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### Online Fundraising in the Human Services

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# Online Fundraising in the Human Services

Jerry D. Marx

**SUMMARY.** This paper examines emerging possibilities for use of the Internet in human service fundraising. Human service managers must compete for limited funds with their counterparts in educational, religious, health, and other nonprofit organizations. There is enormous potential for raising funds over the Internet; yet, this approach to resource development may not be appropriate or effective in some instances for certain human service agencies. The selection of fundraising approach must be consistent with the organizational context in which it is used. This paper provides examples of cases where use of the Internet may prove to be an effective method for human service fundraising. It also examines cases where use of the Internet may not be a good match for the organizational context, whether in terms of ethics or dollars raised. [Article copies available for a fee from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: <getinfo@haworthpressinc.com> Website: <<http://www.haworthpressinc.com>>]

**KEYWORDS.** Internet, online, fundraising, human services, technology

The distinctive challenges faced by managers in private nonprofit human services are increasingly recognized. These include fundraising in a time of increased demand for services and decreased public

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137

support; motivating volunteer governing boards; volunteer recruitment in the era of two-income families; and measuring outcomes when the product is "a changed human life" (Kelly, 1998; Drucker, 1990). Given this complexity, there is a growing body of literature on nonprofit management. It is expected that this emerging literature will increasingly address the use of new information technology for a variety of purposes including financial management (billing, budgets), case management (client case histories and other documentation) as well as fundraising.

In terms of human service fundraising, new software can help administrators manage information regarding donor gifts and pledges, prospective donors, receipts, and related reports and letters. The new software can be used in various types of fundraising: planned giving, special events (walkathons, auctions, etc.), major gifts, direct mail, capital campaigns, telemarketing, grant proposals, and membership development. CD-ROMs can be purchased that list board affiliations and biographical information on thousands of corporate, foundation, and nonprofit board members. CD-ROMs are also available that profile thousands of corporate and foundation giving programs. Furthermore, databases in DOS, Macintosh, and Windows versions provide information on federal grant opportunities as well as private and corporate foundations (The Chronicle of Philanthropy, 1998).

Yet only a few publications in the nonprofit management literature (Allen, Warwick, and Stein, 1996; DeAngelis, 1997; Finn, 1999; Johnston, 1999; Kelly, 1998; Miller and Strauss, 1996; Zeff, 1996) explore the potential impact of using the Internet for resource development. Today, development staff can participate in online discussions of fundraising through the Internet. There are World Wide Web sites that focus on specific fundraising methods such as planned giving and grant proposals. Other Web sites offer links to hundreds of foundations, while others provide data on federal grants (The Chronicle of Philanthropy, 1998).

The purpose of this article is to assist human service professionals involved in fundraising in examining the emerging possibilities and limitations of online fundraising. Although there is enormous potential for fundraising over the Internet, this approach to resource development may not be appropriate or effective for all human service agencies. The selection of a fundraising approach must be consistent with the organizational context in which it is used. In other words, the

choice of fundraising methods must be an extension of the organization's mission, long-term objectives, and program development strategies (Howe, 1991).

### ***ORGANIZATIONAL CONTEXT***

Too often in human services, professionals responsible for raising funds proceed with the "cart before the horse." That is, they pursue funding opportunities and strategies with little regard for organizational context. If they are lucky enough to obtain a large grant, for example, they then try to adjust the organization's mission and long-term objectives to coincide with the terms of the grant. Former low-income "housing" agencies become "substance abuse treatment" facilities overnight. Such an approach leads to vague organizational missions, conflicting and irrelevant long-term objectives, confused board members, high staff turnover, and poor quality (Drucker, 1990; Howe, 1991).

A more professional approach to human service fundraising starts with an organizational mission that identifies the agency's purpose (what it does for whom) and related agency values (Howe, 1991). The mission is based upon an assessment of community needs as well as organizational strengths and weaknesses. Long-term objectives are established to fulfill this mission and programs are then developed to achieve the organization's objectives. Only after this foundation of planning is completed should human service fundraisers consider various fundraising approaches-including the use of the Internet.

