

YOUR BIGGEST COMPETITOR ISN'T ANOTHER NONPROFIT

Participation, Allocation,
and the New Economics of Giving



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Executive Summary

The composition of charitable giving is changing. Organizations are reporting growth in dollars raised alongside declines in the number of donors. More money is coming from fewer people, with major and supersize gifts accounting for a disproportionate share of revenue growth.

The temptation to concentrate resources on those donors is understandable. So is the concern about what happens to the donor population when organizations do so, many of which focus on AI and automation of donor relationships at scale.

Much of fundraising strategy starts from the assumption that organizations are competing with one another for a share of donors' charitable dollars. We position ourselves against other organizations, differentiate our case for support, and try to become the donor's charity of choice.

But we urge you to zoom out, because there's a foundational part of the problem that we have too often ignored: **fundraising has treated several fundamentally different donor decisions as though they were one problem to solve**.

Consider the annual donor who receives an appeal from an organization they recognize, sees a friend raising money for a cause, or encounters a campaign that catches their attention. They may give. They may not. They may never consider another organization at all.

The emerging major donor considering a $10,000 commitment is doing something quite different. They may be weighing competing priorities, evaluating institutional capacity, and deciding which organization deserves a place in their philanthropic plans.

Both are making decisions about charitable giving. But they are not making the same decision.

As a result, we have a provocative proposition: For many annual-giving opportunities, **your biggest competitor isn't another nonprofit; it's the decision not to give**.

That proposition does not apply to every donor or every gift. Major donors really do choose among organizations, and becoming someone's charity of choice remains central to major-gift fundraising.

But we believe the sector has allowed the allocation model to dominate its thinking about donors whose immediate decision is participation. The distinction (or too often, the lack of distinction) has consequences for how we solicit, how we cultivate, how we measure success, and how we decide where to invest human attention.

It also raises a question that fundraising organizations have largely avoided: **how much relationship can we afford to build, and with whom?** Fundraising capacity is finite, the donor population is changing, and the profession has not adequately examined the assumptions behind how it allocates its attention.

We therefore examine two connected questions:

1. When an annual donor encounters an opportunity to give, are they choosing between competing organizations, or deciding whether to participate at all?
2. What evidence should guide an organization's decision to invest in developing annual donors as potential future major donors?

We consider what these questions mean for how fundraising organizations allocate limited resources, including the role technology may play.

The Question We Keep Asking, and Who Is Actually Answering It

How do we become a donor's charity of choice?

That question drives our case statements, our positioning, our brand work, and most of our differentiation. We borrowed it from commercial sales, where the customer has already decided to buy and the only open issue is who gets the sale.

For some donors, the borrowed question fits. Major donors, foundations, family offices, and planned giving prospects deliberate. They compare. They allocate. Becoming their charity of choice takes years of trust, and nothing speeds it up.

Now picture the annual fund donor. An email arrives. A friend posts a fundraiser. A mailer sits next to the keys. This donor is deciding whether to do anything at all, and the food bank down the street never enters the picture. If they let the moment pass, the money usually stays where it was.

Some comparison does happen. Donors tell us "I already gave to my alma mater this year" or "I'm supporting disaster relief instead," and an ever-growing number of "giving days" put a lot of appeals in front of one wallet. We see and acknowledge these moments, but they are neither as frequent nor as central as our strategies typically assume.

Positioning solves a comparison problem. It does nothing for the donor who never got around to deciding.

What the Research Says

No single study tests our whole position. But read together, we see patterns emerging in the research: donors search little, appeals often create new giving, donors manage how often they get asked, and small amounts of friction decide many gifts.

Donors rarely shop around. A 2023 experiment in the *Journal of the Economic Science Association* begins from the observation that donors do very little searching among charities before they give, then goes looking for the reason. Participants who expected no feedback on their choice mostly gave without researching anyone. Participants who expected to see how their charity ranked searched far more and gave to higher-ranked charities, without giving less.

Appeals often bring in new money. Using data from DonorsChoose, a study in the *Journal of Public Economics* found that matching grants raised giving to eligible classroom projects without measurably pulling money away from similar projects, then or later. That covers similar projects on one platform, and it speaks directly to whether fundraising moves money around or creates it.

