

Be True to Your School

Online Fundraising Auction Analysis

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Introduction

Exceptional quality rarely comes without a premium price. K through 12 private education is no exception.

Independent schools provide high-value education, stimulating extra-curricular activities and top-notch educators. But the cost of these benefits frequently exceeds the sum of tuition, donations and grants, and additional fundraising is required. Whether dollars are sought for academic or extracurricular activities, administrators are eager to engage passionate supporters who can contribute to the financial stability of their schools.

Live auction events have long been a staple of fundraising among independent schools and they will continue to be important in the future as they represent a pleasurable way for participants to give. However, many schools and other non-profit groups are also using the Internet to extend the reach, time frame and the revenue potential of traditional live auctions. Three out of four schools that stage online auctions do so in conjunction with a live auction event, often with results that are superior to those of other non-profit organizations.

This research analysis, conducted by cMarket, reports on the demographics, preferences, behaviors and opinions of respondents who participate in online auctions for school fundraising.

Background

About cMarket

As the pioneer of charitable online auctions, cMarket provides nonprofit organizations fundraising activities including online auctioneering, donation collections, sponsorships, event marketing and collaboration with live events of all kinds. cMarket is a for-profit company that has facilitated more than 2,000 Internet-based auctions since 2003. Clients include education (K-12 public and private schools, alumni groups and colleges and universities), organizations concerned with animal welfare, arts and humanities, corporate philanthropy, media, faith-based, healthcare, human services organizations and others.

Approximately 83,000 individuals have participated in cMarket auctions placing bids on 200,000 items that have raised millions of dollars. cMarket serves organizations throughout the United States, as well as in Canada and abroad.

Data Collection

cMarket's proprietary software provides the ability to collect, store and manage data describing the bidding behavior of auction participants. The accumulated data offer a unique window to the characteristics of auction participants, as well as overall fundraising efforts, online and off.

The company continuously reviews bidder behavior based on auction data and on its interaction with clients. These data are used to develop a growing body of “best practices” to help cMarket customers plan and execute online auctions.

Survey

cMarket commissioned two analyses to gauge the bidding behavior of online auction participants. First, in-house data on 18,000 individuals who had participated in cMarket auctions were evaluated. Multivariate statistical techniques were used to uncover patterns of behavior and groups of bidders who shared similar characteristics. The study included respondents who had bid in at least one cMarket auction during the past 12 months.

A follow up survey was conducted among 886 participants who responded to an email invitation to complete an online questionnaire. This study collected demographic data and attitudinal information regarding charitable organizations, fundraising efforts, online auctions and the online auction experience. Among these respondents, 20% participated in an online auction to raise funds for education—most likely an auction for a K-12 school.

Beacon Technology Partners of Maynard, MA was commissioned by cMarket to conduct the data analysis and the survey. Beacon, founded in 1996, is a full-service market research firm providing quantitative and qualitative research dedicated to the technology industry.

Findings

Bidders in school auctions comprised the largest segment of bidders identified in the bidder analysis. Schools that raise funds using online auctions appeal to a wide range of bidders whose common denominator is a passion for supporting education.

Successful school online auction catalogs are large and diverse including both big-ticket and lower-priced items. Educational catalogs contain more items than those built by other charities and they attract more bidders. These participants also make more effective use of online features that promote item donations and immediate purchasing of items.

Causes and Bidding

Schools attract more online bidders than any other charitable genre. According to cMarket data, bidders participate in the following types of online charitable auctions:

Nonprofit Genre	Percent Participating in Online Charitable Auction
Education (All Categories)	38%
Human Service and Specific Causes	17%
Arts and Humanities Organizations	13%
Corporate Fundraisers and Those with Media Involvement	12%
Health-Related Organizations	10%
Faith and Sports Memberships	9%
Community-based Organizations	3%

