

markets FOR  
GOOD

PRESENTED BY liquidnet 

CHALLENGE:

How might we make it **easier**  
**and cheaper** for **nonprofits**  
to raise money?

CHALLENGE:

How might we make it **easier**  
for **donors** to find effective  
nonprofits to donate to?

CHALLENGE:

How might we ensure that **higher-performing nonprofits** are receiving enough donations so that they can effectively meet their mission?

# THE SPECTRUM OF MARKETS

	FINANCIAL CAPITAL MARKETS	IMPACT INVESTING MARKETS	PHILANTHROPY (GIVING MARKETS)
RETURN	Financial Return	Financial + Social Return	Social Return
MEASUREMENT	Financial Performance Measurement	Financial + Social Measurement	Social Performance Measurement
INVESTMENT TYPE	<ul style="list-style-type: none"> <li>Debt</li> <li>Equity</li> </ul>	<ul style="list-style-type: none"> <li>Debt</li> <li>Equity</li> <li>Grants</li> </ul>	<ul style="list-style-type: none"> <li>Grants</li> <li>Debt</li> </ul>
PLATFORMS	<ul style="list-style-type: none"> <li>Retail (mutual funds, online brokers)</li> <li>Institutional (Exchanges, Alternative Trading Systems)</li> </ul>	<ul style="list-style-type: none"> <li>Retail (online micro finance)</li> <li>Institutional (Impact Funds, emerging platforms)</li> </ul>	<ul style="list-style-type: none"> <li>Retail (offline channels, online giving, Donor Advised Funds)</li> <li>Institutional (Foundations)</li> </ul>
AVERAGE TRANSACTION COST	About 5%	About 20%	About 30%
MARKET SIZE	<p><b>FINANCIAL CAPITAL MARKETS</b></p> <p><b>\$50 Trillion</b></p>	<p><b>SOCIALLY RESPONSIBLE INVESTING</b> Social Screening and Shareholder Advocacy</p> <p><b>\$7 Trillion</b></p>	<p><b>\$300 Billion</b></p>
	MARKETS FOR GOOD		

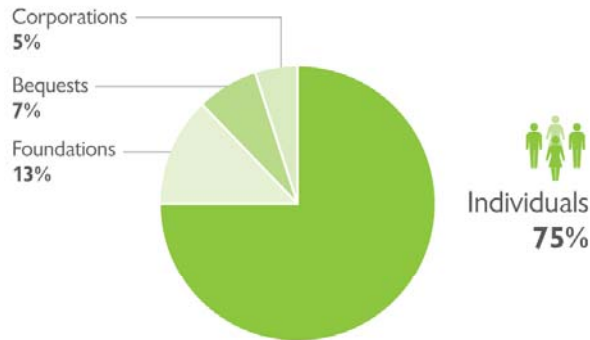
# FACTS ABOUT PHILANTHROPY

In general, most giving comes from **many donors**, but goes to **relatively few nonprofits**.

## FACTS ABOUT DONORS

### WHERE ARE DONATIONS COMING FROM?

#### Charitable Contributions by Donor Group 2007

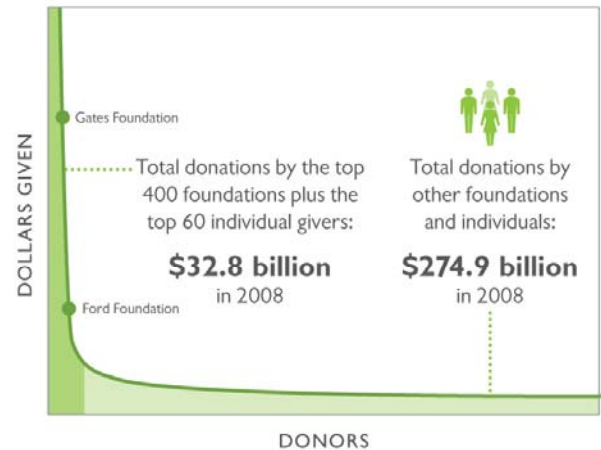


Amount Given to U.S. Nonprofits in 2007:  
**\$306 billion**

Source: Giving USA Foundation (2007)

### HOW MUCH ARE DONORS GIVING?

#### The Long Tail Of Giving 2008















Sources: Foundation Center, Slate, via *Disrupting Philanthropy: Technology and the Future of the Social Sector*, by Lucy Bernholz with Edward Skloot and Barry Varela

# UNDERSTANDING DONORS

If we understand the various **motivations** driving donors, we can **more fully engage** them in social investing.

