

Donor Retention within the Child Sponsorship Branch of the Non-Profit Sector

a case study of Compassion Nederland



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Because every child matters

Abstract

In recent times non-profit organizations face an increasing amount of competition and must adapt more business-like approaches (Weerawardena et al., 2009). An important area to focus on is donor retention (Sergeant, 2013). Though literature is available on donor retention within non-profit organizations, there has been a lack of research on dynamic relations within donor retention and donor retention within the child sponsorship branch of the non-profit sector.

The objective of this research is to understand the dynamic relations between key variables within the child sponsorship branch on the topic of donor retention in order to find policy implications for this specific branch of the non-profit sector. The methods of Group Model Building and data analysis were conducted for the case study of Compassion Nederland, a child sponsorship non-profit organization.

The research concluded that in line with the non-profit sector in general, Commitment, Trust, Satisfaction, Identification and Quality of Service are key variables for donor retention within the child sponsorship branch of the non-profit sector. However, the branch has some additional key variables, namely Commitment to the Sponsored Child and Availability of Information from the Field. The addition of the dimension of 'Commitment to the Sponsored Child' to Commitment seems to be a huge advantage for the child sponsorship branch of the non-profit sector. However, donor retention through commitment to sponsored child also creates an obligation to provide the donor with specific information on the child, hence the variable of 'Availability of Information from the Field'. The link between a donor and sponsored child also creates a vulnerable and difficult point in time when a sponsored child leaves the project. This is reflected by the fact that exits (when a sponsored child leaves a project) are the number one reason for lapse within Compassion Nederland.

Policy implications for non-profit organizations in the child sponsorship branch are to invest in the quality of service and the use of Business Intelligence and segmentation tools, ensure that information about the sponsored children's well-being and progress is provided by the field and communicated to donors and to strive for a high commitment of donors to the organization as well as to the sponsored child.

Suggestions for further research include testing the theoretical model and assigning weight to the relations and feedback loops present. The second suggestion for future research would be to continue along the lines of this research and deepen the knowledge of donor retention within the child sponsorship branch. This can be done by exploring the key variables that are specific to the branch as found in this research. The third and last suggestion for future research would be to explore the two variables of the commitment to the sponsored child and the commitment to the non-profit organization and how non-profit organizations within the child sponsorship branch can achieve a balance between the two.

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1. Introduction

This master thesis will focus on donor retention within the child sponsorship branch of the non-profit sector. First, an introduction will be given on the importance of donor retention for non-profit organizations. Then, the gaps in knowledge are identified regarding 1) the workings of donor retention within the child sponsorship branch of the non-profit sector specifically and 2) the existence of dynamic interactions within the workings of donor retention. Lastly, the research objective and relevance for this research are stated, followed by the outline of the thesis.

1.1 Donor Retention

In recent times non-profit organizations face an increasing amount of competition and must adapt more business-like approaches (Weerawardena et al., 2009). One of these approaches concerns the topic of sustainability. Sustainability is an important added value, as highly sustainable companies significantly outperform their competition in the long-term (Eccles et al., 2012).

Literature distinguishes three separate pillars: economic, environmental and social sustainability (Purvis et al, 2019). Wales (2013) describes sustainable growth as *'a business model that creates value consistent with the long term preservation and enhancement of financial, environmental and social capital.'*

Within non-profit organizations, the economic pillar of sustainability means that in order to be able to operate long term, the organizations should be able to create value with the long term preservation and enhancement of financial capital (Purvis et al, 2019).

One important source of income for many non-profit organizations are donor contributions. And while much attention is often given to donor acquisition, another important area to focus on is donor retention (Sergeant, 2013). Nearly every organization depending on donor support could give more attention to people who gave money in the past (Barber & Levis, 2013). Retaining loyal and engaged donors and building long-lasting relationships with them is critical to the success and sustainability of non-profit organizations (Jameson, 2017). Literature is full references to the benefits that an improved focus on customer retention can bring the non-profit organization. A small improvement in attrition can lead to significantly large improvement in the lifetime value of the donor database (Sergeant, 2013). This effect can be explained because of several reasons.