#### ***Emerging Online Fundraising Opportunities***

Once a human service organization decides to develop a program, typical sources of funds include individuals, government agencies, corporations, private foundations, and other nonprofit service organizations like United Way of America. These potential funding sources are traditionally solicited through one or more ways: written proposals, direct mail, telephone appeals, special events (auctions, raffles, etc.), and planned giving (bequests, etc.). Human service organizations are now starting to add a new medium to their portfolio of fundraising approaches-the Internet. The Internet can be used at every stage of the development process: identification, cultivation, solicitation, follow-up, and finally, stewardship (Kelly, 1998; Semple, 1993).

*Identification.* First, potential funders need to be identified. This often takes much background research by fundraising professionals. The great strength of the Internet is the easy access to unlimited information throughout the world. This information includes the formal funding priorities of thousands of foundations, including private, community, and corporate foundations. In addition to foundations, many corporations make donations directly to nonprofit organizations. The funding priorities of these corporate “direct giving” programs can also be found on the Internet. Furthermore, some Web sites include news of actual grants recently awarded by foundations and corporations to various nonprofit organizations. For example:

- The Foundation Center maintains a World Wide Web site [<http://www.foundationcenter.org>] that provides links to over 600 grant-maker Web sites (The Foundation Center, 1999).
- The Philanthropy Journal Online [<http://www.pj.org>] provides news articles on a variety of philanthropy topics including recent corporate and foundation grants (The Philanthropy Journal Online, 1999).

*Cultivation.* The next stage of the development process is the “cultivation” stage. Once prospective donors have been identified, these prospects need to be informed about the human service organization prior to solicitation. Donors are more likely to give to groups and causes with which they are familiar. Once interested in a specific human service organization, prospective donors may choose to get further involved in the organization, perhaps through volunteering or membership. A 1996 survey of giving and volunteering in the United States, done by The Gallup Organization for the Independent Sector, indicates that those who volunteer in human service organizations are five times as likely to make a donation (Marx, in press).

The Internet can be used as one of several ways to cultivate prospective donors (Johnston, 1999; Allen, Warwick, and Stein, 1996). Nonprofit organizations are increasingly establishing Web sites on the World Wide Web. These Web sites provide much more information about the human service organization and its cause than can be provided in most direct mailings or agency brochures. An informative Web site will provide information on the organization’s mission, history, facilities, board of directors, executive director and other staff, agency finances, and specific programs and services. What is more,

the Web site should allow potential donors to get further involved with the organization as volunteers or advocates. For example:

- The American Red Cross Web site [<http://www.redcross.org>] offers detailed information on all of its many programs, including the latest news on current disaster relief services. This information is complemented by color photos of people assisted by these services. The agency also offers a virtual tour of its museum and a “this month in history” calendar with historical facts about the Red Cross. For disaster relief, there is a “How you can help link” with a “give your time and skills” option for those interested in volunteering (The American National Red Cross, 1999).
- Second Harvest [<http://www.secondharvest.org>], the nation’s largest chain of food banks, attempts to build interest in the organization by providing an online version of its magazine and the results of its quadrennial survey on hunger in America on its Web site (Demko & Dundjerski, 1998, p. 39).
- Similarly, the Enterprise Foundation [<http://www.enterprisefoundation.org>], which promotes neighborhood development in Maryland, publishes an online magazine that highlights people and organizations involved with various community projects (Marchetti & Wallace, 1997).
- Some organizations, particularly advocacy organizations like the Rainforest Action Network [<http://www.ran.org>], give their visitors a chance to get involved with the cause by providing contact information on individuals or institutions that are the target of advocacy campaigns. Better yet, some organizations enable their supporters to send an e-mail or fax a letter directly from their Web site to a politician or company on a specific issue (Johnston, 1999).
- Amnesty International [<http://www.amnesty.org>] uses its Web site to sign up supporters for specific campaigns, such as the 50th Anniversary of the Declaration of Human Rights. Supporters signed an online petition that was later presented to the United Nations (Johnston, 1999).
- Two advocacy groups, Third Millennium [<http://www.thirdmill.org>] based in New York and Economic Security 2000 Action [<http://www.economicsecurity2000.org>] based in Washington D.C., co-sponsored an online march on Washington in January of 1999. “The Billion Byte March,” as it was called, asked supporters to

sign an e-mail letter regarding social security reform. The e-mail messages were then sent to Congress and the White House en masse to coincide with the President's State of the Union message (Economic Security 2000, 1999; Demko, 1998).