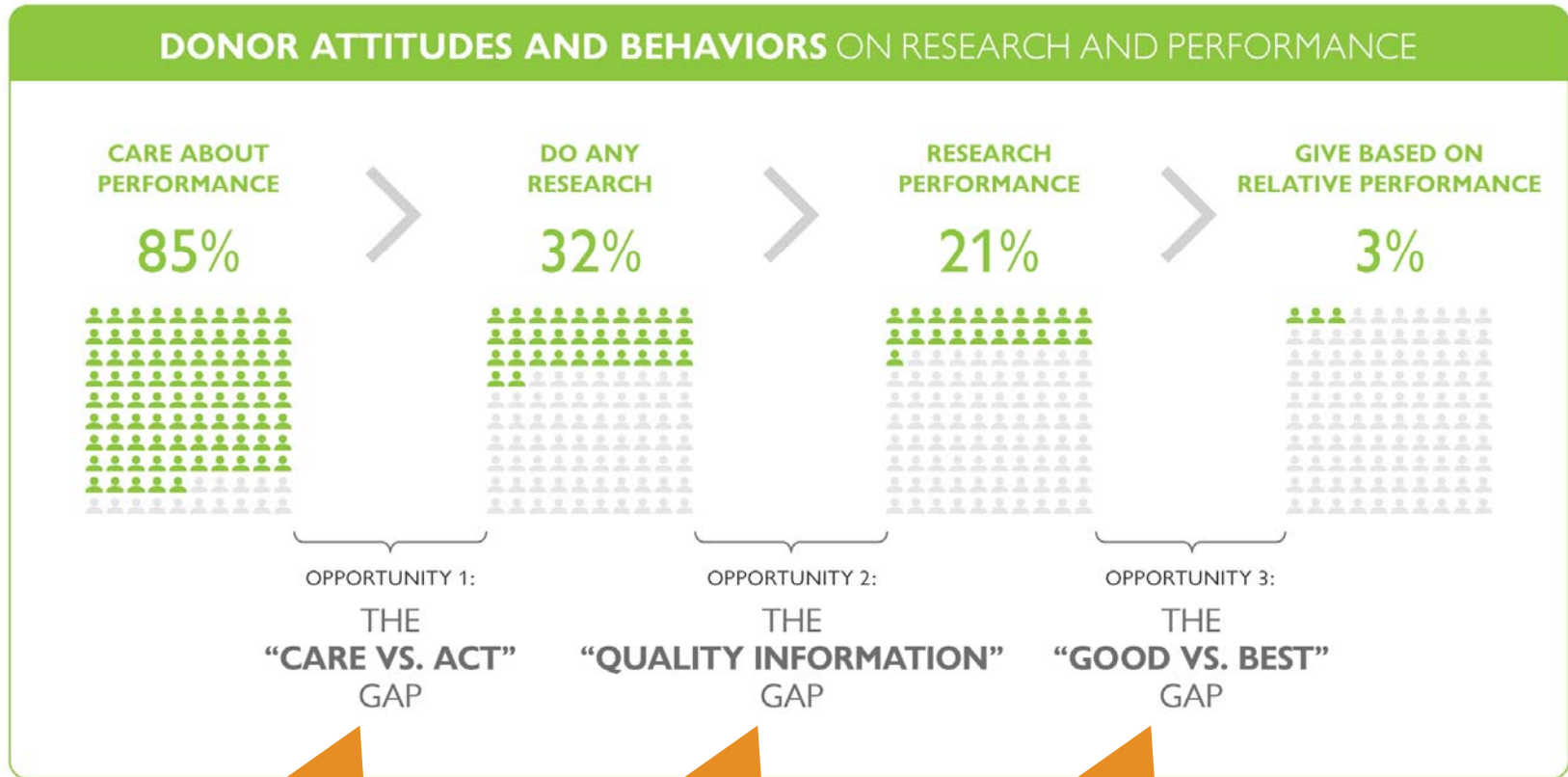
How might we **reach all donors**, regardless of the reasons why they give?