First of all, it costs about five times as much to solicit a new customer as it does to do business with an existing one. It also creates opportunities to persuade existing donors to make additional donations and loyal donors are more probable to provide feedback, possibly improving quality of service. Lastly, good word of mouth advertising leads to even more donors (Sergeant, 2013).

Within literature, most studies seem to agree on the concept of donor retention falling apart in the four key drivers of commitment, trust, satisfaction and identification (Sargeant, 2013)(Jay & Sargeant, 2004). Out of these key drivers, commitment of the donor seems to be the most directly influencing variable on donor retention (Naskrent & Siebelt, 2011).

1.2 The gap in the literature regarding donor retention and the child sponsorship branch

The gap in the literature regarding donor retention within the child sponsorship branch of the non-profit sector appears to be two-fold.

First of all, there has been a lack of research on sustainable giving such as sponsoring a child over a longer period of time. There has been no attempt to disentangle the experiences and contextual issues associated with such long-term commitment, as child sponsorship involves a more long-lasting commitment than other types of donations (Prendergast & Maggie, 2013). The child sponsorship branch works differently in terms of donations and finances. Here a fixed amount of money is charged every month in order to support a child living in poverty. Since this directly changes the relationship between the donor and the non-profit organization, there is no clarity whether the principles of donor retention can be directly translated to this specific branch. It could be argued this might not necessarily be the case, as for example commitment in the child sponsorship branch is more binding in nature. This research will explore the concept of donor retention within the branch of child sponsorship.

Second, there has been no prior research on the dynamic relations between variables and their mutual influence. Literature on donor retention thus far has had an exclusive focus on describing the linear relationships within donor retention. However, there are some indications that a dynamic view on the topic might be more appropriate. Naskrent & Siebelt (2011) describe how the key concepts influencing donor retention also seem to display mutual influence. So far, however, it seems that findings like these, even though important, have not been brought together into an integrated dynamic model.

Moreover, within Compassion Nederland, inside research on donor retention gave some inconclusive results. Compassion Nederland is a large non-profit organization operating within the child sponsorship branch. Within Compassion Nederland they identified a significant loss of donors every year. Each year 4000 to 5000 new donors decided to sponsor a child, while around 2500 donors stopped sponsoring a child. Especially when sponsored children leave or finish the program, around 35-40% of donors do not continue their support by sponsoring another child.

However, some initial research into this topic proved inconclusive, as the results indicated that not only a low level of commitment, but also a high score on the level of commitment resulted

in more exits of donors. Their finding on commitment is not in line with available literature on the topic and seems to suggest a more dynamic structure of donor retention than is available right now.

All of these facts together form the motivation to explore the workings of donor retention within the child sponsorship branch specifically, and to do so in a way that captured the dynamic structure of the key concepts.

1.3 Research Problem

The research problem concerns the lack of knowledge on the dynamic relations of donor retention within the child sponsorship branch of the non-profit sector.

The objective of this research is therefore to understand the dynamic relations between key variables within the child sponsorship branch on the topic of donor retention in order to extend or confirm the current literature on the topic of donor retention and to find policy implications for the child sponsorship branch of the non-profit sector.

In order to achieve this objective, the following main research question will be answered:

Which key variables, dynamic relations, and corresponding policy implications can be identified within the topic of donor retention within the child sponsorship branch of the non-profit sector?

In order to answer the main research question, the following sub questions will be answered:

1. What are the key variables that determine donor retention within the child sponsorship branch of the non-profit sector?
2. Which dynamic relations can be identified for the key variables of donor retention within the child sponsorship branch of the non-profit sector?
3. What are the policy implications of the identified factors and dynamic relations within donor retention within the child sponsorship branch of the non-profit sector?

1.4 Theoretical and practical relevance

This research will contribute to the understanding of donor retention within non-profit organizations by exploring the topic of donor retention within the branch of child sponsorship. It will either reconfirm the current principles of donor retention within non-profit organizations in general or discover some exceptions to the general rule for the specific branch of child sponsorship.

Furthermore, the research will try to understand the dynamic relations between the key variables for the topic of donor retention within the child sponsorship branch of the non-profit sector, which might lead to future research suggestions. These two aspects together form the theoretical relevance. The practical relevance of the research is formed by the possible implications of the findings for the business operations of non-profit organizations within the child sponsorship branch, specifically Compassion Nederland, who might choose to use these implications in order to improve their donor retention.