*Solicitation.* After the prospective donor is acquainted, preferably even involved, in the human service organization, that person may be ready to make a financial gift to the agency. Although it sounds obvious, those that are asked to give are much more likely to make a donation. "The ask," therefore, needs to take place. Most donors start out making relatively small contributions, often as part of an organization's annual giving campaign or through special events.

The Internet can be a useful solicitation vehicle for small donations from individuals (Johnston, 1999; Zeff, 1996). An effective site on the World Wide Web will provide the prospective donor with several options for giving. The first and fastest way is to donate online using a personal credit card. Although many people are still apprehensive about sharing personal credit card information on the Internet, it is expected that this fear will dissipate as ever more secure transaction methods are developed and as the practice becomes a common part of our culture. The successful online bookstore, amazon.com, has 1.5 million customers and no record of credit card security problems (Johnston, 1999).

However, for more cautious donors, the Internet can facilitate more traditional giving by telephone or mail. For those who wish to donate by phone, the Web site may provide 1-800 telephone numbers with English and Spanish (or other language) options. For those who prefer to send a check or pledge card by mail, the best Web sites provide a contribution form to printout as well as the organization's mailing address. To illustrate:

- The American Red Cross does all of the above on its World Wide Web site. In addition, since it is a national organization with many local chapters, the Red Cross gives the potential donor the option of giving directly to the national office or to a specific local chapter. In the latter case, the Red Cross helps the donor to find the address of the nearest chapter by asking the person to enter their local zip code (The American National Red Cross, 1999).



For those apprehensive about the use of credit cards online, about 150 nonprofit organizations around the nation are now allowing supporters to make pledges online that are charged to their telephone bills. The telephone company subsequently makes the donation directly to the charity. In this way, the donor's credit card number does not have to be given out online (Blum & Hall, 1998).

Memberships are also used by many human services to generate revenue to support their programs. The Internet can enhance membership recruitment also. The Web site can be used to describe the benefits that individuals receive as a result of their membership contribution. Color photos can show the attractive merchandise that members receive, including items such as magazines, t-shirts, computer screen savers, or bumper stickers. Individuals (or other organizations) simply make their membership contribution in one of the several ways described earlier-by credit card online, phone, or mail. Examples of organizations that have used the Internet to boost membership include:

- The Gay, Lesbian, and Straight Education Network [<http://www.glsen.org>] based in New York works to eliminate homophobia in schools all over the country. The group recently found that about five percent of its membership first found out about the organization through the Internet (Demko & Moore, 1998).
- The World Wildlife Fund USA [<http://www.worldwildlife.org>] averaged 70 new online memberships per month from April of 1997 to April of 1998 (Johnston, 1999).

Another way for human service organizations to solicit donations from individuals is through special events. Auctions, raffles, walkathons, road races, home and garden tours, bake sales, car washes, fashion shows are all traditionally used by human service organizations to raise funds for programming. The Internet is increasingly used as a vehicle for conducting auctions. Human service organizations can either list their items with an online auction house or create their own online auction site. An online auction house will typically charge a commission fee (ranging from 2.5% to 5.0%) and many also charge a small listing fee (Johnston, 1999). For most human service organizations, however, the auction house will generate more potential bidders and pay for the expensive cost of advertising on major search engines such as AltaVista and Yahoo. Although some online auctions may end

up losing money (like any special event), some examples of successful online auctions include:

- Operation USA [<http://www.opusa.org>], an international relief group headquartered in Los Angeles, raised \$135,000 in a combination live and online auction in 1997. Over 100 of the bids were placed online (Demko & Moore, 1997).
- Ken Margolis Associates manage the “Artrock Auction,” which raised \$15,000 for the Save the Earth Foundation [<http://www.savetheearth.org>] (Allen et al., 1996).

