

GiveWell
Overview of progress and new evidence since 6/19/2008

Summary

At our board meeting on 9/8/2008, we agreed that our top priority for this year was **money moved**, with research as a secondary priority. We now feel that our top priority is research, with money moved as a lower priority.

- **We believed** that we could raise substantial amounts of money through our network, particularly through high-net-worth donors. **We now believe** that this networking approach is too time-intensive, and that the correct target market for us is medium-size donors whom we must reach in more systematic, scalable ways.
- **We believed** that the current state of our research would be sufficient to raise large amounts of money. **We now believe** that in order to reach our target market in a large-scale way, we need substantially broader and deeper research.
- **We believed** that we had no way to create a substantially broader and deeper set of research without extreme growth in staff. **We now believe** that a deep, broad resource can be built within a few years, while scaling up from our current expenses to no more than \$1.6 million per year.
- **We believed** that raising money through our network was the key to “proving” demand and thereby raising more operating funds and drawing more media exposure. **We now believe** that investors – including us – are unlikely to see money raised through our network as proof of demand. Instead, we must make progress toward a long-term goal of moving money at scale.
- **We believed** that we could, and needed to, “prove” significant demand in the short term. **We now believe** that we can show incremental progress on demand as we continue our research, but the full state of demand for it can only be assessed once our research content is substantially improved.

The rest of this document lays out the supporting evidence for the above summary.

How our view has changed	2
Who is our target market?.....	2
How can we reach our target market?.....	3
What would it take to do substantially broader and deeper research?	3
How can we demonstrate the project's viability and scalability to investors?	4
What is our long-term, steady-state vision, both in terms of research coverage and sources of money moved?	5
Conclusion	5
Notes on the pitches we've given to date	6
High net worth individuals.....	6
Referrals	6
People who submitted our feedback survey.....	7
People who found us.....	7
Friends and former coworkers.....	7

How our view has changed

On 6/19/2008, we published our plan for GiveWell Year 2. The centerpiece of this plan was a focus on increasing the **money moved** by GiveWell:¹

Goal 1 [increasing our money moved] not only answers the most important current question about GiveWell – the question of how influential or model can be – but also is important in pursuing all three of our other goals, since our ability to move money will affect the likelihood that charities share information with us and that qualified people collaborate with us. It is important to recognize that **this goal – increasing our “money moved” – is by far the most important one for this year.** If and only if we make good progress on it, we will be much better positioned to accomplish our other goals ... in future years.

We now feel differently. As outlined in our more recent tactical document, we believe that our top priority is further improving our research model, to the point where we can create a resource that is both broad and deep in its coverage of philanthropic options.

This document lays out the new evidence and ideas since 6/19/2008, and why our view has changed.

Who is our target market?

In our previous plan, we wrote:

Without a strong brand or large advertising budget, we don't see an immediate path to reaching and influencing individual donors en masse. We believe our best short-run strategy for increasing our influence is to **target major individual donors**, whom we can reach and interact with through personal relationships.

¹ “Money moved” refers to the sum of Clear Fund grants, GiveWell Pledges, and all other donations that are directly attributable to GiveWell’s research.

We did not distinguish between donors of different ages or sizes (beyond focusing on “major” donors).

Since then, we have had 78 total “pitch meetings,” in which we argued the case for a GiveWell Pledge to one or more people. The results are summarized at the bottom of this document; one of the key findings is that going after high-net-worth individuals has been extremely unproductive.

We believe that a given donor is much more likely to be a customer when s/he is *not* already highly involved in philanthropy, but is instead looking for a way to make an impact with relatively small donations and relatively little involvement. Such customers are more similar to the original members of our 8-person project (before it went full-time) and of our original funders.

How can we reach our target market?

As discussed above, we initially planned to focus on person-to-person networking in order to increase our “money moved.”

