# Digital Giving in the Arts
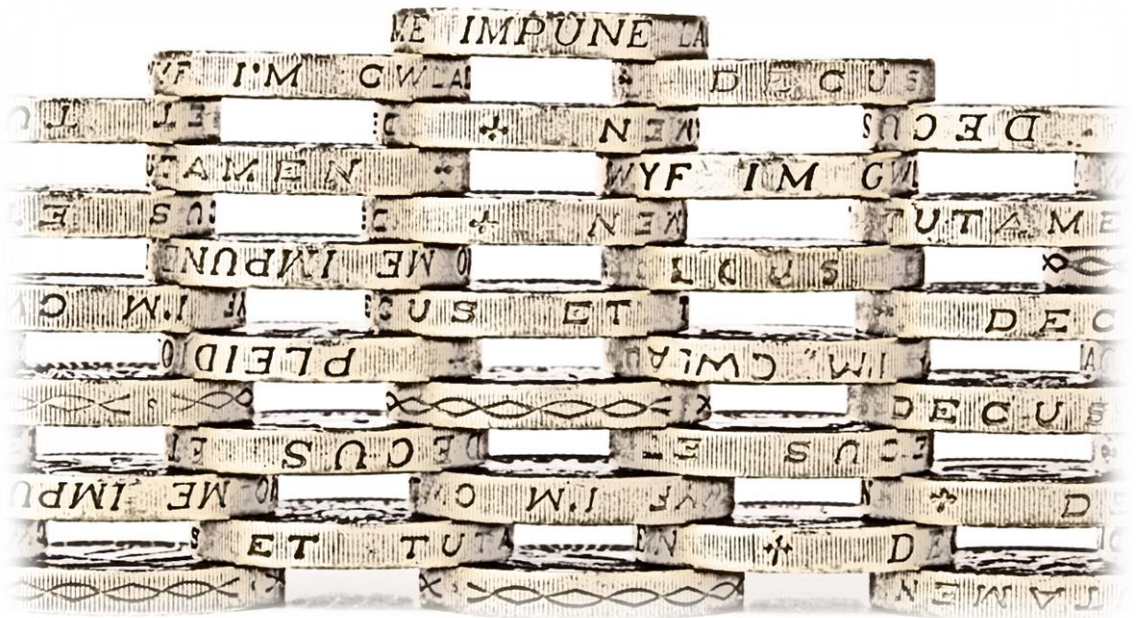
## Democratising Philanthropy

Matthew Bowcock

# Digital Giving in the Arts

## DEMOCRATISING PHILANTHROPY

## Foreword

I approach the challenge of writing this report with some diffidence as I make no claim to be an expert in the Arts and Cultural Sector. But in my business career I have been involved with emerging technologies and seen how they dramatically change our lives and daily behaviour. More recently, as chair of UK Community Foundations, I have also seen the immense value that society and individuals can reap when private wealth is given for the public good. These two very different worlds converged when I became involved in establishing an online giving service that is using technology to try to change the habits of organisations that have come to reply heavily on grant funding – small local charities – and encourage them to develop a community of supporters. Perhaps, I felt, with this experience and as a modest donor to local arts organisations, I could cast an independent, critical eye over the way that the arts and cultural sector encourages people to give and highlight opportunities that could make the task of raising money seem less daunting.

This report does not attempt to debate the merits of private giving versus public funding. That is a battle for others to fight. It merely acknowledges that Government spending is unlikely to grow so, if we want to maintain the vibrant and creative arts scene in this country from which I have benefited throughout my life, the money has got to come from somewhere. Perhaps it is time for us to demonstrate how much we value the arts by all becoming philanthropists, in one way or another.

Matthew Bowcock

# Acknowledgements

Many people have kindly given their time and knowledge to inform this report, sometimes without knowing it. They are listed below, with apologies to any that have been omitted accidentally. Their assistance does not necessarily imply their agreement with anything in the report. Particular thanks are due to a working group, comprising Andy Hamflett (Spring Giving at the Big Society Network), William Makower (National Funding Scheme), Sandy Nairne (National Portrait Gallery) and Michelle Wright (Cause4). Most importantly, much of the research was undertaken by Dr Helen Bowcock.

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# ONE:     EXECUTIVE SUMMARY

It may seem obvious to state that voluntary giving does not happen in isolation; it is an outcome from a process of audience engagement which may occur over a long period. In a similar manner, digital technology alone does not magically enable greater giving; it is just a set of tools for better engagement.

It is not productive, therefore, to focus on digital giving in isolation, so this report examines how technology can be used in all aspects of the arts and cultural sector to involve audiences and visitors more so that they feel a sense of participation. This in turn can motivate them to give. Some organisations already do this well but for others it is a daunting task for which trustees and management may feel ill equipped.

Technology can be used to engage wider audiences than traditional major donor campaigns, which tend to target a small number of high net worth benefactors. It can "democratise philanthropy" by embracing larger numbers of supporters from all demographic groups, giving them a sense of ownership and responsibility for the art and culture that they value.

Donors, of course, don't just miraculously appear; they are nurtured over a period of time. This is only possible if you know who to engage, a task that technology can facilitate, even for organisations that provide free entry. Audience members that return frequently, presumably because they appreciate the art and culture, can be identified in a number of ways and "invited in", initially perhaps to become a subscriber, then a member, maybe after that a patron and possibly eventually a trustee.  Throughout this journey there are opportunities to present the case for support and ask for donations. This is an "escalator of engagement"; the donor develops a greater understanding of the organisation and its needs, thereby assuming an increasing sense of ownership, and in return is increasingly recognised and thanked.

The engagement strategy has to recognise that technology has changed how we all behave. We expect now to be in continuous contact wherever we are and to share our opinions with both friends and strangers. We want to be part of "the wisdom of the crowd" and are prepared to buy and donate accordingly. We have also become producers, not just consumers, able to create and disseminate our own art and culture without intermediaries, whilst art events can now be broadcast live and pop up in unexpected places. These changes are threats to some, but they can be harnessed to great advantage, introducing new audience members, enhancing the artistic and educational experience and generating new opportunities for revenue and donations.

Implementing technology is not easy. It can be costly and confusing, too often there is wasteful duplication and the return on investment can be hard to calculate. Some of these barriers to entry fall as new technologies are adopted in large volumes and prices drop, but others require strategic intervention. The way that charities currently

subscribe to giving websites and the arcane processes required to reclaim Gift Aid are cases in point.

An effective strategy to use technology to raise money requires every part of the organisation to embrace technology, including curators, promoters, fundraisers, senior management and trustees. Technology no longer lives in a cupboard managed by one department; it is becoming all pervasive. However, the skills and experience to exploit digital technology confidently and cost-effectively are not widespread in cultural organisations, particularly smaller and regional ones. Addressing this skills deficit is a major challenge.

It is inevitable that at some time in the future technology will be widely used to help cultural organisations engage their supporters and encourage them to give; the question is when. The recommendations in this report therefore focus mainly on how to speed up adoption and include:

- An industry and Government forum to develop a more cohesive technical architecture for online giving and claiming Gift Aid;
- Investment in online matching programmes to incentivise smaller charities to develop their community of supporters;
- A request for more cohesive, joined-up Government policy to encourage philanthropy;
- Increased investment in research and development of digital technology in the cultural sector, with a focus on engagement, and showcasing of the results;
- Greater use of shareware and exchange of software, technology, experiences and best practice across the sector;
- Incentives to encourage technology skills transfer from business and employment of young technologists;
- Suggestions for how cultural organisations that are currently without a digital strategy can develop a plan and introduce new thinking in trustee boards.

The arts and cultural sector is very varied and diverse, so not all parts of this report will be relevant to all organisations. Indeed, some organisations are so advanced in their thinking and adoption of technology that they have much to teach others. But regardless of which recommendations are adopted, it is hoped that the report will provide food for thought and help some cultural organisations to find ways to engage their supporters and encourage them to give.