*Follow-up.* After the “solicitation” stage of the development process comes the “follow-up” stage. Follow-up is crucial to successful fundraising. Prospective donors need to be reminded of their pledges. Donors need to be thanked after sending their contribution. The entire process needs to be evaluated. The Internet can assist human service professionals in all of these areas. E-mail messages can be employed to periodically remind prospective donors about their pledges. Thank you notes and receipts can be electronically sent via e-mail or the Web to donors almost immediately after receiving a contribution.

- UNICEF [<http://www.unicef.org>], for example, sends a thank you note on agency letterhead via its Web site that can be printed by the donor if a temporary receipt is desired. The thank you note includes the name and the address of the donor, the dollar amount of the gift, the date of the gift, and a statement of tax deductibility (Johnston, 1999).
- Amnesty International USA [<http://www.amnesty.org>] sends an e-mail message confirming each gift (Johnston, 1999).

With respect to evaluation, human service organizations are able to get feedback from donors and other supporters on various organizational issues through the Internet. The Children’s Defense Fund [<http://www.childrensdefense.org>], for instance, gives supporters the option on its Web site to e-mail suggestions for adding to its parent information and resource list. Organizations can evaluate their solicitation process by asking for feedback on various aspects of their Web site-including their contribution pages. A short questionnaire can be filled out online by organization members, other donors, and other visitors to the site. Survey participants do not have to search for a pen

with which to complete the questionnaire or walk the completed questionnaire to a mailbox.

*Stewardship.* The “stewardship” stage of the development process refers to the need to attend to your donors all year long, not just immediately after a gift. Agency supporters want to stay connected to the cause; they want to keep abreast of agency developments and events; they want to see the tangible benefits and outcomes related to their donations. Human service agencies have historically accomplished all of this through agency newsletters, annual reports, newspaper articles and editorials, and periodic open houses.

The Internet, once again, can assist in this phase of the development process. With more and more people using the Internet, agency supporters can check in on the organization frequently without having to leave their homes. Agency newsletters, brochures, and annual reports can be displayed on the Web site. Donors can e-mail questions to agency personnel, while agency leaders can send periodic e-mail messages to loyal agency supporters. Virtual tours of new facilities can be offered. The minutes of past board meetings as well as the agendas for future agency meetings can be provided on the Web or through e-mail. Furthermore, if appropriate, photos of agency clients can add an online face to program service statistics. To illustrate:

- United Way of America [<http://www.unitedway.org>] provides its supporters with online annual reports and IRS 990 forms (United Way of America, 1998).
- Mothers Against Drunk Driving, better known as MADD [<http://www.madd.org>], regularly gives relevant articles from the Associated Press and other sources to its supporters in its Web site (Mothers Against Drunk Driving, 1999).
- Junior Achievement of New York [<http://www.ja.org>] uses its Web site to provide an up-to-date schedule of organizational activities in the New York area (“Junior Achievement Takes Its Cause To The Web,” 1997).
- The Children’s Wish Foundation [<http://www.childrenswish.org>], based in Atlanta, Georgia, regularly updates an online journal featuring pictures and stories of ill children and wishes that have been filled by the foundation (“Children’s Wish Foundation Establishes Web Site,” 1998).

### ***Limitations to Human Service Online Fundraising***

There are several instances where the use of the Internet for human service fundraising may prove to be relatively ineffective, whether in terms of ethics or practical outcomes (i.e., dollars raised). For example, organizations that regularly cultivate prospective large donors (i.e., major gifts from individuals), in an effort to fulfill their missions in their respective communities, should not depend on the Internet for such solicitation (Kelly, 1998). The cultivation of major donors needs to be as thorough and effective as possible. The relatively small number of major donors allows human service organizations to give full attention to these prospects. With major gifts, face-to-face contact between organizational leaders and the donor is considered critical to fundraising success. This might include regular visits in person to the prospective donor. The more personal the approach, the better. Face-to-face contact allows for close proximity, which promotes intimacy, trust, and caring—all prerequisites for major gifts. Usually major gifts are solicited after a person has shown substantial interest, even involvement in the organization (Dean, 1993). Dependence on the Internet in this method of fundraising would be considered superficial, perhaps resulting in the loss of sizeable donations.

