**SUBMISSION TO THE PRODUCTIVITY COMMISSION’S REVIEW OF PHILANTHROPY 2023.**

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**PoweredbyPercent (Percent).**

**INTRODUCTION & SCOPE.**

[Percent](https://poweredbypercent.com) is a for purpose/for profit software Company that provides API solutions between Companies, stakeholders and charities allowing “good” to be built into any type of financial or services transaction.

Percent provides clients with a robust auditing and compliance process (validation & vetting) as well as subsequent facilitation of transactions which can include the offering of a good/service at a discount as well as the facilitation of a cash disbursement.

For the purposes of the submission, we will restrict our paper to cash donations and how various cohorts, set out below, could be encouraged, by the use of technology and the results of behavioural finance, to increase their current level of donations.

The submission not only suggests what should/could be undertaken but, through the use of technology, data and behavioural finance, *why* such changes should be considered. These relate both to the Government (regulatory) sector as well as the private (Company) sector.

We believe it is important to look at donations from the point of view of various donor cohorts given the underlying dynamics of the donation “experience” and motivations may vary. However, in addition to the common underlying driver of altruism, the thematic of ease and seamlessness of the donation experience is consistent.

The cohorts we will discuss fall into 3 broad categories:

1. Individual
2. High net worth (HNW)/Ultra High Net worth (UHNW)/Family Offices (FO)
3. Company/Corporate/Institutional (Company)

In relation to (iii) we will outline our “Donation V2.0” submission which seeks to encourage greater Company participation in direct cash donations whilst avoiding shareholder return reduction and improving stakeholder engagement.

For Companies, we also refer to and endorse the Pledge 1% philanthropy movement and note certain regulatory impediments which, if removed, would significantly enhance both participation and corpus of donation amounts.

Simplified, our Donation V2.0 submission is that a donation offered in conjunction with a product or service, acts from a consumer behaviour perspective, in a similar way to any other form of financial incentive (such as a discount) offered by that Company.

Various research reports and experiments (including those undertaken by Percent and partners\*) have confirmed this change in consumer behaviour. Whilst the delta (change in purchasing behaviour) varies, the key outcome for a Company offering a donation attached to a good or service remains - a ***positive delta*** in terms of consumer demand.

It should be noted that this demand is not purely quantitatively driven but also has qualitative aspects as evidenced by “rewarding” the Company which is seen to align with its social licence and various stakeholder expectations.

Furthermore a degree of price elasticity in consumer responses confirms the proposition of rewarding those Companies that are actively seeking alignment with stakeholder values.

The research and data lends credence to the proposition that a Company should *consider this proposition* and subsequently test the outcomes so that it can confirm “doing good” will result in outperformance by that Company vs peers that do not consider this overlay within their strategy as an imperative.

* *Research references and experiment outcomes are set out below and in the Notes section*

***Summary Submissions:***

***DGR status be extended to all “not for profit” organisations registered with the ACNC*** *(Terms of reference 2(ii), 2(iii), 5)*

***Removal of the $2 threshold for deductibility of a donation*** *(Terms of reference 2(ii), 2(iii), 5)*

***Removal of small donations from EFT reporting requirements within the AML/CTF legislation*** *(Terms of Reference 3(i), 5)*

***Harmonisation and simplification of fundraising and reporting laws across State and Federal jurisdictions.*** *(Terms of Reference 3(i), 6)*

***Amendment of the “value shifting rules” of the Tax Act with respect to Company equity issuance for Pledge 1% participation allowing certainty of tax rules and thus greater impetus for Companies to donate equity*** *(Terms of Reference 3(i) 5, 6)*

***Companies consider (and ultimately embed) the “Donation V2.0” framework as part of their longer term strategic initiatives and business planning in line with increasing demands from external stakeholders to tangibly demonstrate alignment and belief of their CSR obligations without diluting shareholder returns.*** *(Terms of Reference 2(iii), 6).*

**THE INDIVIDUAL DONOR**

***“Happiness consists more in small conveniences of pleasure that occur every day…” Benjamin Franklin.***

In this context, we will focus on direct cash donations by individuals as opposed to structured giving via employee giving/matching programmes.

There have been numerous pieces of research which look at ways to increase individual donations through nudges, incentives and marketing. These have had various degrees of success (or otherwise). In this regard, we would note an excellent summary of papers and results by Alexander Saeri et al (*See Note (i)).*

A key conclusion in this paper notes that one large meta analysis of 69 studies (n participants = 1,418,212) examining the impact of tax deductibility on charitable donations found *“****substantial elasticity: at tax deduction of $1 resulted in an additional $1.44 being donated to charity”****.* Furthermore, the authors found “***that tax deductions particularly increased the likelihood of bequests”.***

These figures alone add substance to the first two of our summary submissions on DGR status and threshold amounts and would clearly provide significant impetus to achieving the stated goal of doubling donations by 2030.