We now believe that if we are to move a significant amount of money, **we must do so with scale – not simply via person-to-person networking.**

A large part of this belief is the relatively low return on investment from the pledge-raising we’ve done so far. In our view, a reasonable return on investment would be one that would make it possible to move 9x as much money as our current operating costs (thus reducing our “operating expense ratio” to 10%) within a year, by spending half our time (40 hours per week) on marketing. Such an endeavor would require a return on investment over \$700 per hour; the only pledge-raising that has come close to this level is pledge-raising from those who already know us or who specifically sought us out via the web. See the bottom of this document for details.

Instead, we seek ways to reach *large numbers* of people in our target market. Our vision document lays out several methods for doing so. However, we feel that **nearly every such method would be substantially more viable if our research were substantially more comprehensive.**

What would it take to do substantially broader and deeper research?

When we published our previous plan, we were still in the final stages of our year-1 research, which was conducted using a “bottom-up” approach: getting nearly all of our information from charities’ grant applications. We saw this intensive process as something that would have to be repeated each year, in full, for each cause we covered. We therefore **anticipated that we would need an extremely large staff to cover a broad array of causes.**

Since then, we have focused more on a “top-down” approach, identifying promising programs and collecting as much background information as possible, and aiming to involve charities only at the final step (checking adherence to a proven program). We now believe that **much of the necessary research for a given cause does *not* need to be performed nearly as frequently as once per year.**

As expressed in our vision document, we now believe we can create a broad and deep resource within a few years, and without excessive annual expenses (even the large-scale organization in our vision document has expenses in the range of \$1.6 million per year, only about twice the budget of Charity Navigator).

How can we demonstrate the project’s viability and scalability to investors?

Our previous plan emphasized the importance of raising GiveWell Pledges as a way to “demonstrate” demand for our research.

We believed that demonstrating demand would improve our ability to raise money from “investors,” i.e., people who pay our operating expenses in the hopes that we can grow our project and have a significant impact on philanthropy. The two co-Founders also wanted to see GiveWell Pledges as evidence of demand, relevant to our own investment (of our labor) in the project.

As discussed above, we now have a new picture of our target audience and how it can be reached – one that stresses the importance of improving our research before focusing on marketing.

In addition, in speaking to high-net-worth individuals and foundations – potential investors – the most common concern we’ve heard (by far) has been the question of how we will take our project to scale: provide broad enough research coverage (causes and charities) *and* reach enough donors to have a significant impact on philanthropy.

Such investors have not seen our ability to raise money directly from our network, in the range of \$500,000 (our previous target for this year), as an indicator of our ability to take the project to scale, or of demand in general. They instead were most interested in seeing that we had a systematic way of a) conducting our research and recommending charities (one that does not rely solely on Elie’s and Holden’s judgment) and b) a systematic, repeatable method for reaching our target market. After much discussion and reflection, we agree with them.

Examples of these conversations:

Information on specific individuals withheld from public version of this document

1. V.C. said specifically that he wouldn’t care at all if we could raise \$500,000 from our network. He was much more interested in seeing that we had a method for consistently raising funds.

2. High-net worth individual questioned the scalability of our research and the degree to which GiveWell relies on Elie and Holden, specifically.
3. Foundation officer most wants to see a systematic way of reaching donors and conducting our research.
4. Foundation officer II is more interested in research coverage than “money moved.”

As we can, we plan to speak to potential investors about what they would like to see from us to continue funding so we know what we need to deliver.

We no longer believe that raising GiveWell Pledges from our network will lead to the kind of “evidence of demand” that will allow us to raise significantly more operating funds, or that will give us substantially more confidence in our ability to reach our long-term vision.

Instead, in considering how to improve the case for our project to investors (including ourselves), we have focused on the end goal, how we can get there, and what indicators we can aim to measure along the way. See immediately below.

What is our long-term, steady-state vision, both in terms of research coverage and sources of money moved?

Our conversations with investors (see immediately above) pushed us to think harder about our long-term vision for GiveWell:

- The depth and breadth of research we need to move a significant amount of money.
- The hoped-for eventual sources of “money moved.”

This long-term vision is something that we hadn’t thought about hard enough or specifically enough before. We have now outlined it in our vision document, and we see progress on research as the most promising short-term goal on the path to this vision. The reasons for this view are laid out in our tactical plan; in a nutshell, we feel that most eventual sources of money moved will be much easier to partner with when we have a longer track record and more depth and breadth of research.