## TWO:     THIS REPORT

Though this report is about digital giving to arts and cultural organisations, the two recurring themes are that technology helps to engage audiences which are then more likely to give and that technology will pervade all parts of cultural organisations. As a result, it is hard not to stray into other areas, such as organisational culture, the role of technology in the creation of art and social outreach programmes. This is inevitable. As technology becomes commonplace it influences all aspects of our daily lives, including who we choose to interact with and why and who we choose to give to and why.

This report focuses on how individuals can become philanthropists to the arts. It does not attempt to consider how cultural organisations can encourage businesses to sponsor and support their work financially. This is not because there is no opportunity for such funding but because businesses engage with causes in a different way to individuals and decide to give for different reasons.

This report was commissioned by the Secretary of State for Culture, Media and Sport, so its recommendations are primarily focused on what the Government and funding organisations, such as the Arts Council and Heritage Lottery Fund, can do to develop more giving using technology. However, it is hoped that some of the information will benefit all cultural organisations that are seeking to broaden their base of donors.

No attempt has been made to carry out primary research as much has been written on this subject already. This report builds on the excellent work done by others, in particular "Digital Audiences: Engagement with Arts and Culture Online" in 2010, which was commissioned by Arts & Business and carried out by MTM London. It also draws on Spring Giving's "More than Shaking an On-line Tin", the Arts Quarter Study "Increasing Individual Giving to the Arts" as well as research by Nesta, Panlogic and a number of other invaluable sources.

Throughout the report, the word "audience" is used. This is taken to mean all the visitors, listeners, readers, observers, beneficiaries, clients, customers or just passers-by who benefit in one way or another from art and culture, be it a concert, exhibition, play, performance, statue, building, monument or any other form of art or culture.

The "Arts and Cultural Sector" traditionally includes public libraries, but no attempt has been made to examine how they may be better funded in the future. That would be a whole report in its own right. Where the expression "cultural organisation" is used; this is shorthand for all arts, cultural and heritage organisations, apart from public libraries.

# THREE:   CHANGING THE CLIMATE FOR GIVING

Can digital technology develop a habit of giving to arts, culture and heritage in the UK? There are good reasons to believe that there is much untapped potential to increase levels of individual giving by exploiting digital technology. According to research commissioned by Arts & Business, over 60% of English adults are "engaged with the arts" and over half of the population give to charity, but only an estimated 2% are arts donors[1]. The question for this report is how to use digital technology to convert arts and culture audiences into donors.

## Knowing Who Your Friends Are

Cultural organisations have advantages over most other charities in terms of fundraising. They have a tangible product, offer a rewarding experience and are already connected with the people who are most likely to give, their audiences. Arts Quarter states that there is "a very clear potential for arts organisations to engage in higher levels of individual philanthropy based on levels of wealth held by those who have engaged with their work as audience members or attenders"[2].

Arts & Business has also established that donors have, on average, attended the organisation to which they have given at least two to three times during the year. If donors are much more likely to come from existing audiences then clearly, engagement is a precursor to donating. Few people give to an organisation if they have never experienced its art or culture.

The report by MTM, commissioned by Arts & Business, also finds that "the people who are most engaged in the arts and culture are also the people who are most advanced in their use of the internet and other digital technology"[3] and that:

- 65% of internet users share information about cultural activities online;
- 53% use social media to find out about cultural events;
- 63% of UK adults make purchases and payments online;
- Visitors from social media are ten times more likely to make a purchase from a website than an average visitor.

Digital technology offers an unprecedented opportunity to engage new audience members, to open up a dialogue, to understand their interests and, in the right conditions, to turn them into donors and advocates.

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[1] Mermiri, T. (2010) Arts philanthropy, the facts, trends and potential, Arts & Business London

[2] Arts Quarter (2012) Giving to the arts: evidence, aspirations and potential barriers to success, A Culture 2020 project

[3] MTM London Digital audiences: Engagement with Arts and Culture Online

## Making a Case

What factors prevent cultural organisations from realising the opportunities? Arts Quarter research finds that a lack of fundraising experience amongst staff and trustees is a barrier to success. It also finds a low success rate in fulfilling targets for individual giving programmes and that less than half of organisations surveyed have skill and confidence in dealing with High Net Worth individuals. This suggests that there is a clear role for public funding to develop and enhance fundraising expertise within the cultural sector. It also highlights the importance of leadership by trustees in both fundraising and technology and that, in recruiting new trustees, boards should aim to include people who are experienced in their use of digital technology and can provide strategic guidance in their use in fundraising.

In particular, it seems that often there is no clear stated "case for support", that is the central proposition needed to persuade potential donors of the reasons why they should donate. The fundraising motto occasionally quoted is "to be what people are interested in", but this is only likely to succeed if the language used in the case for support resonates with audience members. "Those who have found a way of telling their fundraising stories in a compelling way that engages with the imaginations of potential donors will be the ones who succeed."[4]

The research also indicates that many people are simply not being asked, particularly where free entry is available, and do not appreciate that many cultural organisations are charities that serve a social purpose. A clear case for support enables everyone committed to the organisation to speak with a common voice, from trustees to staff members and volunteers to engaged donors. This includes an understanding of the public benefit that the organisation fulfills.

The charity sector has long recognised the preference that donors have for projects over organisations, as they can see a tangible value or effect. Appeals for specific causes within an institution, such as an object, building restoration, new work or performance, may be much more effective than a general pot for an institution. This does present an issue for organisations, as the money given is restricted and can only be used for that purpose, often leaving them short of unrestricted funds for general operation, but it can serve as a useful entry point for donors who later go on to give unrestricted funds.

## Embracing the Technology

Digital technology is essentially a set of tools to tell this story, but just as all parts of the organisation need to understand the case for support, digital tools need to be

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[4] Arts Quarter (2012) Giving to the arts: evidence, aspirations and potential barriers to success, A Culture 2020 project

deployed throughout organisations, so that opportunities to tell the story are not missed:

> "In our work with a range of arts and cultural organisations large and small, we still see real issues relating to culture and adoption of digital practices. There is often ambiguity about where digital best sits – in the marketing, fundraising or education departments or as its own function – and quite a lot of protectionism within departments that doesn't allow innovation to thrive. This is compounded at Board/Senior Executive level, with many being unsure as to how digital resources should be utilised, or what the expected ROI should be if investment is agreed."
> Michelle Wright, Cause4

Trustees must provide strategic support for both fundraising and technology but, because technology is changing rapidly, a steady stream of fresh ideas are needed. Boards need to be refreshed often to bring new approaches, ideas and contacts.

## Treating Everyone as a Philanthropist

One arts funder referred to "the denial of the opportunity to be a philanthropist". Every audience member should be dignified by being considered a potential donor.

In a report on the culture of the museum sector the Paul Hamlyn Foundation found that "Communities remain, or at least perceive themselves to be, fundamentally separated from processes within these organisations rather than engaging at every level of their work, they are relegated to mere consumers of the museum's and gallery's products". It should be noted, though, that this report referred mainly to regional museums.[5]

Digital technology offers the means to enhance the audience experience, to give a far greater sense of participation and belonging. As stated by Spring in its report "More than Shaking an Online Tin", it is about much more than just a better way of collecting money. "If people cannot feel a sense of pride and belonging about the cultural organisation they will not feel inspired to give"[6].

> "The denial of the opportunity to be a philanthropist…"
> (Paul Hamlyn Foundation)

## Engaging the Big Givers

Whilst cultural organisations, with the help of technology, can increase their donor base and "democratise philanthropy", it has to be acknowledged that a significant

[5] Lynch, B. Whose cake is it anyway? Paul Hamlyn Foundation
[6] Hamflett, A. Hughes, S. Saxton, J. & Yorke S. 2012 More than shaking an online tin: How can we take technology enabled giving to a new level? Spring

amount of support comes from a small number of large donors. The arts, more than any other part of the charity sector, are connected to High Net Worth individuals because a subset of existing audience members are likely to be wealthy. Nevertheless, a survey by Arts Quarter suggests than many organisations struggle to convert them into donors. Indeed, there is also some evidence that high net worth philanthropists are turning away from arts and culture in favour of social cause charities. Digital technology offers important opportunities to address this.