Source: 2006 cMarket Charitable Online Auction Bidder Analysis

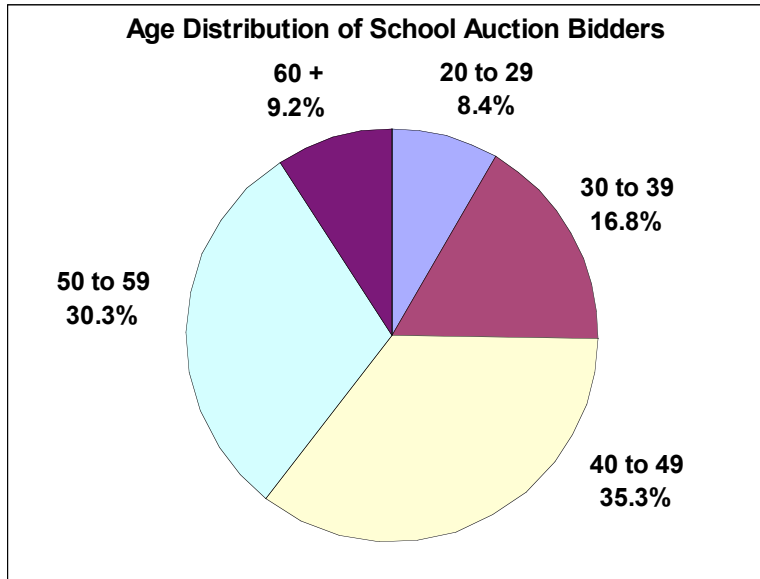
Bidder Demographics

Overall, bidders who support online fundraising auctions for schools are most likely to be female, upper income, middle-aged and frequent Internet users.

Women account for almost eight in ten bidders in school auctions (79%). That's higher than the female skew for other charitable online auctions where 71% of total bidders are female. This overwhelming involvement demonstrates the determination among women to support education. Conversely, in live auction events, men are more active, competitive bidders. When live and online events are conducted in conjunction with each other, school fundraisers achieve greater gender balance.

Over 3/4 of school-based online auction bidders are ages 35 to 59. Fifty percent of the contributors are between the ages of 40 and 54. These bidders comprise a robust group of supporters who are established in their careers, are committed to supporting schools and have discretionary income to participate in charitable giving. On the younger side of the

age spectrum, 8% of bidders are 29 or younger. Traditionally, this demographic, where young alumni fit in, shows limited interest in supporting charities. Their involvement in Internet auctions demonstrates that the online venue captures their attention prompting charitable involvement.



Source: 2006 cMarket Charitable Online Auction Bidder Analysis

cMarket bidders have household incomes that are more than twice as high as the U.S. average. The median household income among total bidders is \$93,080 (the U.S. median household income is \$42,500).

Income distribution among bidders who participated in online auctions to raise funds for schools:

Household Income	Percent Bidders in School-based Online Auctions
Under \$50,000	11%
\$50-99,999	29%
\$100,000 Plus	35%
Decline to Answer	25%

Source: 2006 cMarket Charitable Online Auction Bidder Analysis

cMarket has found that participants in online auctions typically are bidding with money from their discretionary funds rather than from an allotment set aside for charitable giving. cMarket survey respondents report a mean discretionary income set aside for online auctions of \$976 annually.

Online auction participants in school fundraisers are online daily either for personal or work use. More than eight in ten (81%) typically access the Internet for personal use from home.

Frequency of Internet use among bidders who participated in online auctions to raise funds for schools:

Frequency of Internet Use	Percent Bidders in School-based Online Auctions
Once a day or more	90%
Two to three times/week	7%
Once a week	2%
Two to three times/month	4%
Once a month or less	4%
<i>Source: 2006 cMarket Charitable Online Auction Bidder Analysis</i>	

Charitable Giving Preferences

The majority (52%) of cMarket bidders in school fundraisers cite online auctions as their preferred method of supporting their cause. Direct mail and live auctions follow, but with significantly lesser percentages.

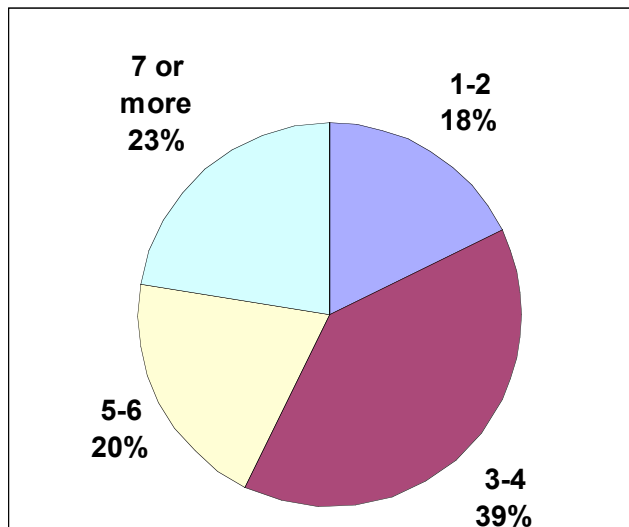
Preferred Method of Supporting Charitable Cause Among School Fundraiser Participants	
Method	Percent Bidders in School-based Online Auctions
Online Auction	52%
Direct Mail	20%
Live Auction Event	15%
Direct Donation	4%
Other*	4%
<i>*Other includes: Fundraising event, On-line donation/email, Volunteer, and Silent auctions.</i>	
<i>Source: 2006 cMarket Charitable Online Auction Bidder Analysis</i>	

More than 70% of respondents say they prefer methods offering participation that are convenient and within their own control. Long-running online auctions (2-3 weeks) and direct mail both afford the ability to participate with few constraints.