One of the key obstacles to enhancing individual donor participation in our view revolves around “delivery”.

By delivery, we mean the ability to provide access to the broad range of charities available - since donations by their nature are a very personal choice based on the experiences of the individual, and the ease and robustness with which donations are collected and subsequently distributed and receipted.

As noted on p14 in the Philanthropy Australia paper *(See Note (ii))*, “***Behavioural studies show that a key driver of giving is making it easy and simple for people to do so”.***

We would refine “easy” by saying seamless in terms of the entire process from collection to receipt as well as offering the necessary variety of recipient charities allowing for the specific connection between donor and charity based on the donor’s individual preferences.

Outlined below are some cases studies where technology was applied to make a donation easy and the donor both engaged and empowered. Our view is that these solutions (which can be quite bespoke) applied more broadly will also be a significant driver of increased donations given they solve the issues of ease, seamlessness, robustness, transparency and choice.

***CASE STUDY - ING ROUND UP.***

Whilst the use of round ups is not new, a number of offerings have been restricted in terms of choice of recipient charity and the ability of the partner Company to participate with their customers. Usually the proposition is “will you (the customer) give to my (Company choice) charity”.

As outlined later in Donation V2.0, we suggest reversing the traditional proposition to “can I (the Company) donate to your (the customer) charity”) and Donation V2.0 is a natural complement to the use of round ups.

Launched in March 2023, the ING Round Up allowed Orange Card holders the ability to round up purchases to a choice of 30 x charities. The charities were grouped into cohorts (e.g. environmental, mental health, indigenous support etc) and the customer could easily switch recipient charities (as well as simply switching the function on/off). In addition, ING would participate by offering matching throughout various periods of time.

*Benefits - seamless donation experience, alignment of choice of charities for customers/donors, ING participation alongside its customers*

*Hurdles and Issues - given the benefits above, it became clear that customers could accrue a meaningful total donation amount during the course of the year (e.g $1/week = $52 p.a). In order to provide customers with the tax benefits associated with donations we needed to seek (and received) a Product Ruling from the ATO allowing deductibility for the full accrued amount of donations throughout the tax year.*

*We would suggest (as many have in the past), the abolition of the minimum $2 donation amount to achieve deductibility to ease the administrative burden associated with all forms of “round ups” as well as increase use of this mechanism.*

*In addition AML/CTF legislation had to be complied with requiring far more data being transferred between bank participants. This process is quite burdensome and we would argue, unnecessary given the amounts (<$5 per individual donation) involved.*

*We would suggest an exclusion from certain (EFT) reporting requirements for small donations (consolidated into a separate Trust account) under current AML/CTF rules as this would expand participation by companies and donors given the subsequent reduction in data transfer and administration.*

***CASE STUDY - STREAMING SERVICE***

Percent worked with an international streaming service on a pilot programme whereby new customers were divided into ‘A’ and ‘B’ cohorts.

‘A’ cohort participants were given an extra feature which allowed viewers the ability to immediately donate to contextually relevant charities following the screening of a documentary.

The customer could facilitate the donation simply via 2 x “clicks” - a first click on the preferred charity and the second click on a predetermined set of donation amounts. Cohort ‘B’ participants were not given this feature.

*Results - A survey conducted by the streaming service resulted in two compelling outcomes:*

1. *a higher NPS score from Cohort A and*
2. *a lower churn rate amongst Cohort A participants.*

*Benefits - seamless donation experience. Ability to immediately facilitate donation on the back of donor’s preferences and immediacy of response with the cause. The Company had a higher retention rate amongst users offered the feature.*

*Hurdles and Issues - once implemented we expect this offering to encounter those same issues mentioned above in the ING Case Study which could be negated through changes in legislation.*

***CASE STUDY/RESEARCH PIECE - VOTING FOR CHARITY.***

In a paper by Donnelly, Simester & Norton *(see Note (iii))* an experiment comprising two distinct parts and customer cohorts was conducted whereby a retailer would agree to donate a $ amount to certain charities over a period of time for (a) shopping at the store or (b) upgrading customer membership status from “trial” to “full".

Customers were split into two cohorts (i) merely given the name of the recipient charities - the “Information Condition” and (ii) those who would be able to vote on the charity recipient - the “Voting Condition”.