Technology also provides new ways of demonstrating the social value of outreach and inclusion programmes. Many people are unaware of these programmes and do not necessarily consider cultural organisations as charities. The arts can offer a double return on investment, as a donation both contributes to local cultural amenities and invests in art to bring about social impact. As charities, there is much scope for cultural organisations to emulate the practices of the wider charity sector to demonstrate their worth, if not already doing so.

In general, the larger the gift the more information the donor requires. Organisations can use technology channels to personalise their approach to major donors and provide feedback. Intelligence can be obtained via social media about individuals, for example by following them on Twitter, or researching where they have made previous gifts, so that an engagement strategy can be tailored to their interests.

Indigo Trust states that "Technology can also provide very useful feedback loops for donors. Social media sites such as Facebook and Twitter can be used to track projects and interventions live. While these tools cannot replace due diligence, they do provide a useful – and interesting – way of monitoring the successes and challenges of a given project".[7]

## Understanding Reciprocity

Reciprocity is fundamental to why people choose to give their own private assets for the benefit of others. Highly engaged donors may take achievement of certain goals as sufficient reward in itself, but most givers wish for something in return, be it public recognition, privileges such as invitations to exclusive events, feedback on the impact of their donations or even just personal expressions of thanks. Reciprocity is not confined to high net worth donors and indeed, modest donors can be put off giving because they feel that their contributions are not acknowledged.

Technology enables organisations to manage their relationships with supporters with much more granularity. Communications can now be highly personalised and relatively small groups of supporters treated in a way that is appropriate to their involvement and level of giving. Organisations that do take their supporters on a journey of engagement can provide commensurate levels of recognition and reward in many

[7] http://indigotrust.wordpress.com/

different ways. At the simplest level, this could be early access to tickets for regular attendees or an invitation to an opening event, graduating up through discounts and other privileges for members, listing in programmes or annual reports through to public naming of events or buildings.

# FOUR:    TECHNOLOGY BEHAVIOUR

The relentless advance of technology presents cultural organisations with a bewildering array of technology tools. This reflects the diversity of both organisations and audiences and, as a result, the many different ways that they could interact with and engage audiences. An application that may be ideal for an orchestra could be completely inappropriate for a heritage museum or a street theatre.

This means that there will not be a single "killer application" for digital giving and indeed, there will be a period of creative disruption as new ideas are trialed. Some will prove their worth and others fail. Over time, a number of inexpensive and easy-to-use tools will become commonplace.

The goal, therefore, is to create a technology climate in which creativity can thrive and costs are driven down through volumes, so that both small and large organisations have the opportunity to use digital tools to engage their audiences.

In Section Five: "Proven Approaches to Digital Giving" examples of online fundraising techniques are outlined, but the most successful ones recognise how human behaviour is changing as a result of technology. By identifying and understanding these behaviours, organisations can build digital strategies that are appropriate to their medium and their audiences.

## Always On

The proliferation of smart phones and tablet computers with high-speed communications means that many people expect to be always connected.[8] Constant access to email, Facebook, Twitter, proprietary platforms such as Blackberry Messenger and web access are taken for granted. Urban areas without data coverage elicit surprise and sometimes bewilderment. This persistent connection assumption started with mobile phones, which created the belief that you could always be contacted by phone, but this is being supplanted by an expectation of constantly available data communication. Voice communication is now secondary for many mobile device owners.

This phenomenon is the result of convergence of high speed mobile and wireless data communications, high resolution graphics with easy-to-use interfaces such as touch screens, and open platforms that stimulate developers to create a host of third-party applications (apps).

Cultural organisations can exploit this trend. At the simplest level, people seek out warm comfortable spaces with wireless access. Many organisations own buildings that

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[8] Ofcom estimates that more than a quarter (27%) of adults and nearly half (47%) of children aged 12-15 now use a smartphone.

are already treated as public spaces, so they can welcome visitors to public areas by providing free wireless access. Visitors expect to be asked to provide some information such as an email address to obtain a free service, but this logon page can also be used to present the organisation's case for support and encourage a donation or further engagement.

Mobile devices could also be exploited to enhance audience experiences through the use of creative apps. As outlined in the section of this report "A Vision of Digital Funding of the Arts", new communication technologies and QR codes will allow visitors or audiences to load an app onto their device on arrival at a venue, such as an exhibition guide. This is, after all, only a modern version of an audio guide, so it is likely that a charge can be made, thus increasing revenues. Hire of an audio guide, however, is a physical transaction, whereas loading an app onto a visitor's device is an electronic interaction, which provides a means of capturing the user's identity and building a future relationship.

## The In-Crowd

Since the emergence of social media sites, online users have sought out others with similar interests and created like-minded virtual communities. A relatively new phenomenon is the willingness to engage in financial exchange by sharing risk. The most obvious manifestation of this is crowd funding, where a number of platforms have sprung up, such as Kickstarter.com, Crowdfunder.co.uk and WeFund.com. People's willingness to commit financial resources because they are part of a larger crowd is well understood in a non-digital environment by The Funding Network, which brings donors together to pledge to charities. The concept is being extended by community financing initiatives, such as Zopa (peer-to-peer credit), Abundance (green energy project crowd funding) and SpaceHive (community assets).

Crowd funding has been particularly effective in the US for creative projects, such as films, albums or performances, though it is also used for business start-ups, sports clubs, political campaigns, scientific research and disaster relief. Most, but not all, successful crowd schemes have the following characteristics:

> *"In reality TV terms, it's like appealing to lots of Lizards instead of the one Dragon"*
> *(Richard Godwin, London Evening Standard)*

- They rely on large numbers of small donations, playing on the sense of "Being in with the In-Crowd", usually at levels of money that supporters are prepared to lose;
- They involve some form of reciprocal value, such as a number of tickets to the opening night of the film, signed copies of the album or book or, in the case of investment funding, a prospect of financial return;
- They are typically personalised, with the sponsor or fundraiser being identifiable, so providing funding is essentially a social act, not an economic transaction.

The applicability of crowd funding models to institutions is discussed in section Five: "Proven Approaches to Digital Giving".

## Being Heard

The internet has become a megaphone for quiet voices, where everyone's opinions can be expressed, disseminated and perhaps refuted. A younger generation assumes the right to offer an opinion on Twitter or Facebook and much art is essentially social, triggering dialogue and debate, so it lends itself to discourse on the internet. The majority of social media users say they already use the internet to broadcast and share their enthusiasm about cultural experiences. Some cultural organisations do listen to and participate in online debate, but for many it remains a series of conversations that are taking place elsewhere – out of earshot.

The challenge for organisations is not just to encourage such free publicity, but to curate and participate in these exchanges, so that supporters can be identified, further engaged and converted into givers.

All information, of course, has to be evaluated, nowhere more so than on the internet. Ironically, the information that seems to be most mistrusted today is that provided by organisations, as we face a period of disenchantment with traditionally august and respected institutions. Social media users instead seek out consensus about, for example, a performance or an exhibition in the same way as they do before buying a product. Consistent peer voices now often carry more weight than critic reviews and traditional advertising.

Widespread internet debate presents cultural organisations with opportunities to encourage the conversation and present their case for support. As well as the institution itself regularly tweeting, updating Facebook pages and posting videos, a cadre of educated supporters doing the same becomes an effective promotion channel. The medium is also increasingly sophisticated, so that complex nuanced messages can be presented in a way that cannot be achieved using traditional promotional media. This is how an organisation could explain the outreach work that it does with prisoners, for example, which can then engage potential donors that may traditionally give to social causes rather than to support culture.

Social media also provides feedback to organisations and curators. If the institution solicits input and feedback from members and supporters and demonstrably responds to the voices, it draws supporters into a democratic relationship. Being heard and being able to influence direction gives supporters a sense of community, solidarity and ownership of the organisation which, in turn, can lead to a greater appreciation of its financial needs.