1.5 Outline of the thesis

In the next chapter, the theoretical background of donor retention will be presented. Chapter two will end with a theoretical model of the general workings of donor retention within the non-profit sector. After this, the methodology used, namely Group Model Building and data analysis, will be explained in chapter three. This will be followed by the analysis of the gathered data in chapter four, ending with a comparison between the theoretical model and the model resulting from the group model building sessions. In chapter five the discussion and conclusion will be presented. Lastly, the practical implications and recommendations will be discussed in chapter six.

2. Theoretical background

2.1 Introduction

This chapter will start with a theoretical definition of the term donor retention. It will then go over some statistics of donor retention within non-profit organizations. Furthermore, the workings of donor retention within non-profit organizations will be explored. Although consensus on key variables can be observed from literature, it is clear that research is still exclusively focused on causal relationships, instead of adopting a system dynamics approach. For this reason, a theoretical model of the dynamic relations of the key drivers of donor retention has been constructed by the author and will be presented at the end of the chapter. This theoretical model will be based on the findings of the literature review.

2.2 Introducing and defining donor retention

Even though quite a lot has been written about the subject of donor retention, actual definitions of the term are sparse. Maybe this is because the term seems self-explanatory. As Wymer simply states, (Wymer, 2010, p.1); 'If a donor stops giving, she is not counted as a retained donor'. In a more recent article, however, a definition of the subject can be found. According to Xiao and Yue (2021, p.1) donor retention can be defined as "the problem of keeping attracted donors interested and engaged so that they can continue to make donations year after year".

Wymer (2010) does give some criticism on the usefulness of donor retention as a measurement concept. He points out that it is way too crude a measure to determine the quality of a relationship. Instead, he proposes to use the measure of donor loyalty, as it gives a more adequate assessment of the relationship between donor and non-profit organization.

Within this research, however, the actual retention of the donor is the central problem variable. Considering this, donor retention within this research has been defined as 'the problem of keeping child sponsors at Compassion Nederland interested and engaged so that they can continue to be a child sponsor year after year'.

Now that the definition for donor retention has been given, more exploration will be done of the workings and driving factors of donor retention according to literature.

2.3 Statistics of Donor Retention

Before diving into the workings of donor retention, a look will be taken at the statistics of donor retention first. It is important to mention that the statistics described in this paragraph come from research in the general field of non-profit organizations and are not of Compassion Nederland itself. The analysis of donor lapse within Compassion itself will be addressed later in the thesis.

Within the non-profit sector in general, a typical organization will lose between 40 and 50 percent of new donors in the first year. In sequential years, non-profit organizations will lose around 30 percent of the remaining donors each year (Sargeant, 2001a).

The first and foremost reason given by donors for their lapse (54 percent) seems to be that they can no longer afford to offer their support. Coming in as the second main reason (36%), donors opt to transfer their support to a different charitable organization, followed by death or relocation (16%) and a lack of acknowledgement (13%) (Sargeant, 2001a).

Nathan and Hallam (2009) found that donors drop their least favorite non-profit organization first. Furthermore, they found that donors who sponsored a child in a developing country said that those would be the last to go—because of the child, not the charity.

Nathan and Hallam (2009) also emphasize that in many cases, donors were already dissatisfied one way or another, and financial circumstances are the last straw causing them to lapse.

The origin of this dissatisfaction should be of great concern to non-profit organization and leads us into the following section, where the drivers and dynamic workings of donor retention are explored.

2.4 Understanding donor retention

In this section, donor retention will be explored in its workings. Research on donor loyalty finds its roots in the for-profit sector, where research on customer loyalty had already been done. Marketing literature regards commitment, trust, satisfaction and identification to be the primary drivers (Sargeant, 2013). The first stepping stone for this can be traced back to 1994, when Morgan and Hunt (1994) established the commitment-trust theory. They stated that successful relationship marketing requires commitment and trust. These concepts were found to be the key mediating variables in the model, with trust leading to relationship commitment, which in turn decreased the customers' propensity to leave (Morgan & Hunt, 1994).