*Results -* The Voting Condition, allowing active customer participation resulted in:

* an average increase in basket size of the shopper of + 4.2%
* an increase in the conversion rate from trial to full Membership from 30.6% (Information Condition) to 55% (Voting Condition)

***CASE STUDY/RESEARCH PIECE - DONATION ATTACHED TO SALE ITEM***

In a paper by Elfenbein *(see Note (iv))* it was found that when analysing items on Ebay, on average those (same) items with a charitable donation attached sold at a 6% premium to those that did not.

Bidders appeared to value charity revenue as equivalent to a public good and also submitted bids earlier encouraging more aggressive bidding.

***RESEARCH PIECE - CORPORATE SOCIAL RESPONSIBILITY AND CONSUMERS PERCEPTION OF PRICE.***

A paper by Ferreira, Avila and de Faria *(See Note (v))* investigated whether CSR would effect a consumer’s view of value of an item and the fairness of a price differential attached to that company’s product. Would consumers be willing to pay a higher price for products from a Firm that actively invests in CSR initiatives?

The results obtained show consumers reacted positively to the offer from the socially responsible firm and “*were shown to be willing to pay 10% more for its product, judging this price differential to be fair”.*

These results are also consistent with the detailed Case Study undertaken by Percent and FastTracker outlined below where Donation V2.0 is used by a Company as the facilitation mechanism

***SUMMARY***

Various experiments and research have shown consumers will respond positively, through their choice of preferred provider and amount of spend, to opportunities to donate as part of an everyday and seamless experience. Key considerations include flexibility in the choice of recipient, ease of underlying transaction and receipting, eligibility for deductibility of small amounts.

Current regulatory barriers include limits on DGR eligibility and minimum $2 threshold for tax deductible status. Given the nature of these “micro” donations, their growth is thus inhibited and constrained due to the current operations of the regulations outlined.

***“No act of kindness, no matter how small, is ever wasted”. Aesop***

**HNW/UHNW/FO.**

We would draw the Productivity Commission’s attention to the fine work and research being undertaken by the likes of Philanthropy Australia *(See note (ii))* and the Centre for Social Impact *(See note (vi))*

**COMPANY DONATIONS**

***REFRAMING THE COMPANY DONATION. RESEARCH, DATA AND BEHAVIOURAL ECONOMICS CONSIDERATIONS.***

***“The highest use of capital is to make money do more for the betterment of life”. Henry Ford.***

***INTRODUCTION.***

Our emphasis here is on Donation V2.0 mentioned in the opening Introduction.

The goal is to seek a reallocation of Company budgets from various expense line items that result in cash donations but do not result in diminishing returns for shareholders. This would complement the traditional philanthropic allocation by Companies which, for the reasons outlined below, will necessarily be constrained and/or capped.

Furthermore, Donation V2.0 allows Companies to align with customers, employees and stakeholders noting the benefits of the results obtained in the previous Case Studies mentioned above - where Companies merely facilitated an ease of donation on behalf of their customers.

The “logical” next step is for Companies to show true alignment with their customers and stakeholders with active participation (donations) in a campaign.

It is estimated that companies spend around $20 billion in advertising (digital + traditional) in Australia *(See Note (vii))*.

A 5% reallocation from this budget would provide charities with an additional $1 billion p.a.

***SHAREHOLDERS AND STAKEHOLDERS…..SOME PARAMETERS TO SET THE SCENE***

The proposition that demonstrated and tangible CSR and broader stakeholder engagement are integral to a Company’s raison d’être is now without doubt.

The existence of a social licence and framework within which Companies must operate is also without doubt. To disavow this proposition would suggest that provided a Company simply acted legally, it would be able to act as immorally as possible, and importantly, without consequences.

The example of Martin Shkreli and the Daraprim price hike provides an extreme illustration. The price hike for Daraprim (from US$13.50 to $750) was not of itself illegal yet rightly so, created massive outrage. It should be noted that Shkreli was ultimately indicted on an unrelated securities fraud issue and not the price hiking/market constraint issue.

Thus far, it has been difficult to robustly demonstrate that “doing good” improves financial metrics in a***consistent and defensible*** set of measurable metrics and data ***that the Company can, in an economically, reduced risk fashion test and act upon.***

Moreover, the issue of causation or a high degree of correlation between the act(s) of “doing good” and improved metrics are also hard to establish.

Some literature *(See Note (viii))* supports the proposition but has been “top down” research looking at certain performance indicators versus direct and *pure philanthropic* activities of Companies.

Other research has looked at cohort analysis (the returns of those Companies with “high ESG/CSR ratings” are higher than vs those with low ratings). The issue here is we have yet to agree on what is an acceptable/universal adoption of ESG “ratings” as many different versions are currently used.

Percent in conjunction with FastTracker undertook a consumer behaviour experiment outlined in more detail below.

Our approach to the proposition and experiment was driven by methodology a Company can consider robust.