## Global technology, local use

The internet promised the ability to connect to anywhere and anyone in the world. Ironically, it is being increasingly used to build and strengthen local communities. Venues and performers are booked, events promoted, tickets sold and commentary tweeted, all through digital means.

This has particular significance for rural and semi-rural areas of Britain that are disadvantaged by a lack of access to services and amenities. In recent years an emphasis upon urban regeneration has seen public investment concentrated on towns and cities.

"Rural dwellers who want great art where they live are entitled to feel aggrieved…… because of an over concentration on temporary, place-based activities, there has been little appetite to create a legacy of new cultural amenities in the countryside."[9]

A combination of the ambitious roll out of broadband in the UK and a growing interest in social ownership creates new potential for rural communities and for those not well served by cultural amenities. It offers the opportunity to invite community participation and, potentially, to seek finance using crowd funding approaches which, in turn creates a sense of shared ownership.

> *The phenomenal success of Rock Choir is evidence of both the desire to participate and to do so at a very local level. This organic development of a network of amateur choirs is, at its core, a very effective fundraising machine. It charges around £9 per session, offering anyone the opportunity to sing as part of a choir, turning music into a highly social event. It is effective at tracking customers and makes good use of social media to publicise and publish its work and, in the process, raises funds for charity. It invites members to "take part in exciting live performances and raise money and awareness for hundreds of charities and local causes". By delivering something of great value, people do not question the fee and can take pleasure in donating to charity and encouraging others to do so.*

## Live culture, anytime, anywhere

High speed communications technology has untethered some art forms from their physical location. The best example was the National Theatre's NT Live performance of Phèdre.

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[9] Butler, T Grow Your Own: An examination of an asset-based approach to developing cultural amenities in rural areas, Clore Leadership Library

> *The National Theatre's live performance of Phèdre was screened to over 200 cinemas around the world and seen by a worldwide audience of more than 50,000 people. This pilot project was rigorously evaluated by Nesta and audiences were almost unanimous in claiming that their experience had made it more likely that they would visit the theatre, as well as live screenings of plays, in the future. One of the findings was that it enabled people who otherwise would not have attended the National Theatre, including people from lower income groups, to experience live theatre.*

Digital opens up the opportunity for cultural organisations to become broadcasters delivering value to an audience that is not limited to those who walk through the doors or attend an event.

> *A notable example of the power of the internet to democratise access is the transformation of the TED conference from what was once "a small exclusive affair" into a worldwide phenomenon. TED (Technology, Entertainment, Design) begun as a set of conferences owned by the private non-profit Sapling Foundation, formed to disseminate "ideas worth spreading." Talks are no more than eighteen, and usually only six, minutes long and are now broadcast via the internet. There are over 1,000 talks free online and TED Talks have been watched over a billion times. The advice from June Cohen, who pioneered this development, is to "build content that creates an emotional connection. Think not only why your audience might take part, but why they might tell their friends too".[10]*

Some express concern that online cultural content could displace the live experience, but there is evidence that shows that digital broadcast is augmenting the enjoyment and experience of the arts not, as some feared, offering a poor substitute. One conclusion of the Arts & Business/MTM report in 2010 is that the vast majority of people who access online cultural experiences (videos, recordings etc.) also attend cultural events. It notes that "Crucially, this (online) engagement augments, rather than replaces, the live experience"[11].

Digital means are also opening up new opportunities for active participation. A generation of young people is growing up taking for granted their ability to record their own music using applications such as GarageBand, to publish their own book or disseminate their work, without dependence on traditional intermediaries, such as

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[10] Springer, P and Carson, M. 2012, Pioneers of Digital
[11] MTM London Digital audiences: Engagement with Arts and Culture Online

record labels, publishers and galleries. Organisations who do not anticipate this trend could miss out on a generation of supporters.

*The YouTube Symphony Orchestra created scale from many small pieces of participation. About 3,000 people auditioned using YouTube and a community of around 30,000 commented on the videos. Another 300,000 watched those videos, although they didn't comment. Finally, 40 million people watched a classical music concert performed by amateurs, of which five million watched it live online. "People love the idea of a shared live experience, knowing everyone else is watching at the same time you are. That persists even if you're not in the same concert hall or stadium. "This is going to be one of the incredibly profound things about the Olympics – that we come together and do this one thing at that time".[12]*

## Playing the game

A recent phenomenon has been the explosion in the use of games, particularly by the young, rather clumsily referred to as "gamification". Even the Prime Minister admits to playing popular tablet computer games. The essentially enjoyable nature of the arts opens up opportunities to engage people, particularly the young, through interactive gaming. Games, usually in the form of pen and paper quizzes, have frequently been used to engage and entertain young visitors to museums and galleries, but new animated graphic capabilities open up a world of engagement opportunities.

One goal of education should be to develop an appreciation of creativity that can flow across disciplines. The engaged school pupil that looks back positively on the school visit to a performance, gallery or museum, is much more likely to become a lifelong appreciator of the arts and thus a candidate to become also a lifelong donor to cultural causes.

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[12] Social at Scale: The challenge of digital media for the 2012 games NESTA Hot Topics 2012

# FIVE:    PROVEN APPROACHES TO DIGITAL GIVING

## Charity Challenge Fundraising

The most frequently mentioned and most widely used form of online giving in the UK is charity challenges, pioneered by the company JustGiving. Whilst it is recently branched out into a range of new products and services, JustGiving's primary service is a challenge fundraising facility. Supporters of a charity that undertake a challenge, such as running a marathon or swimming across the Solent, solicit and collect donations from friends, relatives and colleagues. Recipient charities must be registered and verified for a monthly fee, but the process is straightforward for registered charities and fundraisers can sponsor their chosen charity for registration.

JustGiving has been extremely successful. It has raised over £1 billion for 13,000 charities in ten years and has provided individual pages for 2 million fundraisers, who have attracted 20 million donors[13]. This success has spawned competitors, such as Bmycharity and Virgin Money Giving.

However, the success of charity challenge websites is because it is essentially a social experience. Fundraisers who decide to undertake a challenge usually select the recipient charity and then use a wide range of tools to promote their task and ask for donations, using their social and work networks. Fundraisers often undertake the challenge not because they are personally engaged with the charity, but for the satisfaction and fun of completing the task. Indeed, some oversubscribed events auction off places to major charities, meaning

> *"JustGiving has scale and an excellent user experience, and event sponsorship lends itself well to online because it is a social activity"*
> *(Spring Giving)*

that participants cannot nominate their own charity, but have to select from a limited list.  Similarly, most donors do not give because of the charity but because of their personal relationship with the challenge maker[14]. Charity challenges are, therefore, based on personal social capital, so are a form of crowd funding.

Registering with a challenge website will not generate donations on its own. It will only be effective if supporters of the organisation agree to undertake challenges and exploit their personal contacts. The key to effective use of charity challenge websites is to build a supporter base which is sufficiently committed to be prepared to expend personal social capital for the cause. It should be noted that the identity of donors to the challenge is only passed on to the recipient charity if the donor elects to be contacted.

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[13] Justgiving.com website, Media Centre.

[14] There are exceptions to this, such as the large amount that was donated after Claire Squires died during the London Marathon.

Charity challenge websites are more widely used for social causes than for arts and culture[15]. This may be, in part, because personal contacts are more likely to respond to obvious "good" causes which attract sympathy, such as children's charities, than ones which may be perceived as elitist or benefiting the supporter. Nevertheless, registration can be a useful tool for cultural organisations, as the giving facility can be used to collect money once a donor has been persuaded to give through some other engagement, other than through supporting a charity challenge.

## Crowd Funding

Most arts and culture crowd funding to date is by artists, not institutions. The site kickstarter.com recognises this by specifically avoiding the term "arts" preferring to refer to "creativity". There is some scepticism about whether online crowd funding models can be used by UK cultural organisations to increase giving. Where institutions in the US have attempted to use crowd funding platforms they have had limited success, possibly because their campaigns, unless they are particularly well crafted, do not tend to resonate at the personal, peer-to-peer level. However, it is possible that they could be used for specific projects, particularly where significant reciprocity can be offered. Many funders are prepared to give, even compete to give, in exchange for some privilege, such as an opportunity to meet the artist or to attend an opening night.