BEHAVIORAL SEGMENTATION OF CHARITABLE DONORS					
REPAYER	CASUAL GIVER	PERSONAL TIES	FAITH BASED	SEE THE DIFFERENCE	HIGH IMPACT
					
"I support cancer nonprofits because my father was afflicted with the disease"	"I give to well known nonprofits because it isn't very complicated"	"I give when I am familiar with the people who run an organization"	"We give to organizations that fit with our religious beliefs"	"I only give to small organizations where I feel I can make a difference"	"I give to the nonprofits that I feel are generating the greatest social good"
<b>23%</b> of all Donors	<b>18%</b> of all Donors	<b>13%</b> of all Donors	<b>16%</b> of all Donors	<b>14%</b> of all Donors	<b>16%</b> of all Donors
<b>17%</b> of all Donations	<b>18%</b> of all Donations	<b>25%</b> of all Donations	<b>18%</b> of all Donations	<b>10%</b> of all Donations	<b>12%</b> of all Donations
					
<b>NONPROFITS</b>	<b>NONPROFITS</b>	<b>NONPROFITS</b>	<b>NONPROFITS</b>	<b>NONPROFITS</b>	<b>NONPROFITS</b>
<ul style="list-style-type: none"> <li>National Cancer Organization</li> <li>Rare Disease Research Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Red Cross</li> <li>United Way</li> </ul>	<ul style="list-style-type: none"> <li>"Charity Walk for a Cause"</li> <li>Buy Table at Annual Gala Friend Co-Chairs</li> </ul>	<ul style="list-style-type: none"> <li>Religiously-affiliated Relief Organization</li> <li>Religious Humanitarian Organization</li> </ul>	<ul style="list-style-type: none"> <li>Local soup kitchen</li> <li>Grass roots after-school tutoring program</li> </ul>	<ul style="list-style-type: none"> <li>Innovative Inner-City Poverty-Fighting Organization</li> <li>International Impact Investing Organization</li> </ul>

Source: Hope Consulting, Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors, May 2010

# UNDERSTANDING DONORS

While donors say they care about nonprofit performance, **very few actively donate** to the highest-performing nonprofits.



How might we get people to act on their interest in nonprofit performance by **doing some research**?

How might we get people to **care about social impact** and other measures of performance?