We obtained outputs around relative value, opportunity costs, demand curves and price elasticity.

The substantial point established from the experiment, is not so much the quantum of the change in outputs (deltas) with respect to price, demand and switching providers ***but rather that the*** ***delta*** ***and switching behaviour clearly exist as well as a degree of price elasticity in the underlying product which had the donation attached.***

We understand and acknowledge that the value of the changes to price/demand/switching outputs using Donation V2.0in our experiment will vary across sectors and goods/services - as it does with the use of other incentives - ***but the change in behaviour/consumer response will happen.***

***Outcomes provided by the experiment allow Companies to design long term core strategies which align and embed purpose within their business model in a tangible demonstration to all stakeholders without compromising shareholder return.***

***CONSTRAINT - BROADER STAKEHOLDER INTERESTS MUST BE ADDRESSED BUT SHAREHOLDERS STILL NEED TO “WIN”.***

Before going on to examine Donation V2.0, we need to take a quick look at the shareholder vs stakeholder discussion and look at some *practical issues* around the *implementation* of achieving a fair balance between these groups.

The move to Company “stakeholder” acknowledgement has been driven by and grown out of ESG/CSR considerations and expectations into a broader theme which seeks to show that those Companies actively pursuing a robust ESG/CSR agenda will be “better off” in the long run.

So why must shareholders “win”?

Quite simply, that despite the contention that stakeholders should be taken into account when making strategic and economic decisions of the Company, it is ***shareholder money*** that is ***funding*** these Company decisions.

Thus, the issue is ***not one of complete shareholder******primacy but simply, ultimate accountability for use of their (shareholder) money by an agent (Board/senior management).***

Shareholders will agree that stakeholder engagement needs to be addressed but at what “cost” to them? How does the Board or senior management justify certain types of spending/investments to shareholders that whilst serving a broader societal benefit, are unable to be measured and quantified or have outcomes that cannot show a degree of correlation (or causation) to the Company’s performance?

Without being able to measure some aspect of results or returns, limits (not complete cessation) on stakeholder or philanthropic targeted spending will be placed on the Company by its shareholders.

To increase this constrained spend into a higher Donation V2.0 spend - we need to demonstrate (quantitatively and with causality or a high degree of correlation) that Board and management decisions to pro-actively take into account stakeholders, at the very least, do not significantly diminish shareholder wealth whilst also fulfilling a Company’s broader obligations or, alternatively, it is a “fair price” to pay by the Company.

By definition, the most altruistic Company in the world would distribute all its net profits to charities with nothing to shareholders. Not an ideal pitch to commercially driven shareholders. That Company would itself be a charity.

As it stands, donations within a Company’s budget comprise a relatively small allocation in relative terms compared to most every other cost or expense line item in a Company’s P&L.

The philanthropic allocation also does not have a quantifiable and causal ROI *(for the donor).*

If the Company can demonstrate that a “charitable” outlay as one which does not necessarily dilute shareholder returns whilst achieving positive outcomes for stakeholders and societal interests, it is far more likely the Company will consider and participate in that exercise to access alternative cost line items and fund this allocation.

In a paper by Bain & Company *(see Note (ix))* they contend *“the* ***ultimate*** *point of a brand is not to create emotional appeal or to generate buzz. The point is to shift customer demand”*

If we show that the Donation V2.0 allocation equates (or is highly correlated) in terms of its effect on customer spending/demand, and also their choice of preferred provider/supplier/retailer the same way other incentives currently operate, it would be valid to seek that allocation from “commercial” budgets/expense line items.

In order to successfully demonstrate this point, we would need to identify quantitatively based outputs that an item (widget) with a charitable allocation = Donation V2.0 shows either:

1. a change in its demand and/or price curves - up and/or
2. a degree of price elasticity with correlated demand deltas and/or
3. would result in a customer switching widget providers.

***DISCRETE CHOICE MODELLING EXPERIMENT***

***Dr DORIAN von FREYHOLD***

***FASTTRACKER***

Brand strategy that shifts demand and price sensitivity, thus advancing the business is both an emotional and scientific exercise. The creative aspects of advertising have tended to dominate the world of marketing, however it has always been notoriously difficult to quantify the revenue and demand impact they have.

As David Ogilvy, the head of the famous Ogilvy & Mather advertising agency, once wrote “Half the money spent on advertising is wasted, and the trouble is I don't know which half.”

In this experiment, we apply Nobel Prize winning analytical tools from the fields of mathematical psychology and behavioural economics, which are capable of accurately quantifying the increase in demand or price companies can achieve through different branding or advertising campaigns.