Active Philanthropists

Participants in online education auctions are active philanthropists. Nearly 40% support three or four non-profit organizations per year; close to one-quarter support seven or more charities annually and 20% support five or six.

The distribution of overall numbers of charitable organizations supported by cMarket bidders during the prior twelve months:



Source: 2006 cMarket Charitable Online Auction Bidder Analysis

Motivation

Nearly four in ten (38%) respondents cite “support a non-profit organization of my choice” as the main reason they participate in an online school auction. These bidders are five percentage points higher than other cMarket bidders to cite this motivation. Other common reasons for bidding in school fundraisers include: “needing or wanting an item” (19%) and “wanting to participate” (14%). More than one-quarter (26%) say that they bid with a specific budget in mind.

Nearly half (46%) of these respondents also participate in "live" charitable auction events, but many (35%) prefer the online venue to live auctions (47% do not have a preference and 18% prefer live auction events.)

Reasons for bidding in online auctions for schools, as well as for other non-profit organizations, can be divided into three areas: the intent to give, the desire to receive and the experience of participating in an online auctions (when citing to these benefits, respondents were allowed to give multiple responses):

Giving: nearly three-quarters (72%) of bidders involved in an online auction for a school, compared to 67% of total respondents, say that online auctions let them support causes important to them, and 43% say that this venue “makes it easy to participate and experience the joy of giving.” (Among total respondents, 38% cite this benefit.) The ability to “experience the act of giving in a new, fun and entertaining way” was noted by 38% of bidders in school fundraising online auctions.

Receiving: a majority of respondents (54%) say that they are interested in “purchasing great products and services at an online auction for school fundraising.”

The Experience: the underlying pleasure and satisfaction in the online auction experience also plays into the motivations for participation. Benefits of the online venue for school fundraising auctions include:

Online Auction Benefits	Percent Bidders in School-based Online Auctions
Easy to Use	55%
Removes Geographic and Time Constraints	45%
Fun	38%
User Controls the Interaction (When, Where & How)	37%
<i>Source: 2006 cMarket Charitable Online Auction Bidder Analysis</i>	

Bids, Bidders and Dollars

cMarket online school auction participants demonstrate their passion for education and their eagerness to support their school by spending an average of 17 minutes online each time they visit the school auction website, with each auction bidder winning an average of 1.79 items (compared to 1.26 items for bidders in other cMarket auctions).

Online auctions encourage competitive bidding. More than six in ten (63%) participants competed against two or three other bidders for a specific item in school online auctions, and 28% competed against four or five other bidders for a certain item. Five percent competed against five or more other bidders and 5% competed against less than two other bidders for the same item.

Competitive bidding drives up catalog item sale prices, producing greater revenue for organizations. Items that attract multiple bidders in school auctions have sale prices that are higher than items with fewer bidders:

Competition Drives Auction Item Sale Prices	
Items and Number of Bidders	Sale Price
Items with up to Two Bidders	\$155
Items with up to Three Bidders	\$226
Items with up to Four Bidders	\$214
Items with up to Five Bidders	\$328
Items with More than five Bidders	\$828
<i>Source: 2006 cMarket Charitable Online Auction Bidder Analysis</i>	

Strong Supply / Demand Dynamics

The keys to a successful auction (online or live) are connected to the basic economic principle of supply and demand. On the supply side, a compelling catalog of auction items is critical. On the demand side, committed constituents are important. School communities have a strong track record of bringing these two elements to their online auction events. The size of the catalogs they build, the appeal of the items they collect and the bidding activity generated by their auctions demonstrates their enthusiasm and commitment their schools.

Auctions for schools are larger than online auctions run by other charities. The median item count in schools' catalogs is 74% higher than in other sectors. Educational auctions also sell 42% more items per bidder than other nonprofit groups. The median number of bidders per school auction is 44% higher than in other online auctions.

School-based online auction supporters also take advantage of features that increase the efficiency of contributing to a catalog or purchasing items. For example, bidders in school auctions used the cMarket "buy now" tool to instantly purchase an average of 11 items while bidders in other charitable auctions used it to purchase an average of three items. This enthusiasm is evident in goods and services donations too: cMarket's online item donation feature was used by school auction supporters to donate an average of 12 items, compared to four items in other sectors.