There may also be the opportunity to use crowd funding models to obtain high risk-funding, possibly by offering a financial return. For example, a small, regional gallery or museum, could invite members to support the cost of an upcoming exhibition with the offer to return their investment if certain visitor numbers were achieved.

Crowd funding also creates a community of supporters with a vested interest in the success of a project, thereby becoming a publicity resource, spreading the word. One interesting idea in the UK is the Britten Sinfonia's Tenner for a Tenor campaign which invites people to contribute £10 as an investment into the creation of a new piece of music. In return their names appear in perpetuity on the front of the music score. The results so far show that many people make donations greater than £10 and that 75% of contributors are new to the Britten Sinfonia.[16]

Crowd funding models usually involve some form of reciprocity like this. Angel Shares is a new, web-based system which invites "shares" in projects for which "rewards" are granted. The site provides a direct link between investors and cultural organisations and offers a sense of shared ownership and information on progress[17].

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[15] A search for Arts and Culture organisations on JustGiving.com finds 313 results out of 8,000 charities.
[16] http://www.brittensinfonia.com
[17] http://angelshares.com

## Matching Schemes

A number of matching schemes have been run to encourage giving, including the Cabinet Office funded Grassroots and Community First Endowment matching programmes, which were run by Community Foundations, and the Catalyst Arts Scheme. The Catalyst Arts capacity building and match funding scheme includes an element of donation matching after the first year but, apart from this, these programmes have focused on building long term endowment. This usually involves a level of donation that is unlikely to be made digitally, though the donor's engagement and willingness to give may have been cultivated largely using digital techniques.

Some websites have focused on matching online donations. The Big Give has for a number of years selected a number of organisations for match challenges; if a certain amount can be raised by an organisation from its supporters within a set, usually very brief period, it will be matched by a philanthropist. The time limited nature of the approach somewhat favours organisations that have an established base of supporters that they can mobilise at short notice, rather than those that are taking their supporters on a journey of engagement over time. The demand has also stretched the technology on occasions.

Localgiving.com was established to encourage small local charities and voluntary groups to raise funds from their own community. To encourage these groups to mobilise their supporters, a number of match challenges have been offered to the charities and voluntary groups that are registered on the site, funded by philanthropists and grants from the Cabinet Office. These have been successful in changing behaviour, as they have motivated groups to promote their work to their local community and develop a fundraising mentality, as well as raising the profile of the service. Of note is that about a quarter of the charities registered on Localgiving.com are arts charities.

During the first matched challenges the value of donations was relatively high and only a relatively small proportion of charities took advantage of the scheme, so a promotion was designed recently called "Grow Your Tenner". This matches £10 donations, thereby attracting larger numbers of smaller donors to more charities. In two months, almost £500,000 has been raised in donations from 35,000 supporters.

As with most other online giving, donors give not because the charity is listed on the website, but because engaged local supporters have been contacted and encouraged to give. Though early days, Localgiving.com appears to demonstrate how match funding can change the operational behavior of small local charities and encourage them to develop an engaged community of supporters that are prepared to give.

## Regular Donation Schemes

Major charities, particularly social cause, environmental and international aid charities discovered long ago that regular payments can be a valuable source of reliable funding.

Many hired commission based "chuggers" (from charity muggers) to persuade passers-by to sign up to standing order or direct debit schemes. Scepticism about the ethics of such campaigns may have dented their image, but the value of recurrent donations to all charities remains. All cultural organisation with a base of loyal supporters should encourage some to sign up to a recurrent donation scheme.

Localgiving.com is attempting to encourage greater direct debit giving to small organisations by matching £10 donations for the first three months as part of its "Grow Your Tenner" campaign. The success of this scheme should be monitored as it could provide a model for cultural organisations seeking to encourage supporters to become donors for the first time.

Membership schemes are, in many ways, a form of regular donation scheme, particularly where the donor renews automatically through direct debit. As membership often confers some benefits not all of the income is treated as donations for Gift Aid purposes. A new option that is emerging is charity loyalty cards, such as the scheme introduced by the Red Cross, which may provide a more positive way of engaging supporters than "chugging".

## Text Giving

As mobile phones have become ubiquitous, so the opportunity to use them as a payment mechanism has grown, particularly in environments where mobility is essential. Parking fees are paid widely using a text service and Vodafone developed a branded service in partnership with JustGiving, called Vodafone JustTextGiving.

Text giving services enable low value donations, typically up to £10, by texting a unique charity code in a message to a particular number. The transaction is processed by a service provider, which interacts with the mobile service operator to add the amount to the subscriber's phone bill and to remit the total amounts received to the registered and pre-checked charity.

Text giving has the advantage of being untethered and immediate, so is effective in situations such as a concert or an event where an immediate emotional reaction is sought, but it is not an entry point to a relationship with the donor. Most mobile phone operators do not harvest information about the donor from their customer records and supply it to the recipient charity. Other ways have to be developed to identify and engage the donor.

> *"When we think about mobile giving, it has to be about creating an ongoing conversation with that individual, no matter on what platform – it's dangerous to look at text giving on its own."*
> *( David Erasmus, Givey)*

Though easy to use, text is also a very narrow communication channel. As an increasing number of smart phones and tablets support mobile data, text messaging is likely to decline and largely be replaced with apps that enable a donor to find out information about the cause and pre-register payment cards and for Gift Aid. Such

apps will enable to cultural organisations to contextualise their request for support, perhaps using Quick Response (QR) codes or near-field communications, and provide them with knowledge of the donor's identity, so he or she can be further engaged. GiveOnTheMobile and the Digital Funding Scheme will provide this sort of capability.

## Micro-donations

Not all digital donation schemes try to engage a donor with specific cause; some encourage people to give a small value that is not of great significance – loose change in the pocket. Collecting tins in the street or beside cash registers in retailers have long attracted donations in this way.

A few digital schemes provide this type of facility. The Pennies Foundation has developed a system that enables credit and debit cardholders to donate their electronic change, either by rounding up to the nearest pound, or adding a specific amount, when paying for goods and services by card. The maximum value that can be donated is 99p. Donors typically respond because the amounts are small, there is no on-going commitment and they feel good doing so. Retailers nominate the charities they and their customers want to support and The Pennies Foundation retains a small percentage of donations to contribute towards driving the movement for the benefit of all charities.

Some cultural organisations have significant retail operations – cafes or gift shops – and are processing an increasing number of card transactions. Offering a "round up the pound" facility, with the bulk of donations going to the charity, could generate a useful stream of incremental donations. Consideration should be given to a national agreement for cultural organisations to enable them to implement such a scheme in their retail outlets.

It should be noted that, as with text giving, round-up-the-pound schemes are not permitted to disclose the identity of the card holder. This means that Gift Aid cannot be claimed and such schemes will not be a bottom step on the "engagement escalator" for cultural organisations.

## Direct Website Giving

Building the technology to receiving electronic donations is not a simple task. Multiple payment mechanisms have to be supported, systems have to be interfaced to banks and gift aid reclaimed. As a result, only few, relatively large charitable organisations have developed their own digital giving facility. Most prefer to pay a transaction fee for a service and simply link their website to an online giving service provider.

As outlined in the section "Obstacles to Digital Engagement", it could be easier for website and application developers to access "the plumbing" of digital giving, if a more coherent architecture were to be developed.

# SIX:   A VISION OF DIGITAL FUNDING OF THE ARTS

How will cultural organisations interact with their audiences in the future? This section attempts to paint a picture of how technology could influence all aspects of the relationship between an organisation and its supporters. It is not intended to be comprehensive and not all technologies and applications will be appropriate, but it should serve to stimulate imagination.