Using simulated market environments and sophisticated consumer experiment, we tease out exactly how customers will make choices among alternative products, what they are prepared to pay and the volumes they will buy. Unprecedented in the commercial space, we embed these traditional discrete choice experiments in message framing conditions, as commonly used to explore the if-then contingencies of human behaviour in psychology.

In this research project we sampled a total of 500 consumers who frequently buy cornflakes in Australian supermarkets. Prior to undertaking the experiment, participants were assigned to one of three different framing conditions.

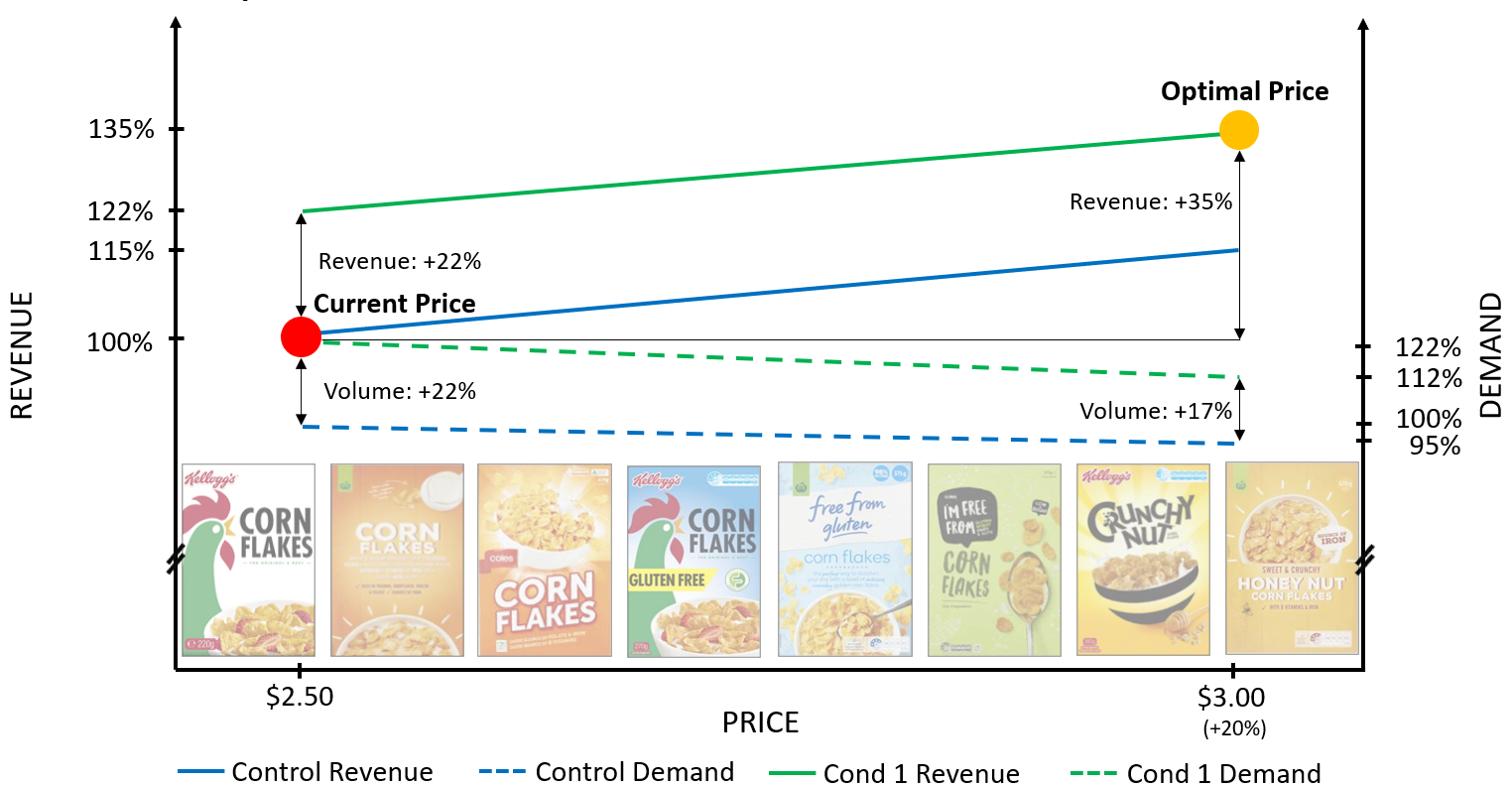
1. 166 participants were assigned to Condition 1. Here participants were asked to imagine that their current supermarket of choice has just released an advertising campaign which communicates that **for house-brand purchases, the supermarket will donate an amount of the total purchase price to the shopper’s charity of choice.**
2. 166 participants were assigned to Condition 2. Here participants were asked to imagine that their current supermarket of choice has just released an advertising campaign which communicates that at the checkout, **the shopper will be able to** **make a donation to the charity of their choice simply by tapping their card.**
3. The remaining participants were assigned to a “control” condition, meaning that they did not see any information before taking part in the experiment.

