A R J U N A

Aligning Donor Passion with Lifetime Giving Levels

The Mandate for Ethical and Bias-Free A.I. in Fundraising

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A key differentiator between nonprofits that thrive in the fast-changing landscape of philanthropy and those that falter is their willingness to wisely embrace innovation by continuing to evaluate and adopt new digital capabilities to maximize fundraising performance.

Modern donors expect a high degree of personalization, and it is only by leveraging new technologies that nonprofits can fully address this expectation; cultivating a donor base that yields reliable and increasing amounts of giving over a lifetime.

Nonprofit organizations that are prepared to innovate now find at their disposal a variety of technical services, and the incorporation of Artificial Intelligence (A.I.) in these services is increasingly common. **The promise of A.I. to nonprofit fundraising performance is exceptional,** as it enables fundraisers to deliver important forms of personalization at scale, especially for the mid-level and smaller dollar donors solicited through direct response channels.

Yet the opportunity of A.I. in fundraising must be met with serious forethought and due diligence. An increase in donations is the obvious goal of any automated system but attaining that goal must not come at the expense of ethical fundraising. **The only worthwhile A.I. solution is the one that can enhance giving while also adhering to ethical guidelines that avoid bias and protect the integrity of donors' identities.** Arjuna's ExactAsk A.I. Service is one such solution as it is ethical by design, eliminating bias and maintaining donor privacy, while optimizing security.

The Dual Demands of Modern Fundraising

Nonprofit fundraising sits at the intersection of two different and complex demands.

Fundraising is a critical financial pursuit, with fundraisers endeavoring to raise the most revenue possible to advance the invaluable work of their mission. **Fundraising is also a very people-centric, behaviorally focused practice,** one that is fundamentally oriented around relationships, passions, purpose, and personal connections. This underlying donor sentiment is the fuel that inspires donors to support nonprofits in the fulfillment of their missions. The more fuel they have, the more they can do to close the gaps in society that businesses and governments do not address.

One of the most important ways that fundraisers navigate these demands is by adhering to clear ethical standards. The Association of Fundraising Professionals (AFP), the guiding body for nonprofit fundraisers, adopted its Code of Ethical Principles nearly sixty years ago. This set of 15 standards defines the values, behaviors, and priorities that fundraisers must respect and demonstrate as they go about their work.

The AFP's Code of Ethical Principles is significant guidance for fundraisers balancing the short, medium, and long-term revenue needs of their organization. **Fundraisers must be judicious when selecting their tactics and tools.** The need to achieve short-term revenue targets does not prioritize using practices that could constrain future revenue opportunities by limiting the demographic or financial diversity of their donor pool.

New donor acquisition is one example area where short-term strategies can inadvertently invite deleterious long-term consequences. Many nonprofits resort to demographic targeting when prospecting for new donors, focusing their attention on affluent zip codes or personal networking through known connections. Bias about an individuals' ability and propensity to give is an ingrained feature of demographic targeting. While this approach may deliver short-term returns, over time it will yield a homogenous donor pool that assumes donors all think, act, and donate in similar fashion. Nonprofits deploying this method will have unwittingly constrained their future growth potential with this short-term tactic.

Ethical fundraising is also concerned with personalization for donors. Fundraisers have long understood the value of engaging donors more meaningfully and precisely as individuals with their own unique, personalized sentiment for the cause. Yet to date the execution of personalization has been necessarily limited by organizational capacity constraints.

Fundraisers have traditionally been able to offer personalization to their organization's major donors, as the economics associated with this level of giving warrants assigning a dedicated relationship manager to steward donors. Beyond their major donor file, however, nonprofits simply cannot afford to staff the size of development department needed to provide economically viable, personalized fundraising for all levels of donors.

Consequently, donors solicited through larger-scale fundraising practices such as direct response marketing have been denied a more personalized and engaging fundraising experience. Their appeals are generalized with standardized messaging, images and gift array values requested. This is a logical and simplified approach that is complementary to automated, large-scale fundraising, but it has proven time and again to be sub-optimal in optimizing both long-term relationship quality and ideal levels of financial support.

Fundraising according to clear ethical standards has long been of paramount importance to the profession. This has become even more critical today, with individual donors typically representing more than 50% of giving, and nonprofits adopting new automated fundraising tools with A.I. capabilities to address this broad audience in a more personalized manner.

Understanding the Nonprofit Use Case

A.I. in fundraising is growing, but it is also accurate to say that as a nascent asset to the nonprofit sector, **not all A.I. products and services thoroughly grasp the responsible, ethical, and legal use of A.I., especially in the nonprofit use case**. Consequently, some A.I. solutions available to nonprofits lack the design foresight and proper guardrails to prioritize donor privacy, ensure security, and eliminate bias.

The potential consequences of such shortcomings are serious. Faulty A.I. can compromise an organization's fundraising integrity, exposing their donors to unintentional prejudice, deliver insulting experiences, and be subject to data security breaches.

