for most of the day. Let's take a seventh inning stretch. So please, rise. Wake up. Because I'm the worst. I fall asleep in these things all the time, and I would love to have at least half of you awake.

All right. Good. Here we go. So this has been so educational for me, and such a different set of circumstances on the first three, Amy perhaps being in more wild territory, uncharted territory in a sense, because what I'm talking about is first of all, not just talking about charities, although we had the whole individual situation here with GoFundMe. So that's a whole new territory. But also talking about-- people use the term "cause marketing," and it means a lot of different things to a lot of different people.

In the spirit of disclosure, which is such a big part of what we've all been talking about today, I want to share a little bit about where I come from. I have been working for about 17 years. I have my own company. We produce conferences on different forms of fundraising and marketing.

One of them has been called the Cause Marketing Forum, recently changed to Engage for Good. And I believe-- the reason why I enjoy this work and why it's a mission-driven organization is I believe that under the right circumstances, companies can do well by doing good, that embracing causes as a way of achieving business goals as well as social goals are not mutually exclusive, but that there are right ways and wrong ways of doing it, and forums like this are here to help us all find the right ways.

So if you are a "big business is bad from the get-go," then there's still more cookies at the cafeteria, because you're not going to like my presentation.

The Big Bang in the world of cause marketing took place in about 1983 with American Express. And it's almost mandatory in every cause marketing presentation that this slide appear. So I'm not one to buck precedent.

This is the campaign in which American Express said, you know, maybe we can generate card sign-ups, card usage, and a lot of good will by, instead of appealing with points or with prestige-- membership has its benefits-- we could actually get people to use our card, sign up for our card, by telling them that every time they do so, a contribution will be generated towards the renovation of the Statue of Liberty and Ellis Island. And out of that has grown numerous, numerous campaigns since, using this transactional "do this, we'll give that" concept.

That, however, is not the only way that companies get involved with causes as a part of how they conduct business. And I was lucky enough-- it's now five years ago-- to have coauthored a book with Philip Kotler and Nancy Lee called Good Works! And the idea in it, the seminal idea in it, was that there are a spectrum of different ways in which companies can achieve business goals simultaneously with social impact goals.

Cause-related marketing is what we call that transactional type of campaign. Cause promotion would be using the company's resources to make people aware and to get them involved in social impact type of activities. A classic example of that, which we actually do-- which could have been the focus of today's presentation, but we're waiting till next year's get-together for that, would be point-of-sale fundraising, where you go into a store and they say, would you like to add \$1? Would you like to leave your change? Would you like to round up? But it goes way beyond that. There are many different types of communications.

Corporate social marketing-- the goal is to change behavior. Stop smoking, eat better, recycle, et cetera. A famous campaign that I've been fond of that's been going on for years is that many people die unnecessarily in household fires whose smoke alarms aren't working. So the Eveready battery people, or Energizer battery people created a campaign, when you change your clocks forward in the fall, or back in the fall, you-- no, fall forward.

- Fall back, spring forward.

DAVID HESSEKIEL: Fall back. Clearly this is a lousy campaign. It had no effect on me whatsoever. I don't know what I'm talking about.

Anyway, if you change your clocks, change your battery. Next slide. OK.

Those three are the most associated with marketing types of goals. The other three, usually considered to be working more on the corporate level, corporate philanthropy, which now almost you inherently would say strategic corporate philanthropy. How can you be giving in a way that in some way, although it's not self-aggrandizing in directly building your business, you know, why are so many technology companies supporting STEM education? A variety of reasons. One of them is, gosh, we need some people who actually can do the work that keeps our company going.

Workforce volunteering-- in an era in which how many of us will-- I have two girls in their 20s. By the time they're my age, how many jobs will they have had? Very few people are ever going to have the 30 years, gold watch, and you're out experience. How do you build esprit de corps? How do you get people engaged? Getting them involved in social projects is often a good way of doing that. Workforce volunteering is that bucket.