## Know Your Audience

"There are many ways into the museum other than the front door, and most of them are digital – schools accessing pictures online, scholars pursuing academic research, travelling exhibitions, the online shop…. The opportunity is not to build new roads but to link them all digitally".[18]

Institutions should use every means possible to capture information about their audiences whether online or offline. Every time a ticket is bought or a website is visited, information can be captured. A visitor that today purchases an audio guide to an exhibition in the future instead may be offered a phone or tablet app. By pointing the phone camera at the painting or exhibit, the app will then play a commentary, display information explaining the exhibit or potentially trigger an animated graphic, for example showing the artist painting the subject in the studio. The app could then explain why the gallery is raising funds for that exhibit and invite the visitor to make an immediate donation to the project. The app could also invite the client to send a tweet about their experience of the performance or exhibit. This would provide instant evaluation information to the organisation which can become part of an information loop with supporters, any of which may be a potential donor.

> "There are many ways into the museum other than the front door, and most of them are digital"
> (British Museum)

This interaction between a physical, real world environment and computer generated information is often referred to as "augmented reality". Such augmented reality apps also open up a world of opportunities to engage and educate children. Dinosaurs can appear to come to life and chase a visitor, or competitive games can be provided to enthrall and capture imagination. Concert goers could choose to buy an electronic programme, rather than a glossy physical programme, particularly if it offers greater value. The app could offer the opportunity to download and listen again to the performance after the event.

Visitors may be offered an opportunity to purchase a programme when buying a ticket to a performance or an event. This could be loaded immediately on purchase, so that the layout of an exhibition can be explored in advance in a virtual reality tour, or a

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[18] Director of Development, British Museum

video of the artist, describing his or her work, can be watched in advance of the performance. On arrival at the event, the app can be updated, using emerging technologies such as near field communications, to provide the latest information.

These innovative ways of engaging with donors are particularly important for institutions that provide free access. Without some interaction with a visitor, how can a cultural organisation know who its supporters are and who might become a donor? Engaging audiences with added-value offerings, such as electronic programmes and apps, means their identity can be captured and supporters identified.

Visitors to an institution's website or shop, or users of an image or recording could also be cultivated to become engaged supporters. A great deal of art is now being disseminated in digital form which enables institutions to reach huge audiences across the globe. This could be through high resolution images and recordings, but also through broadcast live performances and pop-up art exhibitions. Capturing audience information, particularly at non-ticketed events is challenging, but every attempt should be made to do so, as every member of an extended audience is a potential supporter and donor.

Every customer interaction presents an opportunity to capture information. Often this is simply stored in a spreadsheet, but increasingly Customer Relationship Management (CRM) systems are becoming more affordable. These database systems, which were developed by businesses to track customers, enable organisations to build profiles of regular audience members. Communications can then be tailored and supporters invited onto an "escalator of engagement".

## The Engagement Escalator

Targeting donors does not have to take on sinister connotations. An invitation to attend an opening night performance in recognition of being a regular visitor is usually welcome. This opens the door to further engagement, for example, an invitation to join a membership scheme and obtain benefits such as discounts in the shop or café. This in turn can lead on to further invitations to provide feedback on an exhibition or performance (which can also be used to provide evidence of impact for previous donors) and possibly to indicate preferences on future events. Each step gives the supporter a greater sense of ownership and participation in the future of the organisation. The responsive supporter that decides to make a donation can then be invited to move on up to a gold patron scheme or participate in special events, such as crowd funding of a future exhibition or performance. Every stage presents new opportunities to explain the value of the organisation, its artistic, social and community impact and to "make the ask" for either a donation or a membership subscription.

Each level of donor engagement should be accompanied by an appropriate level of "reciprocity". Reciprocity is fundamental to why people choose to give; some donors want to be publically recognised while others seek personal private expressions of

thanks or feedback on the impact of their donations. This personalisation and reciprocity should not be confined to high net worth donors but, through effective use of customer relationship management systems, extended to everyone who gives, however modestly.

## Curating the Experience

Just as a fundraising mind set needs to become an integral part of the culture of organisations, digital technology also needs to also become all-pervasive. It is not a function that belongs in a closet. Technology is already being widely used to create art and a new generation of curators is designing technology into exhibitions and performances to enhance the audience experience. This type of audience engagement presents new opportunities to tell stories in a context where support can be solicited.

> *"We give our curators the freedom to have fun with technology in the galleries."* (British Museum)

> *"I Love Dippy" Appeal. The Natural History Museum is raising £8.5m to renovate the Central Hall, which houses the huge skeleton of a diplodocus dinosaur. A multi-dimensional appeal was launched which included a JustGiving page, a book about "Dippy" written by curators, celebrity videos on YouTube and a twitter feed (diplodocus carnegii, currently with 1,200 followers). Particularly innovative is the opportunity for visitors to light-up Dippy in chosen colours and make him roar by sending a donation text.*

Curators are understandably protective about their role as custodians, but they cannot be isolated from the reality of fundraising and revenue-raising. The cultural and artistic assets that they manage are the essence of many organisations and the very reason why donors are prepared to give. These assets have to be optimised and integrated into a fundraising campaign, so that the case for support can be presented contextually. An effective partnership between curators and fundraisers could open many avenues to engage audiences, capture information, raise revenue and ask for donations.

## Sharing the Experience

Attending the arts is very often a social experience. MTM reports that the majority of users of social media say that they use it to share experiences of cultural events. This social element offers enormous potential for communication and engagement with audiences. Organisations could use social media platforms such as Facebook, Twitter and YouTube to build brand identity.

People already use social media to promote their individuality, their "brand", by publically expressing opinions, likes and dislikes, and choosing to be humorous,

thoughtful, scathing, vitriolic or any other human characteristic. It has also been used to expose villains, such as the Ugandan war lord, Joseph Kony. On the other hand, some people to want to be seen as charitable donors, a trend that could evolve into "peoples' honours", where philanthropic contributions become recognised and "liked" by others in the social media world.

Social media can be used by organisations to market, but it has to be recognised that it is a communication channel that is not an easily managed. It can be informative about breaking news, but it is, essentially, un-moderated, participatory entertainment, so is often light-hearted or indignant. A major arts provider suggested that attempts to exploit Facebook as a marketing channel

> *"Twitter gives us a voice without having an opinion"*
> *(Ambassador Theatre Group)*

for ticket sales have proved disappointing. The same organisation observed: "Twitter gives us a voice without having an opinion". The implication is that the organisation can make announcements, ask questions, stimulate debate and gather feedback, thereby "creating a forum", but not moderate or manage the content.

Social media is, therefore, a better way to elicit audience feedback and gather data than to sell a message. In the wider charity world new ways of using social media for evaluation purposes are being explored which gather qualitative data to demonstrate social value. For example, a formal evaluation of the Big Lottery Fair Share Programme is using Facebook, Twitter and YouTube. Such practices, if proven, could become widespread in the arts and cultural sector.

There are also examples of corporate donation partnerships with charities based on social media. Typically the corporation chooses a charity partner and they jointly advertise a giving campaign. Every time an individual 'likes' the company's Facebook page, they donate a dollar to the named charity. This demonstrates the value that businesses put on social media reach. They are effectively 'buying' reach through their charity sponsorship. This is a new approach that has yet to be proven.[19]

## Making the Ask

Donors often cite the major reason for not donating to an organisation – they were not asked. Once a clear case for support has been developed, it can be adapted and presented in many different ways. This has to be appropriate to the context and suitably nuanced, but the fear of many in the arts and cultural sector, that asking for money will scare off audiences, is rarely realised. Supporters who understand that an organisation needs money expect to be asked. It is only when an organisation is perceived as a Government or local authority funded service, very wealthy or profit-making that audiences do not expect to be asked.

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[19] An example is at http://vspblog.com/2010/10/06/send-a-wink-for-a-good-cause/

An organisation that understands the importance of presenting itself as a fundraising charity will take every suitable opportunity to ask for support. This could be an invitation to donate in exchange for free wireless access, a request for an optional donation in addition to the price of a ticket (such as for a building restoration fund) or an offer to join a higher level of membership scheme.