Even though the model was established in a commercial context, according to Arnett et al. (2003), in which Hunt was also one of the authors, relationship marketing is a viable strategy in the context of non-profit marketing. The importance of the concepts of trust and commitment in the non-profit-donor relationship has been proven many times since (Sargeant & Lee, 2002) (Sargeant &

Lee, 2004) (Sargeant, Ford & West, 2005) (Wymer, 2010) (Naskrent & Siebelt, 2011) (Prendergast & Maggie, 2013).

The other two key drivers mentioned, satisfaction and identification, have also made their way into the literature on donor retention within non-profit organizations, although less explicitly than trust and commitment. Satisfaction is the more pronounced of the two, often being mentioned by name and explicitly taken up as a variable, for example in the articles of Naskrent and Siebelt (2011), Sargeant & Lee (2002) and Sargeant (2013). The key driver of Identification seems to be less present among the literature, although some articles exist on the subject and its influence seems considerable, as we will see later on.

The key drivers of commitment, trust, satisfaction and identification seem to be the foundation of donor retention in literature and will therefore be adhered to as the building blocks for donor retention in this thesis. For the purpose of understanding the workings of and interaction between these four key drivers, each of the drivers and their workings will now be explored.

2.4.1 The first key driver of donor retention: Commitment

As one of the key driving factors, commitment will now be explored. Morgan and Hunt originally defined relationship commitment as (Morgan & Hunt, 1994, p.23): *“an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely”*. The concept of commitment describes the sense of ‘stickiness’ between customer and brand, where there is a desire to maintain a relationship or a pledge between the two parties (Jay & Sargeant, 2004).

With regards to its influence on donor retention, most authors seem to confirm Morgan and Hunt’s original construct, where trust leads to commitment, which in turn directly influences donor retention (Fullerton, 2003) (Sargeant & Lee, 2004) (Jay & Sargeant, 2004) (Sargeant, Ford & West, 2005) (Wymer, 2010) (Sargeant, 2013).

Sargeant and Woodliffe’s (2005) work states commitment in the context of charity giving is stimulated by the development of shared values and personal link to the non-profit organization, the service quality, trust of the donor and perceived risk to the beneficiaries. The personal link is defined as the manner in which the donor him or herself has firsthand experienced the sufferings of the beneficiary group. The perceived risk to the beneficiaries is the perceived negative consequences for the beneficiaries if the donor would withdraw their support.

Interestingly, in Sargeant and Woodliffe (2005)’s paper a distinction is made between active and passive commitment. Active commitment is when donors have genuine passion for the non-profit organization and the work they are trying to do. Passive commitment is where donors donate

because it seemed to right thing to do, they hadn't gotten around to cancelling or even forgot that they were donating in the first place. It is a dangerous kind of commitment in a sense, for these types of donors seem to review their support only when reminded that their support is continuing. As a consequence, charities report a significant number of regular givers lapse immediately following a communication (Sargeant and Woodliffe, 2005). The reality of this lapsing behavior is confirmed by papers like Bittshi et al (2020), who found an immediate increase in opt-outs among high-paying members (top quartile) directly following a private recognition letter, which unintentionally served as a reminder of their option of terminating the membership (Bittschi et al, 2020).

Concluding one could say that the key driver commitment directly influences donor retention, while trust, shared values and personal link to the non-profit organization, the service quality and perceived risk to the beneficiaries are the inputs for commitment. This is displayed in figure 1 below.