Conclusion

- We no longer see GiveWell Pledges, raised through networking, as a good general indicator of demand for our research.
- We believe that in order to reach our target market effectively and at scale, we will need substantially more (deeper, broader) research than we currently have.
- We no longer believe that our research need be extremely expensive on a per-cause basis. We believe that we can reach a strong level of depth and breadth for a few million dollars over a few years.

- We therefore believe the best path toward our long-term vision begins with improving our research, rather than trying to establish demand for the limited product we offer now.

Notes on the pitches we've given to date

High net worth individuals

Through referrals, we've spoken to 13 individuals that we perceive as having very large charitable budgets (in excess of \$100,000 per year).

- 12 out of 13 declined to make a GiveWell pledge. The 1 that did each made a relatively small pledge (\$10,000, conditional on our raising \$240,000 in pledges from others). Of those that declined:
 - 7 cited their own ability to find charities they could have confidence in, often through personal connections
 - 2 had strong doubts about our research model and ability to find better organizations for them to support
 - 1 cited recent losses in the stock market as forcing him to curtail giving
 - 1 stated that he has committed his entire budget for the year (though he plans to review our research and consider a pledge for next year)
 - 1 was uninterested in "charity" (preferring instead Kiva or an X-Prize type vehicle).
- The 1 that agreed to pledge had supported us in our first year.

Time cost (including time spent on getting referrals, following up, etc.): 50-100 man-hours in addition to our week in California.

Return on investment (backward-looking): below \$200/hr.

Referrals

We went to 35 of our friends and former coworkers and asked them to refer us directly to people who might be interested in pledging. This process yielded 21 prospects. Of those;

- 4 agreed to pledge (1x\$5,000, 2x\$1,000, and 1 without yet giving an amount)
- 6 reacted positively but have yet to make a final decision
- 6 did not want to pledge (3 said they were already happy with their charities of choice, 1 said recent market conditions means they likely won't give this year, and 1 said he had recently left his job, and 1 gave no reason)
- 5 we have yet to reach

Time cost: ~75 hours.

Return on investment: the 3 quantified pledges we have total \$7,000. Assuming that the 7 who have yet to provide an amount pledge at the same rate would yield an (optimistic) estimate of \$23,000, or about \$300/hr.

People who submitted our feedback survey

We contacted 20 people who submitted a feedback survey through givewell.net, indicating (a) a charitable budget of \$100,000+ per year or (b) both a charitable budget of \$5,000+ per year and an interest in developing-world aid. Of those:

- 3 agreed to pledge (2x\$2,500 and 1x250)
- 3 did not want to pledge - 1 spoke with us on the phone by said he's not giving to charity right now; 2 responded to our intial email saying they weren't interested.
- 14 never responded to our initial email

Time cost: 5-10 hours

Return on investment: \$500-1000/hr.

People who found us

We have made some contacts who actively found us and expressed an interest in supporting the project (not just submitting the feedback survey). Getting to the point of a yes/no on a GiveWell Pledge (or donation) often took multiple follow-ups, but led to good results:

- 2 pledges for \$25,000 each
- 1 donation of \$18,000
- 2 pledges for \$10,000 each
- 1 pledge for \$5,000
- 3 pledges of \$2,000-\$2,500 each
- 1 pledge of \$500
- 2 pledges of (as yet) unspecified amounts

Time cost: 20 total hours.

Return on investment: ~\$5,000/hr.

Friends and former coworkers

We pitched 33 people who are our own friends and former coworkers. The table below separates those people by result (Yes, No, still pending) and whether they supported GiveWell in year 1. Note that most of those who have agreed to make a GiveWell Pledge have not yet specified an amount.

Result	Not a supporter in Year 1	Supporter in Year 1
Yes	10	6
No	1	1
Pending	11	4

The 2 who said “No” cited financial concerns (1 due to a recent job change and 1 due to the financial crisis).

Among those who are new supporters, we raised \$26,000 from 9 people. One person has yet to give an amount for their pledge.

Time cost: ~50 hours.