Research undertaken by The National Funding Scheme[20] indicates the importance of asking for donations at the moment of maximum emotional response to the art; when leaving a performance, or in front of an exhibit. Systems to support such instantaneous, responsive giving are under development and due to be launched soon, based on a mobile donation platform. Unlike the traditional perspex donation box in the foyer, the technology can capture the identity of the donor, enabling recipient organisations to say thank you and to engage repeat donors in future supporters' programmes. Donations may be relatively low-value, but this approach enables anyone, even an overseas visitor, to become a philanthropic donor to culture.

It is worth noting that the reason usually cited by donors for not giving to an organisation a second time is they were not thanked. An organisation that knows how to ask also needs to know how to thank, often and sincerely.

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[20] We're all Philanthropists Now; Panlogic Ltd.

# SEVEN:   OBSTACLES TO DIGITAL ENGAGEMENT

## The Plumbing

Digital giving is circumscribed by rules and regulation: payments have to meet security requirements of banks and credit card companies; Gift Aid declarations have to be completed by donors and submitted by charities to HMRC; charities have to be validated, their bank accounts verified and money laundering and anti-fraud requirements met to register with online giving platforms. Developing this infrastructure is expensive and most of the existing online donation sites acknowledge that developing this virtually identical "plumbing" represents a large proportion of their development costs.

Despite this costly replication, new digital giving services have proliferated, but this is not serving charities well. Typically, a medium sized charitable organisation will be approached to sign up to as many as ten to fifteen digital giving services[21]. Almost all require the same set of due diligence information, including trustee resolutions and bank account details, and most services charge for registration. Some simply accept Charity Commission registration as bona fide evidence of existence and charitable status but this light touch could favour the largest charitable organisations, as greater due diligence is required for smaller organisations to protect against fraud. There is no reason to think that such a bias will not repeat itself in the Arts and Heritage Sector as it embraces digital giving.

The situation is akin to when retail merchants were asked to purchase different terminals for each brand of credit card. This was resisted by merchants and led to standardisation across the credit card industry. In the same way, charities need to resist fragmentation by online giving websites. It should be possible for service providers to "acquire" charities and validate their bank accounts and then make payment services available to any third-party digital giving application. This would reduce costs on charities and free up creative development resources to develop innovative applications, by avoiding the costs of developing the "plumbing" each time.

The underlying systems for Gift Aid processing are also outdated and unsuitable for digital giving. As Respublica observes "…in many ways it [Gift Aid] remains stuck in its past, operating in much the same way as it always has."[22] Gift Aid was conceived as a paper-based system in which a Gift Aid declaration is supplied by a donor to accompany each and every donation. The recipient charitable organisation then submits a claim to HMRC to recover the Gift Aid rate. In a digital environment, the service provider typically obtains a Gift Aid declaration from donors as part of a

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[21] Some examples are JustGiving, The Big Give, CAF Online, Virgin Money Giving, Localgiving.com, Giveonthemobile, BT MyDonate, Bmycharity, Charity Choice, MyGift, My Charity Page, Global Giving.
[22] Digital Giving; Modernising Gift Aid; Taking Civil Society into the Digital Age, Respublica, 2011

registration process and executes a Gift Aid agency agreement with each charity to enable it to submit claims to HMRC, receive the payments and credit them to the charity. The failings in this approach are:

- Charitable entities have to execute multiple Gift Aid agency agreements with each service provider with which they are registered;
- Donors have to re-register with each service provider through which they give and reconfirm their tax status with each and every gift that they make[23];

Marginal rate taxpayers fail to reclaim their additional tax because they do not have records of all their gifts unless they remember to print and retain paper receipts from multiple sites where they give[24].

This report does not consider the suitability of Gift Aid as a tax relief mechanism, as this has been reviewed a number of times before and any changes, however worthwhile, create losers who understandably vehemently oppose such changes. Nevertheless, if the Gift Aid system is to remain, it must be made more efficient. It should be possible for a donor to complete a single Gift Aid declaration and associate that with his or her principal payment mechanism, such a credit card. Any payment from that card to a charity should generate an automatic Gift Aid payment by HMRC to the charity. Such a system would also enable donors to maintain a complete record of gifts made. Similarly, it should be possible for a charitable entity to register only once or twice and be able to take advantage of a wide range of innovative online giving applications.

Again, the charity sector, including arts and heritage organisations, should look to the credit card industry for an example of how standardisation can stimulate healthy competition and encourage innovation. Development of a standardised architecture for charity registration, payment processing and Gift Aid reclaim will require online giving service providers to look beyond their immediate competitive interests. Banks and HMRC will also have to support such a scheme, but such a scheme could increase digital giving, reduce costs for charities and stimulate innovation.

In summary, the digital giving systems are currently developing in a fragmented and unnecessarily costly fashion. This is not unusual in an emerging technology marketplace but there is ample evidence that once a common architecture is introduced take-up accelerates and creative competition flourishes.

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[23] For example, a donor who sponsors a friend to run the marathon, gives to an arts campaign, supports a local voluntary group and responds to a disaster appeal will probably complete Gift Aid declarations for four different digital giving service providers.

[24] CAF estimates that £750m of Gift Aid and £200m of marginal tax relief is unclaimed each year.

## Technology costs

### Applications

A number of recent technology trends have driven down the cost of technology to the point where it is becoming accessible to cultural organisations, even relatively small ones with modest budgets.

Most attention has focused on the proliferation of inexpensive hardware devices with extra-ordinary capabilities, such as tablets and smart phones, but the utility value of these devices is largely attributable to the explosion in the number of apps available. In 2008, a year after the iPhone was first released, there were reported to be 10,000 apps available for download. The figure for iPhone and iPad devices is now almost three quarters of a million[25], closely matched by the 700,000 apps that are available for Android devices[26].

Application developers have flocked to develop apps on these devices for two reasons – the development environment is relatively straightforward and standardised and development costs can be defrayed across large volumes of potential users. The average purchase price of a paid-for non-gaming app is now $1.81[27]. A licence for similar software on a personal computer only four years ago would have been tens or hundreds of dollars.

This increasingly affordable and usable app development environment now makes it realistic for some mid-sized cultural organisations to develop their own apps. However, the barrier to entry will fall further if templates, such as toolkits to create electronic programmes or guides, emerge. These can be shared or marketed to large numbers of organisations at an affordable price. This is a market opportunity which could be seized upon by new media industries.

### Shareware

The dominance of certain technology companies and their occasionally monopolistic licensing policies has generated a counterculture that embraces "shareware" – software that is made available to others either for no charge or for a donation. Many technologists who work in the voluntary sector, including the arts and cultures sector, are enthusiastic advocates of shareware. Though there are issues about verification, liability and security, shareware could be encouraged as it will lower the barrier to entry for cultural organisations that want to innovate.

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[25] Apple Inc website.

[26] Google announcement, 31 October, 2012.

[27] http://148apps.biz using stats from the Apple iStore.

The nature of shareware encourages exchanges of views and a willingness to provide mutual support. This resource can enable smaller organisations with limited technical skills to access the knowledge and the experience of others.

An extension of this philosophy of shared experience are "hack days" or "hackathons", where programmers and others interested specialisations, such as graphic designers and artists, collaborate intensively on software projects focused around a particular issue. Hackathons typically last between a day and a week. This approach could offer a way to address the challenges of interdisciplinary and inter-organisational collaboration in cultural organisations. The first Culture Hack in London in 2011 brought together for two days over 70 software developers and 100 people from creative and cultural organisations. The purpose was to enable "technology, creative and cultural sectors to try new things out in the short space of time, creating experimental products and ideas away from day-to-day business pressures and agendas."[28] There is scope for Government and for national arts funding bodies to convene or support hack days to work on specific problems, to break down barriers between disciplines and, potentially, to enlist corporate involvement.