And then socially responsible business practices-- what are you doing beyond what the letter of the law requires you to do on things like how you source your products, how you protect the environment, how you treat your labor, many other forms like that?

So just wanted to be clear, there's a lot, and it's a very exciting time in terms of how companies are embracing social projects and even building entire businesses. Toms Shoes would not be on anybody's feet if they hadn't had that clever idea of contributing shoes and now other types of products when you make a purchase of their product.

There's a lot going on. However, we're going-- and that's why we changed the name of our company, because people thought we were only talking about the one kind, which was buy this, give that. We're Engage for Good.

We're going to focus, however, on the thing that got us all started, because in this context, and with the limited time, this idea of this is a regulated area, cause-related marketing, what is going on in this area which originally was just, buy this and we'll give, now it's like this, all sorts of different activity that are supposed to stimulate a presentation. I mean, I'm assuming that most of you-- how many of you actually work in the charity bureau or the regulatory bureau of a state?

[PHONE RINGING]

One of you is calling me right now. This is ridiculous.

So the last thing I'm going to do, and by the way, I reached out to many-- several of my friends, some of whom are in the room with us today, to give me background. I am not going to give you a primer on the most intricate aspects of what are going on, but having watched this for 15 years, a few perceptions.

So one thing is that this is-- it started with American Express. It's going on in numerous categories. The classic would be this Dannon campaign, buy this, and it will generate a dime that we'll give to cancer.

One of the few regulatory enforcement programs that everybody has talked about over the years was that when Yoplait was originally doing this, it was obscure as to what the impact of it was, or exactly where the money was going, and how it was working. Well, now folks know. They don't always comply that they should be disclosing, and the Better Business Bureau certainly gives great guidance on that as well. A lot of this is still going on in the packaged goods arena.

Not all of these campaigns are national. Roswell Park is a cancer institute upstate New York. They partnered with Dunkin' Donuts. It happens at the retail level as well.

It's not just food and drink. A massive campaign, we've really been impressed over the years with Subaru. During a one-month period at the end of each year-- I think this was the ninth time around the track for them this year-- if you buy a Subaru, they will give \$250 to your choice of-- usually they have five charities that you can choose from, and then each dealer also gets to pick one local charity. They just reported how much the 2016 end-of-year campaign raised-- \$24 million. Very impressive campaign.

There are businesses. I mentioned Toms before. Box Lunch is a retailer I hadn't even realized until they entered our Halo awards which we do each year. We just judged back in February.

Box Lunch sells products that are linked to popular culture. Every single sale of \$10, they give a dime, basically, that buys-- there's a formula that was used by Feeding America to say that it costs them 10 cents to deliver a meal. And they give a meal-equivalent donation every time you make a purchase of that amount.

And then some of these things happen quickly. Patagonia, which if you put a gun to their head, would say we do not do cause marketing. I mean, they are an amazing company led by an idealistic and inspiring leader. But this year, they said that if you shopped, I think it was on Black Friday-- or whatever it's called, the day after Thanksgiving-- if you shopped on that day, we're going to give 100% of our sales in our stores to 1% for the Planet, which gives it out to environmental groups. So just an incredible spectrum of programs that are being done in many categories in many ways.

And at the heart of this, as you all know better than I, is this concept of commercial co-venture, the idea that a company is in a business relationship with a nonprofit and that they are going to follow the regulations that are extant in a number of states to make sure that this is on the up and up.

Now, I have been watching this, as I say, for 17 years. And I'm a former newspaper reporter. So I kind of have a gotcha attitude about-- and when I am interviewed by people in the press when it's Breast Cancer Month or what have you, they're always saying, tell me about the really awful, terrible, fraudulent commercial co-venture-- they don't use CC, you know, cause marketing campaigns.