Catalog Composition

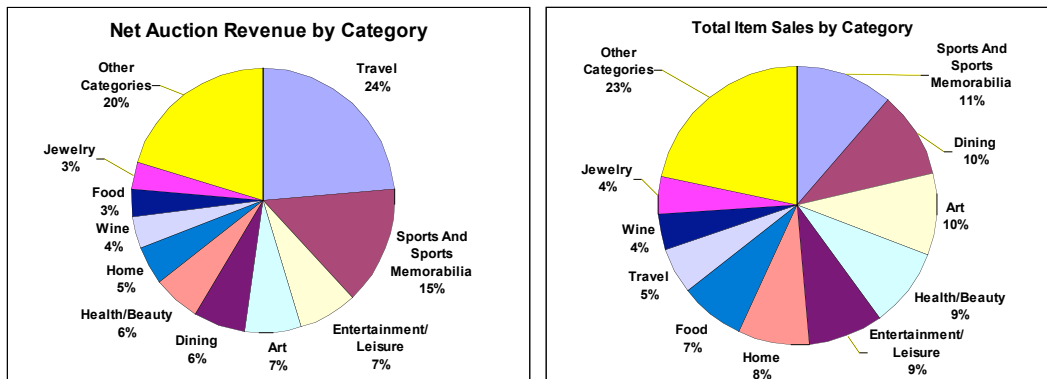
School online auction catalogs succeed with large and diverse catalogs that draw from community donations and typically include an ample supply of lower-priced items in categories that appeal to families. This is seen in the strength of categories like Sports, Dining and Entertainment, where sales outpace auctions in other causes.

Top Product Categories for 2006 in Online School Auctions						
Product Category	Rank by # Items Sold	Rank by Net Revenue Generated	Top Item Sale	Average Sale Price	Median Item Sale Price	Net Revenue/Catalog Item*
Sports And Sports Memorabilia	1	2	\$5,000	\$222	\$105	\$127
Dining	2	5	\$8,200	\$104	\$50	\$89
Art	3	4	\$6,000	\$124	\$60	\$68
Health/Beauty	4	6	\$3,250	\$101	\$55	\$73
Entertainment/Leisure	5	3	\$6,900	\$155	\$62	\$98
Home	6	7	\$3,800	\$94	\$49	\$55
Food	7	9	\$2,000	\$72	\$40	\$61
Travel	8	1	\$31,500	\$1,116	\$450	\$324
Wine	9	8	\$2,350	\$140	\$80	\$110
Jewelry	10	10	\$2,050	\$104	\$50	\$64

* Net revenue for each item placed in catalog: includes unsold items and consignment cost of sold items

Travel items consistently generate the highest per item sale prices and revenue for auctions, but rank only 8th in the number of items sold. To stimulate competitive bidding and higher sale prices, auction administrators want to carefully consider the right travel items for their catalogs. Vacation house rentals are likely to appeal to families, while more distant or exotic package trips could be a better fit for alumni or members of the community.

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The table and graphs above show the distribution of sales across the top cMarket product categories in school auctions, but schools will often find the greatest demand and fiercest bidding will be for items specific to their individual school and community. Examples include class parties and outings that see pooled bids from families, the chance for a

student to be “Principal” or “Teacher for a day,” and, in 2006, 43 “Reserved Parking Spots” featured on 18 separate school auctions that sold for an average price of \$1,427 and a high of \$30,500.

Conclusions

Among all of the charitable sectors that raise funds using online auctions, schools experience the greatest success. School-sponsored cMarket auctions efficiently offer an ideal way to invest in education. By providing flexibility and ease, they attract bidders representing a broad range of age groups and income levels. Although their greatest draw is among women and middle aged, upper-income philanthropists, they also appeal to younger supporters who historically have been difficult to engage in fundraising.

As important as the demographic diversity of those who are enthusiastic about this form of giving are the motivations behind their involvement and the benefits offered by this fundraising medium.

Online auctions alleviate the geographic limitations and time constraints of live events while they maximize personal control and freedom to manage the donor's involvement. Twenty-four hour, seven-day-a-week availability along with a degree of anonymity provides flexibility and freedom plus fun and the excitement of competing in an auction. The benefits of online auctions make it easy to expand a school's reach and engage members in ways that live events cannot.

The determination within the educational community to conduct successful online auctions is demonstrated by the size and the quality of the catalogs they build, as well as by their bidding activities. They develop larger catalogs and show greater bidding rates than supporters of other online charitable auctions.

Online auctions for school fundraising address many of the goals that charitable organizations share: raising funds, attracting new supporters and members, and building community. Whether hosted in combination with live events or independently, they have become a strategic element in the fundraising activities of schools by enabling parents, other relatives, teachers, administrators and friends to support education and to make a real difference for future generations.