### Cloud Computing

Traditionally, software was licensed to operate on a particular item of hardware. With widespread broadband access, software is increasingly offered on a usage basis, running on shared servers in the internet – "the cloud". Customers buy only the level of service that they need. The means that cultural organisations can access very sophisticated software, such as Customer Relationship Management (CRM) systems relatively inexpensively, paying only for the number of records it uses.

Cultural organisations that are registered charities should also be able to benefit from substantial discounts that are offered by some commercial organisations, such as some CRM system suppliers.

## App Store Policies

A major barrier to development of apps for digital giving is the restrictive policy employed by the dominant supplier, Apple. Apps can only be loaded onto iPads and iPhones through the Apple iStore, for which Apple takes 30% of any revenue or subscription generated by that app. Surprisingly, there is no exemption for charitable donations. As if this was not sufficient of a disincentive to charitable giving apps, Apple have a policy that specifically prohibits charitable donations from within an app, presumably to side-step the outcry that would occur if they skimmed 30% off all donations. This restriction can only be bypassed by the app triggering an interaction with a website via the browser, which means that the donor has to be online, in an area of reasonably reliable data coverage.

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28 www.culturehackday.org.uk

There are many that consider Apple's stance on this to be unconscionable. The dominant market position that Apple holds means that this policy is unlikely to change in the near future except as a result of widespread negative publicity. The greater the exposure that can be given to this issue the more likely it is that the company will review its position or users will choose to buy competing, more open platforms.

> *"When considering the potential of giving powered by apps, the Apple App Store's policy was highlighted repeatedly as a barrier to significant uptake." (Spring Giving)*

## Skills

Cultural organisations often cite the difficulty in accessing suitable skills as the main reason why they do not invest in digital technology. This issue is multi-layered and manifests itself in management, staff and trustees. Implementation of an effective, organisation-wide digital strategy needs trustees who recognise the strategic imperative of the investment, leaders who understand what they're trying to do, as well as the front-line staff to deliver.

Addressing this deficit will take time but can be addressed:

- From the bottom-up, by introducing staff into organisations who regard technology as a natural part of daily life to champion its usage. This often implies younger, less senior staff, so for them to have any impact, they need to be mentored and their case advocated by senior management or trustees;
- From the top-down, by introducing trustees with new ideas and experience of use of digital technology, whether in fundraising or not;
- From outside, by introducing volunteers, secondees from business or through partnership with new media companies.

# EIGHT:    RECOMMENDATIONS

## Policy Rationale

The recommendations of this report are framed around a set of assumptions:

- That engagement can lead to greater giving and that digital technology can be used to deepen engagement;
- That the primary barrier to adoption is not the technology, but the culture of organisations and this cannot be changed overnight;
- That technology will be adopted eventually but this process can be accelerated;
- That the Government should not pick technology winners, but create a creative framework within which diverse technologies can thrive;
- That public investment in skills will speed up adoption more than investment in technology itself;
- That Britain's world-leading creative industries can be harnessed to develop innovative applications for the sector, thus supporting the imperative for economic growth.

## Recommendations for Government

> **1.    Encourage the industry to collaborate to simplify digital giving systems**

The Government should convene a forum to develop an architecture for online giving that reduces duplication of costs and frees up resources to focus on creative engagement applications. The forum should include online giving service providers, payment system providers, HMRC and representatives of charities and donors (such as NCVO and CAF).

HMRC should, as part of this forum, examine whether the Gift Aid reclaim process is suitable for the digital age and consider introducing a portable Gift Aid declaration scheme.

> **2.    Extend the Digital R&D Fund**

The Government and the Arts Council England should extend the existing Digital R&D Fund, operated in collaboration with Nesta and AHRC. In particular it should invite ideas for, and invest in, development of innovative and effective approaches to digital engagement and funding and should support, convene or sponsor hack days. The results of this research should be widely disseminated through showcasing of strategies that are found to work and the shareware exchange recommended below.

## 3.    Introduce a matching scheme for online donations

The Government should fund a series of online matching schemes, similar to the ones that have been operated by the Cabinet Office, to encourage organisations to focus on developing a community of supporters. Such schemes can deliver grant income (in the form of the match component), new donations, new donors and a change in organisational culture.

## 4.    Join up Government policy on philanthropy and giving

Joined-up Government needs to be demonstrated, particularly in the wake of inconsistent policy announcements such as the proposal to cap tax reliefs for charitable giving soon after the introduction of increased tax relief to encourage legacy giving. Philanthropic giving is, to a greater or lesser extent, relevant to multiple portfolios, more obviously Cabinet Office and Culture, Media and Sport, but also Health, Communities, Education, Environment and International Development. All sections are impacted by HMRC policies on tax relief and Gift Aid.

The charitable sector is varied, so programmes to encourage giving need to be developed by individual departments to suit their environment, but the Government should ensure that the departmental initiatives fit within an overall framework. It should develop a mechanism to coordinate programmes, so that it does not broadcast inconsistent messages about the role of philanthropic giving in society.

# Recommendations for National Arts Funding Bodies

## 5.    Create a repository of shareware applications

Arts Council England should host a repository of shareware software which has either originated from Government funded R&D programmes, or from organisations and developers that are willing to share their technology. The site should include an "app exchange" and support user reviews, developer forums and outputs of hack days. It may also include commentary on experiences with products and information about non-profit discounts offered by commercial companies. It could also initiate negotiations for better pricing for commonly used technology, such as customer relationship management (CRM) systems and donation mechanisms, but should avoid awarding preferential status to suppliers, as this can dampen innovation.

## 6.    Provide a digital education programme of case studies of best practice

Arts Council England should provide an online educational resource for best practice in the use of technology for audience engagement and fundraising using iTunesU or TED style talks. This is an extension of the digital podcast series that it already produces. The facility should, in turn, encourage cultural organisations to deliver value by becoming broadcasters themselves to provide education and entertainment electronically.

## 7.    Support the employment of "digital catalysts" in cultural organisations

The Arts Council should design and fund an incentive scheme for cultural organisations to employ "digital catalysts" to champion technology across the organisation. The incentive could provide funding matched against time commitment from businesses which are prepared to second digital experts as gifts in kind, similar to the Business Connectors programme currently being run by Business in the Community. The scheme could also reward leaders within the arts and cultural sector that are advanced in their use of digital to mentor and provide practical advice to organisations that do not have the resources to develop and implement digital strategies themselves.  The scheme could be operated by the Arts Council as an extension of its existing programmes.

# Recommendations for Cultural Organisations

## 8.    Develop, document and implement a digital audience engagement strategy

Each organisation, within the limits of its resources, should develop an organisation-wide, digital engagement strategy that:

- sets out a case for support;
- identifies ways of capturing and managing information about audiences, including offering free wireless access in premises;
- encourages audiences to move up through progressive stages of engagement;
- recognises how technology is changing the behaviour of audiences;
- exploits technology to enhance the artistic experience, generate additional revenue and capture information;
- solicits donations or subscriptions whenever appropriate.

Organisations should seek out and develop technology skills in employees, volunteers, secondments from business and trustees, so that technology innovation is driven from both the bottom up and the top down.

## 9.    Recruit trustees with digital and fundraising skills

Boards of cultural organisations need to include trustees who are experienced in both fundraising and in the use of the digital technology to encourage fresh thinking and innovation. Many boards are aware that they need to recruit younger members and this may also serve to include people who take digital technology for granted and are proficient in its use.  Most major charities with fundraising objectives have limits on trustee terms. Cultural organisations should introduce similar trustee term limits where they do not already exist. (Good practice in the charity sector is trustee terms of three plus three years, with an option to extend for a further three years in exceptional circumstances, where the board considers a trustee to be especially valuable).

## 10.  Encourage interdisciplinary cooperation on digital strategies, led by the Chief Executive and supported by the Board

Boards of cultural organisations should encourage their Chief Executives to lead engagement teams that include curators, artists, fundraisers and communications staff as well as technologists to build a digital strategy. They should work to overcome the territorial barriers that are, in many cases, preventing digital from being fully explored and exploited.