And the honest truth is, and maybe you're going to give me all sorts of material for my next book, we don't have-- we have regs on the system. We don't have many people there to enforce them. There's not a lot of really egregious, awful transactional cause marketing going on that at least is on many people's radar screen. I always am asking about whether something has been-- there's been a big regulatory-- where there's somebody gotcha, where there's somebody-- it's not there.

But certainly things can go wrong, and it's important to have guidelines in terms of how this activity should work, because of a variety of things that could be happening. One which happens all the time-- usually, again, I'm erring on the side of saying, a lot of people, when they think that they're doing something good, they kind of throw the rule book that they would use about how they run their business and how they contract everything that they do commercially out the window, because they're doing good. And they get mad, in fact, when the charity says, I'm sorry, you didn't ask our permission to say that every time you buy a cheeseburger on Wednesday, it's going to generate-- we have to have a contract.

So I don't think that a lot of malicious, fraudulent, "we're never going to give it to the charity" stuff goes on. But there's certainly that possibility. And then, of course, even worse would be that they don't even make the promised donation. And again, I think, having run Cause Marketing Forum for 15 years, if people were being defrauded on a regular-- if organizations were being defrauded on a regular basis, somebody would have made some more noise about it. But again, I'm looking forward to the Q&A about that.

The second is, what else can go wrong is that the business is deceiving consumers, that they are making a misleading offer, that they're not being transparent. And here I would say that they're-- as much as at least I, who have been following this for years, know, that we talk about the agreement among the states' attorneys general, guidelines, the Better Business Bureau guidelines in terms of transparency, in terms of saying it's not enough to say a portion of the profits will go. That is done all the time, again, often by people who either they don't want to disclose business data or they don't really think about it all that carefully.

So there are challenges out there, and we should be keeping an eye on them.

BOB CARLSON: David?

DAVID HESSEKIEL: Yeah.

BOB CARLSON: Let's take it back a step. So we're talking a lot about story here. How do you ensure in the campaigns you help with that the public perception of the story that is told is actually what's going on between the two companies or the three companies involved in the actual--

DAVID HESSEKIEL: So just to take-- I actually am not a consultant in the area. I'm a convener. And so I bring people together. But I-- what we-- a great example-- usually I would try to use fear as the greatest motivator, in this sense. This is a great example.

So I know a wonderful team of people who work at a sporting-- I don't want to name them here-- sporting goods company, very dedicated to helping a particular disease for years. A reporter did a story on them, went up to-- one of the rare people who actually goes up to the state house or somehow gets access to see whether they filed. They hadn't filed.

I know the people involved intimately. It was a sort of, oh, I thought you had got-- they thought the legal department had done it. The legal department thought they had done it. But there they were, in a major periodical in their area, looking. I mean, they've given, or generated, millions of dollars for this. The story, at least for a few weeks, was, oh my god, they tried to pull a fast one, where it was a few thousand dollars in legal fees that would have eradicated that.

So most of the time, you know, I think Tiffany used the New York Times example. I still remember the days of Mike Wallace, and it was the 60 Minutes example, but it's the same idea, is really saying, gosh, you should tell the story. First of all, the stories are amazing, if told the right way, and can be very effective. And you don't want to be cute about it, because you're going to end up taking something that is potentially very good for your business and very good for society and could be one of the proudest moments in your career in terms of what you've done, and the story becomes that you didn't file the paperwork.

So that's really how I generally approach it when people say it's a pain in the neck. And that kind of gets me to the next slide.

So I don't know what's going wrong, and we'll talk about that some more. From a personal point of view, and in a time of-- who knows what the federal budget will look like when it finally is passed? But I don't think there's going to be a lot more money for social services and fighting disease and all the things that we're concerned about.

And well-done, well-conceived, sustainable programs of this type, I'd like to see more of them. I'd also like them to be more transparent, so that the discussion is not about how well-intentioned companies screwed up, but that everybody is playing well. And I think it's much more effective in this environment with social media. You can get pilloried for an error inappropriately.