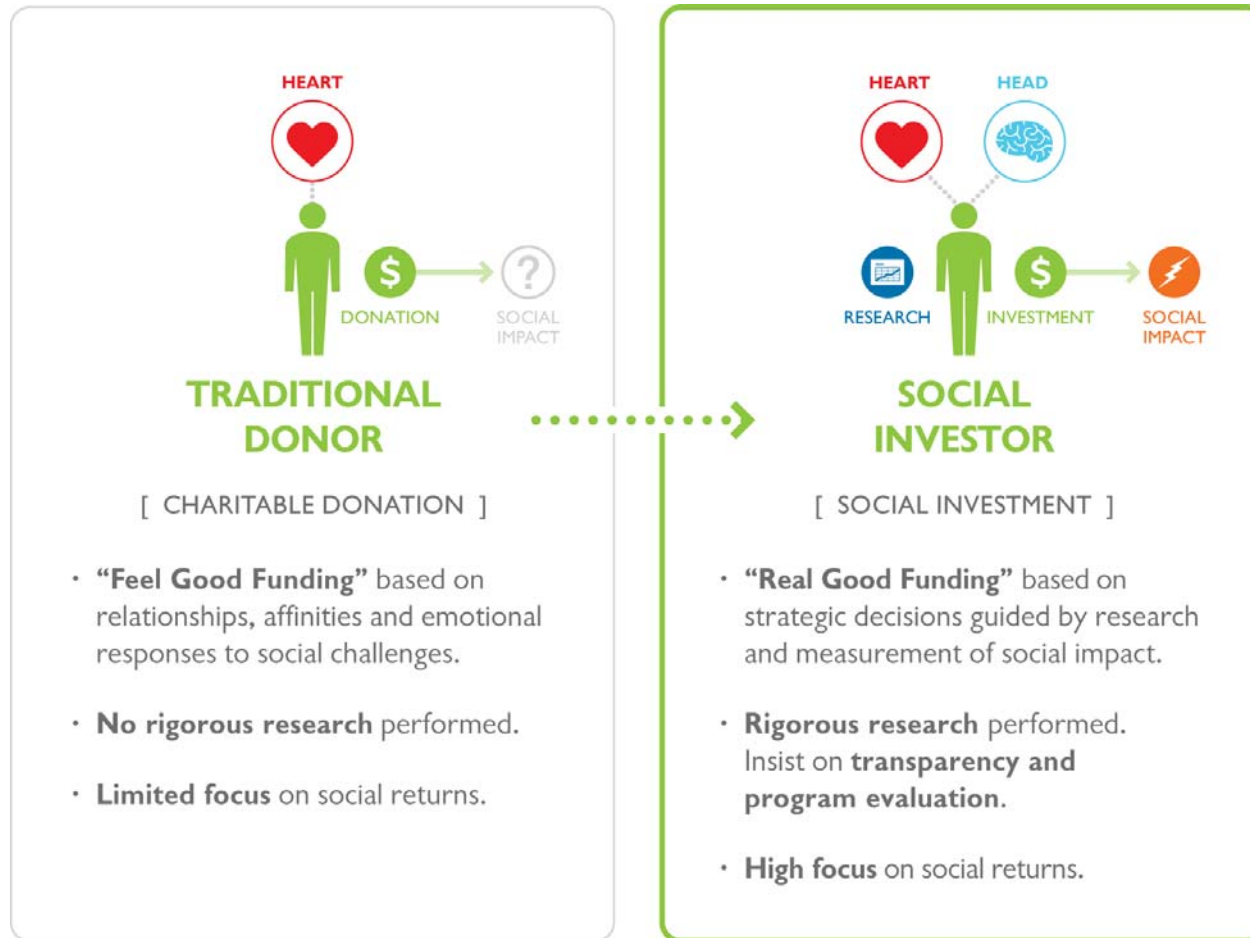
How might we get people to **give to the top nonprofits**, not just those that are 'good enough'?

Source: Hope Consulting, Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors, May 2010



# TOMORROW: GIVING MARKETS

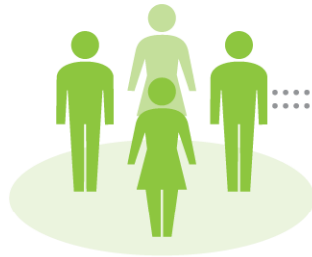
To ensure that funding goes to the **highest-performing nonprofits**, traditional donors will need to become **social investors**.



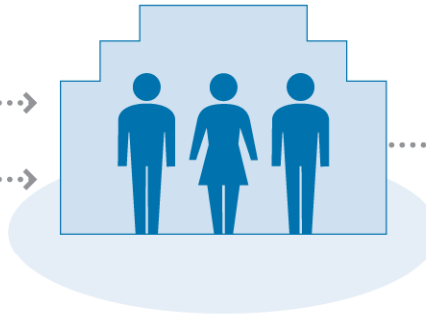
# TODAY: PHILANTHROPY

Today, we do not have enough **readily available, reliable, and universal information** to support the philanthropic ecosystem—the giving markets.

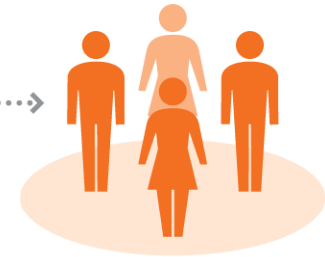
## DONORS



## NONPROFITS



## BENEFICIARIES



- **High uncertainty** on how donations are spent
- **Lack of solid information** about non-profit performance
- **Little giving** based on performance

- **High cost** of raising funds
- **Lack of ability** to easily measure and report performance
- **Difficult to attract funding** based on performance metrics

- **Lack of voice**
- **No feedback mechanism** about what's working and what's not

# TOMORROW: GIVING MARKETS

With enough **demand from donors** and **sufficient supply of information about nonprofits**, we might transform the philanthropic ecosystem into **giving markets**.

## TRANSACTION PLATFORM FOR INFORMATION & INVESTING