Donors manage how often they get asked. In a field experiment with the Salvation Army, a verbal "please give" sharply increased giving and sharply increased avoidance. The working-paper version reports that between 26.2% and 32.6% of shoppers steered around the verbal ask. The choice on display was engage or avoid.

Donation-page visitors often leave without giving. A field experiment on Germany's largest online donation platform found that approximately 3.3% of roughly 684,000 donation-page visits produced a donation. Default amounts influenced individual gift sizes, but total giving remained flat because some donors gave more while others gave less or left. [1]

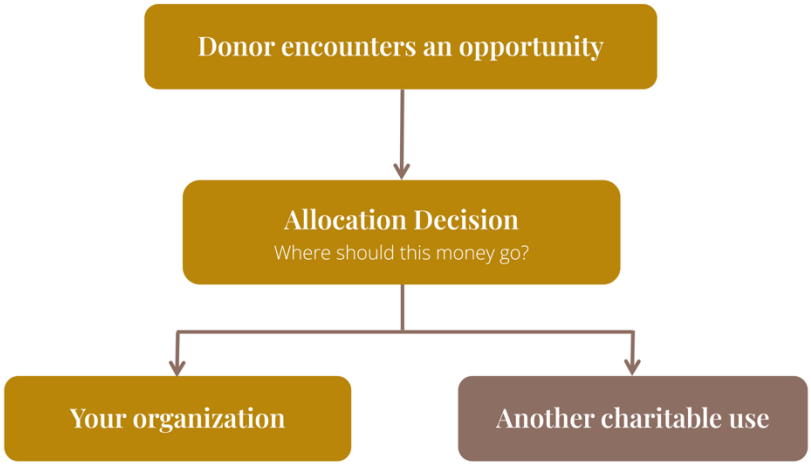
Reducing friction increases giving. The same field experiment found substantial conversion improvements from simplifying donation forms, including an 18% lift from removing a form field and a 107% lift from stripping a form down to necessary fields.Error! Bookmark not defined.

We did not find an independent study that tested our hypothesis holistically and explicitly, though we would love to see someone run one. But the findings of studies like these add up to suggest a charitable giving landscape in which no single fix works everywhere.

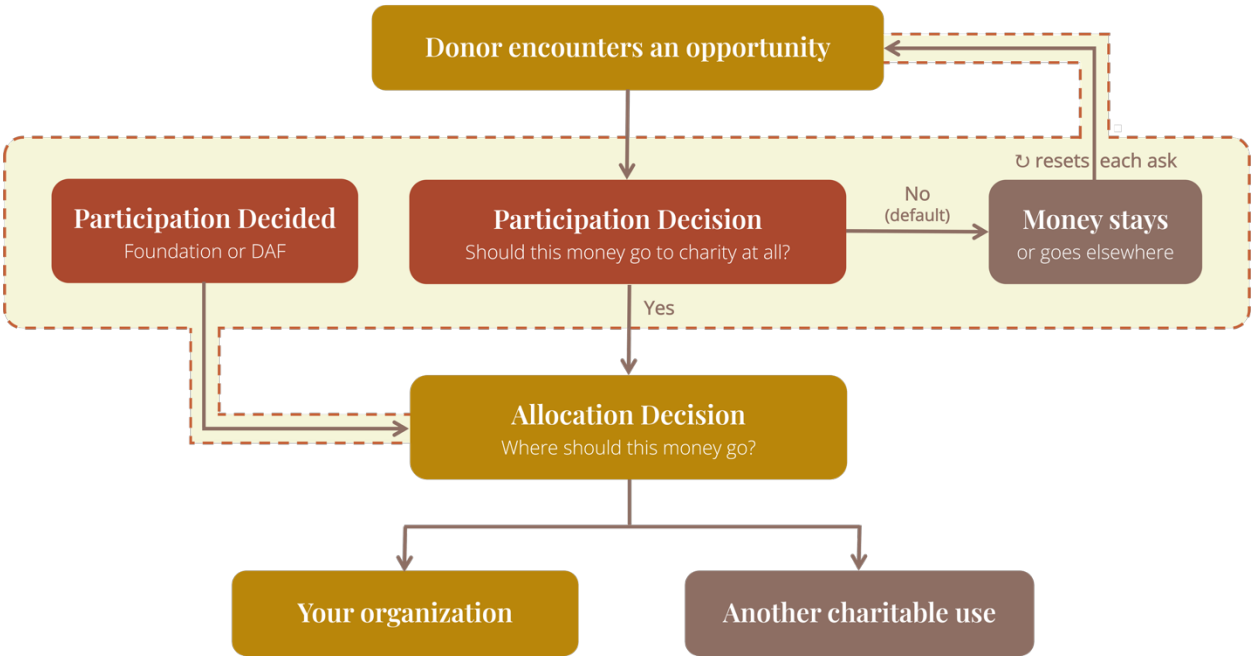
[1] These are vendor-reported experiments at individual organizations, not independently replicated findings. We include them as illustrations of how friction can affect conversion, not as universal estimates of its effect.