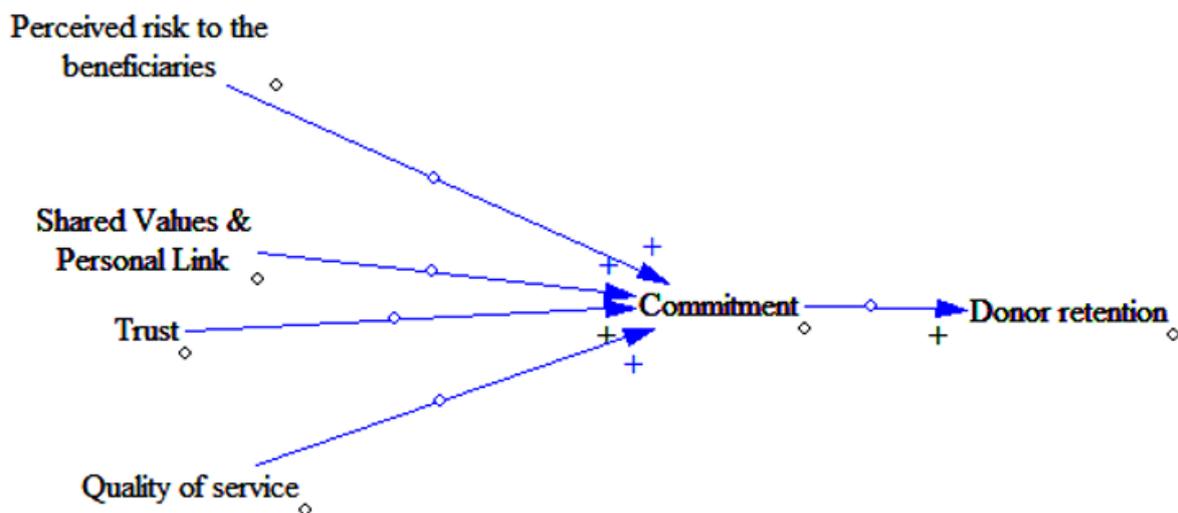


Figure 1: Commitment modelled

2.4.2 The second key driver of donor retention: Trust

Where commitment seems, among other inputs, to be driven by trust, the concept of trust in itself can also be further taken apart. The concept of trust describes the believe of the customer that their needs will be fulfilled (Jay & Sargeant, 2004). Morgan and Hunt conceptualized trust as existing when one party has confidence in a partner's reliability and integrity (Morgan & Hunt, 1994).

The construct of trust within the context of donor retention within non-profit organizations is one of the better explored areas in the literature. However, it is also quite a scattered one. Different articles display different inputs for trust, and even the exact workings between trust and the other key variables of commitment, satisfaction and identification don't seem fully agreed upon. However, as already mentioned, most authors seem to agree on Morgan and Hunt's original construct, where

trust leads to commitment (Fullerton, 2003) (Sargeant & Lee, 2004) (Jay & Sargeant, 2004) (Sargeant, Ford & West, 2005) (Wymer, 2010) (Sargeant, 2013).

Furthermore, though different authors use many different inputs for the topic of trust, some key inputs can be distinguished when comparing different articles. These are what the author has chosen to call the concepts of 'quality of service' and 'perceived role competence'. These will now be explained further.

The first concept, quality of service, deserves both an explanation on its content and its importance. As for its content, service quality would seem to include feedback on contributions, as well as the quality of communication itself (Sargeant, 2001a) (Sargeant, 2001b) (Shabbir et al, 2007) (Merchant et al, 2010) (Nathan and Hallam, 2009) (Wymer, 2010) (Prendergast & Maggie, 2013). Responsiveness would seem part of quality of service, but has surprisingly enough no significant influence on the trust in a non-profit organization (Sargeant, Ford & West, 2005).

The importance of quality of service has to do with the nature of the exchange between a non-profit organization and its donors. The non-profit sector is in some way very distinctive from the commercial sector, where the agency role played by charities creates a unique relationship between a charity and its donors. Donors often receive nothing tangible from the organization in return for their gift. Instead, they are essentially purchasing an impact on a beneficiary group, one that they may have no means to measure themselves (Sargeant & Lee, 2002).

This is where trust comes into play, where, in line with Morgan and Hunt's (1994) definition of trust, donors have to be confident the non-profit organization will act on their behalf with reliability and integrity. This is why many articles in the field stress the importance of both informing the donor on what the non-profit organization is doing and also giving specific feedback on how the donor's contributions are spent (Naskrent & Siebelt, 2011) (Jameson, 2017).

Information about the effects of the charitable donations makes the donors part of the success and communicates that it could not exist without their valuable support (Naskrent & Siebelt, 2011). The importance of the communication and feedback is so important, Sargeant (2013) found that "perceptions of the quality of service offered to donors are the single biggest driver of loyalty in the fundraising context." (Sargeant, 2013, p. 14). Prendergast & Maggie (2013) also found communication to be vitally important for trust.