After being exposed to their respective framing conditions, participants progressed to the choice experiment. Here, each participant was repeatedly shown the assortment of cornflakes packages currently found in major supermarkets, and was asked to select the package they would chose. Between each iteration of the experiment the prices of the different packages was changed within a range of +-20%, forcing participants to trade off between prices and brands.

Aggregating this data across the participants in each framing condition and then looking at differences between results depending on the framing conditions, we were able to develop deep insights into how consumers make choices, their price sensitivity and importantly the implications of framing for demand. This, in turn, allows us to model the revenue curve for each framing condition.

Focusing on the **implications of Condition 1** compared to the Control Condition, for the house-brand cornflakes of one of the major supermarkets (see Figure 1), we identified:

1. ***By running an advertising campaign akin to Condition 1, demand and thus revenue for the house brand cornflakes increases by 22%.***
2. The current price of $2.50 is at least 20% below what customers would be prepared to pay for this product. By ***increasing the price*** to $3.00 and running a campaign akin to Condition 1, revenue would be increased by 35% with ***only minimal loss of demand.***



*Figure 1: Potential to increase demand by 22% through alignment with charitable giving*

At this point it is also worth noting that Condition 2 also generated positive results, achieving a 13% increase in demand.

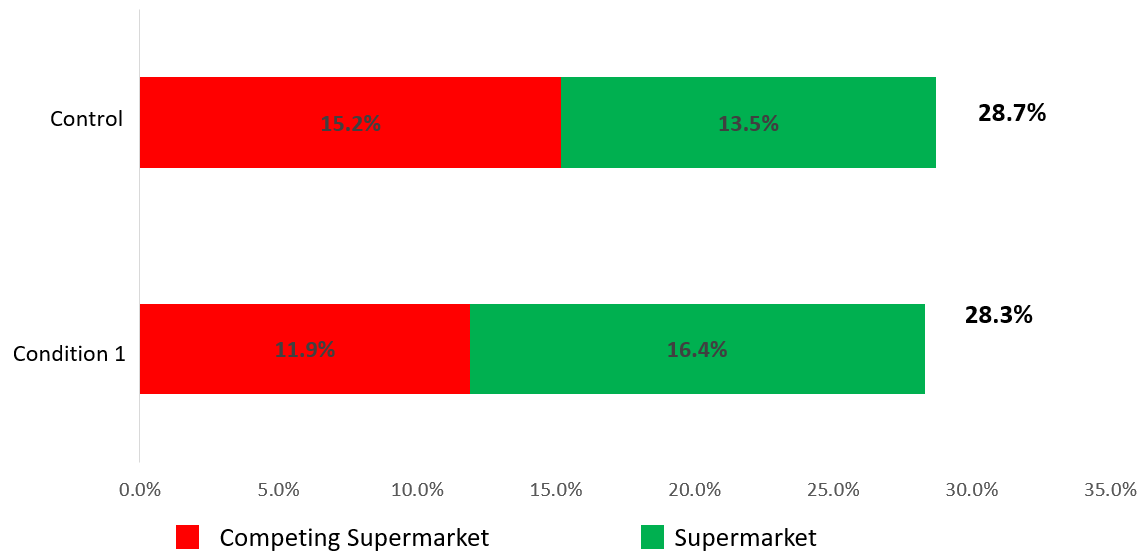
***Shift in consumer preferences of provider***

In addition to a significant increase in demand and revenue, we are also able to quantify the ***shift in market share*** due to the supermarket’s ***alignment with charitable giving***.

In the control condition the supermarket house brand cornflakes only have a 13.5% share of the overall cornflake category, whereby the house brand cornflakes of their largest competitors have a greater market share of 15.2%.

Running an advertising campaign akin to ***Condition 1 however significantly grows the market share of the supermarket to 16.4%, whilst strongly eroding the dominant position of the competing supermarket to a mere 11.9%.***

Overall, this study providesstrong support for the notion that aligning a brand with charitable activity and gift giving will not only build good-will, but also has ***the potential to considerably grow revenues, profit and market share.***



*Figure 2: A significant increase in market share whilst eroding the competitors dominant position*

The important result to note is that with a donation attached, there has been a ***shift in demand, elasticity of price as well as switching of provider/supplier/retailer.***

***IMPLICATIONS & OPPORTUNITIES***

Boards and senior management will always look at strategic investment decisions (and budgets/spending) in terms of a risk/reward/return frameworks utilising many (quantitative) metrics before committing to such investments or spends.