This is not meant to suggest that the Internet cannot be of some use in soliciting major gifts. As previously stated, the Internet can be used to generate interest and involvement by prospective large donors, thereby building the foundation for a major gift. And as discussed earlier, the Internet can be employed in researching prospective major donors (Kelly, 1998). Such online research can provide information on an individual's stock transactions and other property holdings, the existence of a family foundation, membership on corporate and foundation boards, as well as relevant demographic information such as the age of the individual. For-fee online search services include Dialog [<http://www.dialog.com>], and Nexis [<http://www.nexis.com>].

A second instance where the Internet may prove to be less effective for fundraising is the case of small, grassroots human service organizations, which comprise the vast majority of human service organizations. As stated earlier, many prospective donors are hesitant to make online donations or buy a nonprofit's merchandise (e.g., t-shirts, caps, calendars, etc.) over the Internet using their personal credit cards; the fear of online fraud, including online impostors and fraudulent sites, is

still prevalent in America and around the world. Yet, using a credit card is the fastest way to purchase organizational merchandise or to make an individual donation over the Internet. Much of the willingness by the public to use credit cards online depends upon name recognition (Johnston, 1999). In this respect, large national and international human service organizations with “brand names” like the Salvation Army, the Red Cross, United Way of America, and the Girl Scouts of America have a major advantage over local grassroots human service organizations, which are not recognized nationally. These grassroots organizations with local missions and service objectives may not find the staff expense of maintaining a high quality Web site justified by the dollar amount of online donations and purchases.

To address this limitation, small, local organizations may want to organize national networks with similar human service organizations and increase their public service announcements as a group to promote better name recognition nationally. Another strategy would be the inclusion of links by a national organization such as United Way of America to small organizations, perhaps grouped according to related causes or geographic regions. United Way of America already does this to some extent by including links to local United Way agencies, which then provide information on their local member human service organizations.

Small, local human service organizations, given their limited budgets, may also be more negatively affected than larger agencies by the cost of doing nationwide fundraising online. States and municipalities have the right to impose regulations on charitable solicitations including registration fees. These fees and the staff time needed for proper registration nationwide could conceivably cost an agency several thousand dollars—up to \$10,000 or more (Mercer, 1998). Organizations that ignore these responsibilities, or employ other organizations such as an auction house that neglect regulations, could face legal liabilities (Williams, 1998). All organizations looking to do online fundraising need to stay informed of their legal responsibilities. One way to do this is by reviewing the American Association of Fund-Raising Counsel Trust for Philanthropy’s publication, “Annual Survey of State Laws Regulating Charitable Solicitations” (Mercer, 1998).

Controversial human service agencies offer a third instance in which a specific organization and the Internet may not be an effective match. As previously discussed, human service organizations are beginning to use online auction houses to raise funds for their human

services. However, many online auction houses avoid working with controversial organizations due to fear that they may upset other client organizations and many of their regular bidders (Johnston, 1999). In addition, controversial agencies run the risk of “civil disobedience online” (Johnston, 1999, p. 185), given the ability of hackers to disrupt Web site and e-mail operations by blocking access to certain Web sites or inundating an agency with e-mail. Organizations that might experience these difficulties include:

- The Boy Scouts of America due to its controversial stance on the participation of the gay population in the organization’s activities.
- Planned Parenthood because of its connection in the minds of Pro-Life groups with the abortion issue.
- Needle Exchange Programs because of the public debate over the appropriateness of supplying drug addicts with clean needles in an effort to prevent the spread of AIDS.

Another source for online fundraising, corporations, may also prove to be problematic, and therefore, ineffective for some human service organizations. Corporations are increasingly using “strategic philanthropy” and “cause-related marketing” to further various strategic business goals and objectives (Marx, 1998, 1997, 1996). In the former, strategic philanthropy, corporations (e.g., a publishing house) make donations to nonprofit organizations (a literacy project) with the expectation that the gift will produce positive benefits to the corporation (increased sales from a more literate population) at some point in the future. In the latter case, cause-related marketing, a corporation may enter into a formal agreement to make a contribution to a selected nonprofit organization for each purchase of a company product.