Concluding, many authors seem to agree that trust is based on the perceived benefits to beneficiaries and the way this is communicated to donors (summarized as feedback on contributions), along with the overall quality of communication the non-profit organization provides (Sargeant, 2001b) (Sargeant, Ford & West, 2004) (Naskrent & Siebelt, 2011) (Sargeant, 2013) (Jameson, 2017) (Prendergast & Maggie, 2013), which in this thesis fall under the concept of 'quality of service'.

This ties into the second concept that seems to be important for trust in a non-profit organization, and that is the perceived role competence, as mentioned by Sargeant and Lee (2002). Jay and Sargeant (2004) mention the importance of role competence for trust, along with delivering a good quality of service, adherence to a desired set of principles and demonstrating good judgement (Jay & Sargeant, 2004). Sargeant, Ford and West (2005) found that the performance of the non-profit organization was also crucial for trust. Other articles refer to accountability, where donors are looking for a guarantee that their donations are making a difference and are administered efficiently and effectively (Prendergast & Maggie, 2013) or transparency in fiscal numbers (Bekkers, 2003). For the purpose of simplification all variables mentioned will be part of the overarching concept 'perceived role competence' in this thesis.

Concluding, one might say that trust is an indirect key driver of donor retention, with commitment serving as an intermediary. It is mainly achieved through quality of service and perceived role competency. This part is modelled below in figure 2.

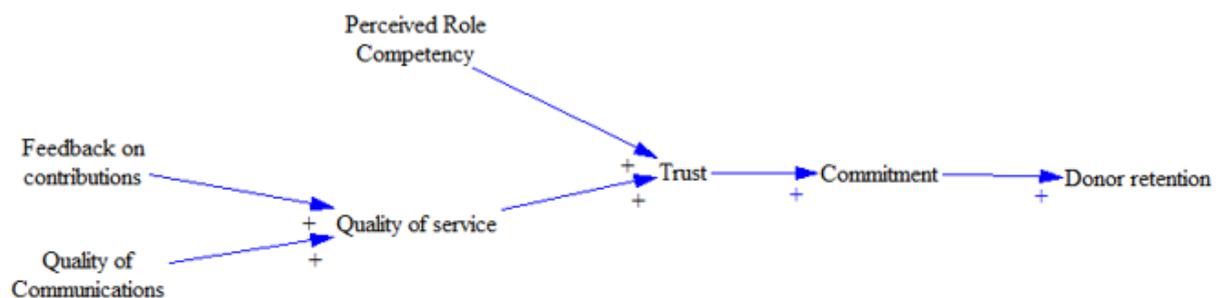


Figure 2: Trust modelled

2.4.3 The third key driver of donor retention: Satisfaction

Now that the key drivers of commitment and trust have been defined, the third key driver of satisfaction can be explored. Satisfaction can be defined as a comparison between expectations and the evaluation of the delivered service quality (Jay & Sargeant, 2004) and is often seen as a direct input for donor retention (Sargeant, 2013) (Jay & Sargeant, 2004) (Schroeder, 2019). Sargeant (2001b) points out that the perception of communications and satisfaction with feedback received is linked to the overall longevity of the relationship with the organization. Furthermore, satisfaction is also hypothesized to contribute to trust if the donor is afforded to make a comparison between expectations and performance (Sargeant & Lee, 2002).

Naskrent and Siebelt's (2011) view seems to differ, however, as their results seem to indicate that the effect of satisfaction is not a direct link to donor retention, and instead an indirect link through the variable of commitment.

For this thesis, the view of the majority of the literature will be adhered to and a direct connection between satisfaction and donor retention will be maintained. As Sargeant (2013) pointed out, some donors will consciously evaluate the service provided by a non-profit organization and

compare it to what could be achieved “in return” for their donation elsewhere. This reasoning makes a direct connection logical to adhere to. The additional relations, those between Satisfaction and Trust, and Satisfaction and Commitment, seem to be logical as well and will also be taken into account.