The outcome of our experiment, coupled with previous references to research above show that use of a Donation V2.0 attached to an item is, importantly:

1. a de-risked strategy in that ***a return*** in terms of price and/or demand ***will accrue*** to that item
2. a de-risked strategy to ***encourage*** customers to ***switch*** from a competitor
3. a ***return*** that can subsequently be ***measured*** and compared to other forms of incentive used by the Company across products/items.
4. is a perfectly valid discussion to have at Board/senior management level whereby the ***Donation V2.0 forms part of the strategic business spend*** of the Company as opposed to being simply a philanthropic donation V1.0.

If this is accepted, the discussion then turns from “how much should we allocate to our (relatively small) philanthropic budget this year” to…….“how much of our marketing or other budget line items could we allocate to, or complement with Donation V2.0”.

***A SIMPLIFIED SUMMARY***

An alternative way to look at this is that the traditionally (and historically) pure quantitative outputs analysed by senior management and Boards, such as sales, margins, net profits and returns are no longer “purely” and strictly based on quantitative input variables.

The dependent output (bottom line) now also has an ***independent*** ***input that is qualitative*** in nature - representing consumer sentiment and consumer belief in that Company fulfilling (or not) its social licence.

The results of the FastTracker experiment include establishing causality or, at the very least, a very high degree of correlation between Donation V2.0 and subsequent consumer behaviours - *which is what ads are supposed to do.*

Additionally, many pieces of research into the effects and success of CSR programmes and subsequent consumer behaviour have noted the “perceived fit” of the recipient charity with the donating company. The research is somewhat inconclusive in terms of this aspect (strong alignment to demonstrate authenticity vs weak alignment to empower consumer if they can choose).

However, in our case, *by allowing the customer to choose or provide a very diverse set of charity recipients this variable is negated.*

Further support for this proposition can be found in the research piece by Ferreira, Avila and de Faria *(See note (v))* where the author’s note that CSR programmes are “even more attractive if it also includes a benefit *associated to the consumer’s own interest*” (emphasis added

Back to our initial reference to advertising budgets - using some comparable numbers *(See* *Note (vii))* one could estimate that the annual advertising spend across all media in Australia is around $20 billion.

A 5% reallocation from advertising budgets to direct/campaign linked donations could result in a $1billion uplift that goes to charities.

Examples of estimated % of total corporate spending currently allocated to advertising:

* Retail = 21.9%
* Financial services = 12.6%
* Telco = 10.7%
* Consumer Products = 8.8%
* Computers & Consumer electronics = 7.8%
* Media = 6.6%

It should be noted that whilst we suggest the marketing/comms budget for a reallocation, this could occur from any line item within a Company’s budget.

**CONCLUDING REMARKS**

Like many things the concept of the “donation” has remain unchanged for quite some time in terms of its perception and its purported function.That is due to its underlying nature and that historically seeking donations has been associated with altruistic motivation by definition.

As a result of this definition, donation V1.0 has always sat at the side of a Company’s cost and budgeting processes and not been seen as a strategic, central imperative or one that could do “more” than just fulfil an altruistic element or “imposed obligation”.

Increased focus on societal expectations by a Company of their actions, coupled with a (de-risked) philosophy of formally building in or having purpose as an integral part of their overall long term strategies has created an opportunity for a Company to differentiate itself from peers and improve it’s standing amongst all stakeholders.

Given the outcomes of the experiment we have now also suggested a strategic (in addition to the altruistic) purpose of a donation to be explored by Companies given the mitigated risk to shareholder returns.

Our proposition is that the reframing of donation V1.0 to Donation V2.0 should be like the mobile phone. The “mobile” used to be just a communication tool but now it is really a camera and a piece of tech which does far more than simply provide a method of communication and is truly multi functional…..it just happens to still be called a “phone”.

***Proposition - What you call it is largely irrelevant compared to what it does or can do***

We need to take this approach to the “donation” and reframe the concept so that it is viewed and can additionally be treated akin to any other financial incentive used by a Company.

The most likely scenario is that Donation V2.0 will be used as a complement to the traditional spend on marketing, discounts and “specials” so this is merely a cost re-allocation exercise for Companies.

As a result, the altruistic nature of the donation will not be the only driver for a Company but rather, also, a rational and defensible choice made by a Company to use this form of incentive to meet broader stakeholder expectations but with reduced risk to shareholders.

It also still keeps the “traditional”, and indeed far more important upside of helping those in need and fulfilling broader societal expectations of Companies as an outcome.

We believe that the results of our experiment together with other pieces of research and case studies provide the underlying comfort that Companies should strongly consider Donation V2.0 a viable and realistic option to include as part of their overall strategic plans and budgeting processes.