Arjuna fully accounted for the concerns and imperatives of ethical nonprofit fundraising in the development and design of its ExactAsk A.I. Service. Arjuna's ExactAsk A.I. service eliminates the need for Personally Identifying Information (PII), while using secure, encrypted, anonymized donor records. The result is a reliable A.I. service that is specifically designed for the nonprofit sector to optimize an organization's fundraising performance. Arjuna's A.I. service has learned how to deliver short-term revenue optimization through billions of records of modeling, all while retaining donors and improving lifetime giving as well. This unique A.I. service meets short and long-range revenue objectives while also safeguarding the diverse identities and relationships of its donors.

ExactAsk: Ethical by Design

As an [Advanced Behavioral Economics Modeling](#) **service, ExactAsk A.I. is ethical by design.** It removes bias by exclusively modeling observed donor behavior as inputs to the algorithm in lieu of 3rd party data sources or any donor PII. The ExactAsk A.I. Service is inherently bias-free, simply modeling individual donor behavior within the context of a single organization at a specific moment in time.

Arjuna's ExactAsk A.I. service also does not track a donor's philanthropic behavior elsewhere, as this is not germane to an individual's giving behavior with a specific nonprofit at a specific moment in time. Lastly, Arjuna's A.I. services are not concerned with the results of wealth screenings, as capacity testing is not an imperative for the discretionary giving of individual donors with gifts under $2,500 (more than 50% of giving).

Arjuna made these design decisions because individual behavioral data is vastly superior to demographic targeting or other similar external 3rd party data for predicting future donor actions. Arjuna has delivered the benefits of this approach by modeling billions of donor records. The firm now delivers an average of 12% lift in annual giving to clients, all while retaining donors, and advancing them 11% faster than existing models over a lifetime of giving. A compelling sustained lift in giving, while providing a return of $3.07 for every $1.00 invested in Arjuna's services.

Excluding demographic and other PII from ExactAsk ensures that the algorithm does not fall prey to implicit bias, or the attribution of assumed traits, abilities, or interests to specific groups of people based on subconscious prejudice. As one example of removing bias is that ExactAsk cannot and will not infer a donor's giving interest or capacity based on assumptions about that person's race and/or ethnicity as extrapolated from their first or last name or location of their residence. ExactAsk preserves the full philanthropic potential of an organization's donor pool by never oversimplifying various donors' capacity, interest, or readiness to give.

Additionally, the elimination of implicit bias from ExactAsk dissuades fundraisers from becoming complacent and presumptuous about the nature of their donors. They must instead continually challenge themselves to authentically learn more insights about their donors. They must continue to test new messaging, issue donor surveys and other engagement tools, as well as assist in the development of new or improved programming that inspires donors to philanthropic action. This is also advantageous for donors invested in the nonprofit's mission, as the organization continually works to evolve and expand its appeal. Excellent A.I. services such as ExactAsk are those that bolster the core relationship-building insights of fundraising, not diminish it.

ExactAsk's A.I. Services were also designed to preclude the development of confirmation bias. Confirmation bias refers to the tendency to interpret new evidence as confirmation of an existing theory, conclusion, or belief. In a fundraising context, one manifestation of confirmation bias would be the assumption that only donors of a certain age, income level, home zip code, and/or race or ethnicity have the capacity or propensity to give. Confirmation bias would thus invite fundraisers to discount the giving potential of donors who do not match their presumed ideal donor identity.

Confirmation bias is eliminated from ExactAsk by submitting unfiltered, unmanipulated datasets to an unbiased algorithm. The data used is limited to demonstrated behavioral characteristics, but unfiltered in that all datapoints received from the nonprofit are sent through the model.

Moreover, the algorithm is implicitly handling confirmation bias because the unsupervised and supervised models are generated from scratch with each round of solicitations for each individual organization, and not revised or built upon from month to month. This precludes the algorithm from using new information to confirm a previously generated model bias or correlation.

ExactAsk's implementation process was also designed with individual privacy in mind. The ExactAsk service is a partnership, deployed in cooperation with the marketing agency or nonprofit directly. When collaborating with a marketing agency or department, services generated are applied to only those individuals who have willingly shared contact information and have not opted out or unsubscribed. Arjuna does not share nonprofit data with any third party.

Arjuna fundamentally relies on all nonprofits and agencies to ethically collect, manage, and use their data in accordance with security and privacy best practices. This includes GDPR, CCPA and other privacy regulations. Arjuna advises that the data stored and used in fundraising systems be in service to the following purposes:

- To establish a relationship with donors through ongoing communications for the growth of the organization
- To understand who the donors are to help the organization improve their services about meeting donor preferences and expectations
- To understand who the donors are to improve their prospecting for like-minded donors in acquisition campaigns
- To process donation gifts and issue tax receipts
- To meet requirements imposed by state or federal law
- To ensure that personal data is not shared with advertisers

Summary: An Efficient and Ethical Opportunity

Self-determining A.I. capabilities offer enormous promise to nonprofits with the foresight and mettle to continually improve fundraising practices. A.I. facilitates nonprofits in expanding their revenue and relationship possibilities by becoming properly equipped to offer all donors meaningful personalization at scale. Arjuna Solutions has perfected a set of A.I. decision services that aid nonprofits in this endeavor, meeting the rigorous demands of ethics and bias-free automated, personalized fundraising.

Contact Arjuna today to learn about how the ExactAsk A.I. Service can ethically optimize your direct response fundraising campaigns by aligning donor passion with lifetime giving levels.