Giving Happens in Two Economies

The fundraising literature, and most fundraising best practices, is written as though donors face one kind of decision: where to send their money, or "allocation."



But this is an oversimplification. Donors face at least two kinds of decisions: allocation is one, but first comes participation.



In the **participation economy**, the donor asks: *Am I giving at all?*

In the **allocation economy**, the donor asks: *Where should this money go?*

Getting someone to make a gift is not the same as persuading them to make your organization a philanthropic priority. The first requires an opportunity and a reason to act. The second requires a case for investment, institutional credibility, and a relationship that can withstand scrutiny. We routinely blur these two kinds of fundraising work, and then wonder why our strategies and measures of success don't always produce the results we expect.

	Participation Economy	Allocation Economy
Donor's Question	Am I giving at all?	Where should this money go?
Typical Context	Annual appeals, campaigns, peer-to-peer requests	Major gifts, planned giving, foundation proposals
Central Challenge	Getting the donor to act	Earning a place in philanthropic priorities
Fundraising Work	Clear asks, timing, accessibility, low friction	Discovery, cultivation, institutional credibility, tailored proposals
Role of Relationship	May be limited or entirely unnecessary	Often central to the decision
Useful Measures	Participation, conversation, response rate, retention	Proposal success, gift size, upgrade rate, time to commitment
Resource Model	Reach, consistency, simplicity, scale	Individual attention, depth, time, expertise

Importantly, these economies are descriptions of *decisions*, not donors: the same donor can give $300 in participation mode this year and weigh a much larger commitment in allocation mode next year. What matters for fundraisers is which decision is in front of that donor when we make our ask.

The difficulty is twofold:

1. **The two economies reward opposite instincts.** Participation rewards speed and simplicity at scale, while allocation rewards patience and depth with a few.
2. **Not enough organizations plan outreach or measure results with two economies in mind.** An organization that applies one economy's logic to the other will feel the mismatch as "this isn't working" and may blame the wrong thing.

Why Sales Instincts Misfire in the Participation Economy

Commercial selling assumes the buyer is already in the market. The shopper has decided to buy a dishwasher and wants to know which one. Differentiation, objection handling, and competitive positioning were built for that shopper.

Sales skills still earn their keep in the allocation economy. Discovery, positioning, and reading a prospect's priorities are the right tools for a major gift conversation.

Annual donors rarely arrive the way major gift donors do. Nobody wakes up on a Tuesday resolved to give $100. The fundraiser has to create the moment and then facilitate the gift before the feeling fades.

That takes a different toolkit: a clear ask, visible impact, a gift that takes almost no effort, and timing that reaches the person while they still care. It has more in common with behavioral science than with the sales funnel.

The Opportunity Cost of Development

Many major donors start as annual donors. We all know a story about a $25 gift that became a seven-figure commitment, and we repeat that story until it hardens into a rule: start early, and grow donors up the pyramid.

A handful of stories prove a path exists. But they say nothing about which organizations should travel it. To determine that, we need to ask:

1. How many donors walk this path?
2. How long does it take them to walk it?
3. What does it cost to walk beside them?

Those are the questions for any organization deciding where to spend limited hours, and they deserve the same evidence we would demand for any other strategy.

The sector also blurs two very different statements:

1. **Every donor deserves respect.** That is a value, and the answer is always yes.
2. **Every donor deserves significant relationship-management resources.** That is a staffing model, and most organizations cannot afford it.

Every hour spent on a lovely, trusting relationship with a donor who gives $300 a year is an hour not spent qualifying a prospect, stewarding a major donor, or writing a proposal. Sometimes that hour is well spent. Either way, it is a trade, and trades have expected values.