Furthermore, research has shown that consumers “get it” in terms of requiring Companies to undertake CSR obligations but with the need to remain profitable in order to do so.

Research papers by Krystallis, Zaharia and Zairis and Du, Bhattacharaya & Sen *(See Notes(x) and (xi))* note that as consumers “get more involved in CSR and its underlying corporate motives, they become more prone to recognise that honest engagement to a CSR initiative must lead to a beneficial outcome *that satisfies both the aims of society and the business objectives of profit seeking organisations”.*

That is not to say this is a free lunch. Attributions theory notes that consumers will still undertake “due diligence” on the bona fides of the CSR programme. This research also suggest that the longer a Company has been involved in such programmes, the more favourable the attribution (of underlying motivation of the Company) by the consumer.

***Proposition - There is very little, if any downside risk for a Company….unless you don’t try.***

As noted, if we can shift even a small portion of various expense line items directly into a cash donation, as part of a regular series of programme or campaigns, the overall contributions will be significant.

Indeed, if current trends of increased scrutiny and activist responses by customers, clients and external stakeholders persist, one may suggest that a failure to incorporate such an initiative into long term strategic planning will result in tangible downside risk and return (both outright and vs peers) to those Companies that ignore this opportunity.

This initiative should be seen by Companies as an opportunity to differentiate themselves from competitors, not an existential burden imposed by stakeholders (including customers).

The implementation of this opportunity has almost limitless flexibility and optionality in terms of structures given developments in technology so should not be considered unduly burdensome for Companies but rather, can be designed in a risk managed fashion.

Our proposition is that Donation V2.0 is not a massive “leap of faith” and should be encouraged to be used by Companies as would any new strategic opportunity. In the past, constraints such as lack of technology (for ease/seamlessness/structuring), lack of data analytics (for risk management) and lower (but now increasing) levels of external stakeholder scrutiny meant that the donation for Companies remained locked in its V1.0 status.

The ask for Companies is simply “have a go”. As outlined above, previous issues considered constraints have been mitigated or negated entirely.

The upside in terms of benefits to society are enormous and should necessarily be embraced by the corporate sector.

***“Philanthropy is involved with basic innovations that transform society, not simply maintaining the status quo or filling basic social needs that were formerly the province of the public sector” David Rockefeller***

***“Don’t just think, do” Horace***

**NOTES**

1. Alexander K Saeri et al : *“What Works to Increase Charitable Donations? A Meta-Review with Meta-Meta Analysis”.* International Society for Third Sector Research Published online 4/5/22
2. Philanthropy Australia: *“A Blueprint to Grow Structured Giving”* - 4/21
3. Donnelly, Simester & Norton : “*Voting for Charity ; the Benefits for Firms of Direct Consumer Involvement in Charitable Campaigns”* : Association for Consumer Research, Advances in Consumer Research Vol 44.

(iv) Daniel Elfenbein; *“A Greater Price for a Greater Good? Evidence that Consumers Pay More for Charity Linked Items”.* American Economic Journal American Economic Policy; May 2010*.*

(v) Daniela Abrantes Ferreira, Marcos Goncalves Avilia & Marina Dias de Faria: *“Corporate Social Responsibility and Consumers’ Perception of Price” .* Social Responsibility Journal, Vol 6 Issue 2 pp 208-221.

(vi) Centre for Social Impact: “*High Net Worth Giving in Australia: A Review of the Evidence” -* 8/22

(vii) Advertising data

Estimated spend in Australia on ads (all forms) in 2018 = $16 billion (IAB Australia)

Estimated spend in Australia on digital ads in 2019 = $9.4 billion (IAB Australia)

Estimated spend in Australia on traditional media in 2019 = $10.4 billion (Morgan Stanley)

= $19.8 billion in total across formats

Estimated spend on advertising - all media in 2019 = $17.2 billion (CMO- IDG Communications)

Estimated spend on advertising in 2023 = $23 billion (PWC: Australian Entertainment and Media Outlook)

(viii) *Corporate Donations & Shareholder Value*. Hao Liang & Luc Renneboog; 9/13/17 Tilburg University

(ix) Bain & Company: *“Brand strategy that shifts demand: Less buzz, more economics”*

(x) Anthanasios Krystallis, Vlad Zaharia and Antonis Zairsi (2021) : *“ ‘When’ Does it Pay To Be Good? Attributions Mediate the Way CSR Elements Impact on Consumer Responses, And Are Controllable”.* Sustainability, 13(11), 5869. MDPI.

(xi) Du,S; Bhattacharaya, CB; Sen, S; “*Reaping Relational Rewards from Corporate Social Responsibility; The Role of Competitive Positioning”.* International Journal of Marketing, Volume 24, Issue 3, September 2007