I also want them to be more transparent, so that if there are bad players, it's more obvious to all of us, and we can go after them. And I would love to see a world in which there are systems in which we actually have the resources to actually be policing this in a way that's meaningful, which is not meant to be a criticism of anybody. I think it's really hard with limited resources and lots of activity going on, because from what I'm gathering, we have the multistate system, and I know that there are efforts within NASCO to try to unify it. You know, I don't know that it's helping anybody to have it be-- it's basically created a cottage industry for some wonderful lawyers and companies to file a lot of paperwork that I don't think is protecting us particularly well.

I'm looking at Bob because I don't know him very well, and I think he may either be saying I cannot believe we had this rube on our panel, or he may be agreeing with me.

I would also love to see a system that is unified. And in this era of social media, where one could easily find it out, I mean, I doubt-- if anybody here has easy access to filings online in a modern way that I could be accessing, I would love to know about it. But right now, I don't think that it's all that easy. How great would it be for anybody to truly live up to the 21st century ideal of everything is available? There shouldn't be anything hidden. It's in one place, and you go look it up.

It was so nice, I was talking with Professor Osili early in the day, and she was saying, oh, I'm so glad to meet you, because I want to get statistics on cause marketing. I was going, ha! Because there is no central repository for all of this information. It's a lot of apples and oranges information. It would be cool to have that.

And then again, also, I would love for the system to be growing with the new modalities that are coming on in terms of online programs, social media programs, all of the new things that we're anticipating. So I'm in the camp of those who could see the benefit of a unified system. And that's my spiel for right now.

BOB CARLSON: Thank you. Bennett? You can--

BENNETT WEINER: I don't know. Is it safe?

BOB CARLSON: It's safe.

BENNETT WEINER: OK. So I'll go quick so we have time at least for a few questions, I hope.

One of our standards that David mentioned, and I thank David's organization, Engage for Good, for encouraging the people that participate in its activity to be aware of this standard and this transparency disclosure. If organizations engage in this transactional type of activity in which a portion of the price of an item sold in the marketplace is going to help an organization, our standards call for specific disclosure.

That includes three things. One, the actual anticipated amount of the purchase that's going to go to the specified charity, and, if applicable, the duration of the campaign, any maximum or guaranteed minimum contribution amount. And as the sample disclosure in my slide says, you can collapse all of that in one sentence. "Five cents contributed to ABC charity for every XYZ company product sold during the month of October up to a maximum of \$200,000."

Now, the reason that we have some of those components in there is to help protect the individual to know exactly what's going on, because if you have a product that has a long shelf life, like a can of soup or some other product, like a cereal box or something like that that could be on the shelf for quite a while, the campaign may be over, and if there is no duration of the campaign that's on the box, if there is one, people may think they're still helping the charity when they're no longer doing that anymore.

And I think David already mentioned the problems that we see of vague disclosures. A portion of the profits will go, or all profits will go. There's no way for a consumer to know what that amount is going to be, so that's almost like not having any disclosure at all in terms of transparency.

Now, again, we're talking about transactional type of activities. I'm not talking about situations in which a company is just announcing that it's made a large gift to a specified charity. That's not a transaction disclosure. That's just an announcement of its generosity.

There are organizations that do meet this particular standard, and over the years that we've been applying it, some have been very, very loyal to it. And I know I'm going to embarrass him, but David Mulvihill from Make-a-Wish Foundation of America, who has a lot of cause-related marketing campaigns to that organization's success, contacts us, and his staff, quite frequently to verify certain disclosures, because very often, they have to negotiate with the company to get a disclosure that satisfies both parties. But they're also mindful of this particular standard, as are a lot of the other charities that we report on.

BOB CARLSON: Thank you. Questions? You.