The Internet is a perfect tool for promoting such partnerships between corporations and nonprofit organizations. To illustrate:

- iGive [<http://www.iGive.com>], a membership organization headquartered in Evanston, Illinois, offers members the opportunity to donate to their favorite charity when they buy products from participating merchants. A percentage of the purchase price goes to the buyer’s favorite cause. As of March 11, 1999, 42,383 members had donated a total of \$288,128, which helped support 4,236 causes (iGive.com, 1999).

- Anheuser-Busch Inc., maker of Budweiser Beer, has links on its Budweiser Web site [<http://www.budweiser.com/linkinfo.html>] to The Nature Conservancy [[www.tnc.org](http://www.tnc.org)] and other wildlife and conservation nonprofit organizations. Anheuser-Busch gets to associate its product with the great outdoors, much like Coors and Rolling Rock beers, while building support for these groups.
- The International Red Cross runs an online lottery in partnership with a commercial organization called the International Lottery in Liechtenstein Foundation or “InterLotto” for short (Johnston, 1999). InterLotto [<http://www.interlotto.com>] runs the lottery, while the Red Cross gets 25 percent of the gross revenue.

For many human service organizations, such online partnerships with corporations may not be an option for ethical reasons. It is difficult to imagine a substance abuse prevention and treatment agency doing a partnership with a beer company. Such a relationship, while good for a company claiming to promote responsible drinking, may even result in decreased support from the general public for the nonprofit organization. The corporate partnership contradicts the mission and long-term objectives of the human service organization. Therefore, use of the Internet to raise funds in such a manner would be inappropriate, and possibly ineffective. Similarly, it is hard to imagine an agency that provides service to people addicted to gambling or a program that provides financial management counseling to low-income families entering into an online partnership with a lottery company, even one promoting responsible gambling, if there is such a thing. Again, such fundraising efforts by human service organizations may, in fact, produce a public relations backlash for the nonprofit, resulting in decreased community support. In these situations or more subtle examples such as support from corporations that have poor management-labor relations, the human service agency should consider its organizational value system before deciding on the corporate support.

A final instance where the Internet may prove to be less than effective is in planned giving. Organizations that solicit a significant number of planned gifts should not rely on the Internet for such solicitation. In a “planned gift,” an individual donor makes a decision to make a gift of an asset to a charitable organization, yet the charity usually does not receive the actual financial benefit of the gift until some time in the future, typically after the individual donor dies (Kel-

ly, 1998). This is why planned giving is often referred to as “deferred giving.” The benefit to the nonprofit organization is deferred until some future time. The simplest and most basic instrument for planned giving is the charitable bequest, which is a gift made through an individual’s will. However, other more complex and technical instruments for planned giving are increasingly being employed, including charitable remainder trusts, charitable gift annuities, pooled income funds, and charitable lead trusts (Kelly, 1998). Dependence on the Internet to administer these planned giving instruments is not prudent, given the technical complexity of this type of philanthropy. Also, because a small percentage of donors are in a position to do planned giving and since the benefits to charitable organizations of this type of philanthropy are typically large, face-to-face communication is most effective. Web sites can be used to provide introductory information to prospective donors on planned giving, but as with any major gifts, any requests for information should be followed by more personal attention and ultimately face-to-face communication.

### **CONCLUSION**

The number of human service and other nonprofit organizations using the Internet is growing rapidly (Demko & Moore, 1998). From 1992 to June of 1998, the number of registered Internet addresses that end in “.org,” the designation most often used by nonprofit organizations, increased from 500 to about 114,000.

Similarly, the number of prospective donors using the Internet to research and contribute to various charitable organizations is increasing. Today, for example, GuideStar [<http://www.guidestar.org>], a Web site established by Philanthropic Research, Inc., provides prospective donors with program and financial information, including IRS Form 990 data, on over 650,000 nonprofit organizations (GuideStar, 1999; Vimuktanon, 1997).

Professionals responsible for fundraising in human service organizations need to be aware of the strengths and weaknesses of the Internet as well as the opportunities and threats presented by this new technology. Used with insight and precision, the Internet can complement other fundraising efforts of human service organizations, perhaps leading to greater support for needed human services.



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