To price this one, an organization would need to know:

1. What share of its annual donors have ever upgraded, and over what timeline.
2. What a meaningful relationship costs per donor, in staff time.
3. What that time would have produced elsewhere.
4. Which donors have told us, through their behavior, that they want a relationship at all.

Few organizations can answer all four. And fewer still are asking; the relationship model has become so central to so many that the Fundraising Effectiveness Project calls converting a first gift into a second the most consequential unsolved problem in the donor pipeline, and reports that new-donor retention was essentially flat in 2025.

If the first step of the pipeline leaks, the second step needs more than tradition behind it, and we should not begin from the assumption that the numerator is the problem without scrutinizing or organizational denominators.

As we argued in "Let Donors Give and Go," not every donor wants a relationship. Segmenting by what donors show us they want is a respectful use of limited capacity.

The Pendulum of Fundraising Prioritization

The sector's own data points in two directions at once.

The Fundraising Effectiveness Project estimates that charitable dollars grew 5.0% in 2025, the strongest growth in five years, while the number of donors fell 3.6%, continuing a decline that began in 2021. Most of the growth came from Major and Supersize gifts. The first quarter of 2026 showed the same shape on a smaller scale: dollars up 4.3% and donor counts down 0.8%.

Read one way, this says go after the big fish, because that is where the growth is. Read another way, it says protect the base, because a shrinking donor pool also shrinks the pool future major donors come from. AFP's own commentary on the data leans toward the second reading.

Both readings are reasonable, and the data cannot choose between them. Choosing is a strategic judgment about expected value, and it depends on an organization's own donors.

The national data establish the broader tension, but they cannot tell an individual organization which strategy is right. That tension is familiar to those of us who work with fundraising organizations. We have repeatedly seen organizations make significant changes in how they allocate fundraising resources, often without a sufficiently long evaluation period to determine whether the change produced the intended results. A real test would need four things:

1. A **stated hypothesis**, such as "investing in mid-level donors will increase upgrades to major giving within five years."
2. A **commitment to hold the program for a full cycle**, which runs longer than a budget year.
3. **Measures chosen in advance**: participation, retention, upgrade rate, and cost per dollar raised.
4. A **record of the reasoning** so the next leader inherits the experiment along with the budget line.

Technology adds a new variable. Vendors now market AI that drafts personalized outreach and recommends next-best actions, pitched as a way to keep light-touch relationships going at scale. Whether that can bridge the gap between annual and major giving is an open question. In “Don't Just Ask the Database Directly,” we explained why the underlying data should make us cautious. Until someone runs the test, treat it as a hope.

A Different Standard for Portfolio Decisions

Before reallocating fundraising capacity, leaders should ask:

1. Which economy is this decision in? Are we trying to raise participation, or to win allocation?
2. What is the donor actually deciding? Whether to give, or where to give?
3. Where does the money go when it doesn't come to us? Do we know, or are we assuming a competitor?
4. What sits between the impulse and the gift? Is the ask clear, the form simple, the follow-up quick?
5. Who has told us, through their behavior, that they want a relationship? And who has told us they would rather just give?
6. What is the expected value of a relationship investment? What does it cost per donor, how likely and how soon is an upgrade, and what else could that time produce?
7. What is our evidence that the pipeline works here? Our own upgrade data, or the sector's folklore?
8. How long will we run this before judging it? And what will we measure?
9. Who owns the reasoning when leadership changes? Is it written down, or does it leave with the person?
10. Are we respecting donors without staffing as though every donor wants a relationship? Respect is a value. Staffing is a decision.

The Question Before the Question

The sector has spent decades asking how to become a donor's charity of choice. For donors who are choosing, that remains the right question, and it takes patience to answer well.

For the many donors who are not choosing, it misses the moment. Their decision is whether to act, and the most common outcome is that they don't.

A profession that cannot tell these two decisions apart will keep solving the wrong problem beautifully. It will polish the case for support while the donation page leaks. It will cultivate every donor or none, because nobody named what the program was trying to do.

Before the next strategy meeting, ask one question: Which decision is this donor making?

Answer that honestly, and the staffing, the strategy, and the patience to finish an experiment get easier to defend.

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