AUDIENCE: We regulate [INAUDIBLE] and we do collect data and make it available to the public via our internet site, both archival data and current campaign data. Where I see a lot of the noncompliance here is with national retailers or national restaurants that are partnering with global booster groups, that are legal is not talking to the booster group, or perhaps the regional and local [INAUDIBLE]. They're doing this just simply unaware of the reporting requirements. So speaking for Hawaii, that's where I see a lot the [INAUDIBLE]. If your local pizza chain is

part of a worldwide chain that is partnering with a Little League team, it's just simply not aware of the requirements.

DAVID HESSEKIEL: I'm going to-- can I ask for a legal-- let's see how many legal opinions we can get from how many lawyers are here. And I will never BS you. I'll tell you what I know and what I don't know.

So if a local-- let's say there was a chain called Domino's and they were doing this in Kansas with a local-- the affiliate, the franchise in Kansas was doing it with the local Little League team, only in the state of Kansas. They wouldn't be required to-- just because they are part of a national organization, would they have to report this in Hawaii?

AUDIENCE: They would not report to Hawaii, but if they're donating 10% of the night's sales in Hawaii to the Little League team, they would.

DAVID HESSEKIEL: In Hawaii, they would. Yes. So on a state-by-state basis, yes.

AUDIENCE: Correct.

BENNETT WEINER: Yeah, and also I, to use example, one of the problems that we've seen over the years is not just the restaurant helping the Little League, but sometimes the restaurant helping the Red Cross, with no permission asked, just because there's a disaster somewhere and they want to do something. And they're well-intended, but they don't realize one, you got to get the permission of the American Red Cross, as well as the state regulatory authorities, in terms of whatever registration requirements they may have.

BOB CARLSON: OK, another question in back.

AUDIENCE: [INAUDIBLE]

BOB CARLSON: So if everybody at home heard that. What does GoFundMe do when there's a suspected illegitimate organization or person using your site?

DANIEL GORDON: Sure, so if I can start on the intake for a moment, just that-- there is reporting that we can get from a user, and they can report a campaign on the campaign page. We also have some back-end processes that allow us to see on about, I think maybe 10 different social media platforms at this point, anytime anyone is talking about a GoFundMe campaign anywhere, even if it's not on GoFundMe, they never report it to us, we can still ingest that. So we're scouring, looking for people who are talking about GoFundMe campaigns too a little bit.

What we will do is we have a team of investigators whose entire job is dedicated towards following up on those types of reports and that intelligence, and they would immediately look at the campaign. They can do a fact checking on the campaign, on the social media profiles behind the campaign, on the donation activity. And we have several dozen sort of indicators of risk, I'll call them that. And what signals, what indicators are surfacing to them, and what aren't.

We can ask for-- often we'll be pausing withdrawals and not allowing an organizer to withdraw funds, and ask follow-up questions of the organizer, require them to post some additional transparency on the campaign page, depending on what the context is. It's very context-specific.

But at a minimum, we can control the flow of funds out and pause that. We can utilize our technology and our tools to identify and step-up authenticate the individual, if necessary, to determine that they are who they say they are. And we can follow up, whether it's donors or with the individual or with the beneficiary, until we're satisfied, basically, that the individual is who they say they are, and that there's legitimacy behind their story. And then we could release the funds or if we can't, we'll refund all the donors immediately.

BENNETT WEINER: If I can add to that, if someone came to us with allegations of fraud, we would encourage them to contact their attorney general's office in their state to report it. The other thing I would mention is that I referenced earlier the BBB Scam Tracker program that we have, where if someone had come in and make an allegation, if they think that they've been defrauded somehow, that database is shared with the Federal Trade Commission Sentinels program. So they have access to the data, and there's a privacy disclosure that will be shared with the FTC for those that are entering that type of a scam allegation. And that would be true of not only business scams but also charity scams as well that they're alleging that would be shared with the FTC automatically.

DANIEL GORDON: And we use the Scam Tracker as well. If there's any crowdfunding-related mentions there, we'll know about them.

BOB CARLSON: All right, folks, we're out of time. Thank you very much. We had a wonderful panel.

[APPLAUSE]

[SIDE CONVERSATION]