Furthermore, it is important to note that the unique nature of the exchange between a non-profit organization and its donors has an effect on the way donor satisfaction can be attained. Unlike customers in a commercial context, donors are ill equipped to evaluate their satisfaction, as the non-profit organization acts as an agency between donor and beneficiary (Sargeant & Lee, 2002). Due to the non-profit organization acting as an agency, feedback on contributions and quality of communication seem to come into play again, very akin to the workings of trust. This is because donors receive an immaterial gratification when they get to know how their contribution helped the recipient (Naskrent & Siebelt, 2011).

The inputs for satisfaction do seem to differ slightly from trust, however. Where trust is also driven by ‘perceived role competence’, satisfaction seems to be less focused on the ‘perceived role competence’, and instead focusses more on ‘acknowledgement of contributions.

The effect of acknowledgement, however, is moderated by how frequently the donor gives to the non-profit organization. It will specifically help strengthen the non-profit organization’s relationship with less frequent donors and acknowledgements sent by non-profit organizations will enhance the positive emotions experienced and reduces negative emotions (Merchant, Ford, Sargeant, 2010). As already mentioned within the key driver of commitment, however, it might not always be beneficial to send acknowledgements, as lapsing behavior directly following a communication is regularly seen among the more frequent and passive donors (Sargeant and Woodliffe, 2005).

Concluding, one might say that the key driver satisfaction has a direct influence on donor retention, and could be hypothesized to have an indirect effect on donor retention through trust and commitment as well. The inputs for satisfaction are unique due to the non-profit organization acting as an agency, and include a donor’s expectations, as well as the delivered acknowledgement and quality of service, which includes quality of communication and feedback on contributions. The acknowledgement side should be handled carefully, as it might induce lapsing behavior amongst more passive and frequent givers. These variables are modelled in figure 3 below.

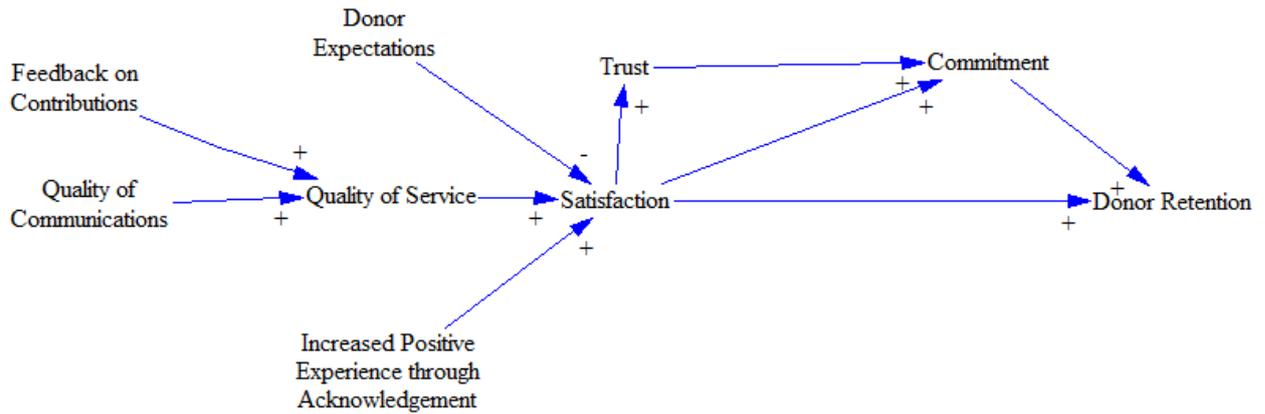


Figure 3: Satisfaction Modelled

2.4.4 The fourth key driver of donor retention: Identification

As the fourth and last of the key drivers, donor retention also seems to be related to the degree in which the donor can identify themselves with the non-profit organization's identity (Ramanath, 2016). Although mentioned less often in literature than the other key variables, its importance is still considerable, as Arnett et al (2003) emphasize the importance that identity salience has in promoting long-term relationships and marketing success for non-profit organizations. Such a focus is especially in today's competitive environment (Arnett et al, 2003) (Weerawardena et al., 2009), as the second main reason donors lapse seems to be direct competition (Sargeant, 2001a).

This seems to be backed up by Fullerton (2003), who finds that commitment through shared values and identification is more robust than commitment through switching costs and dependence, which is in line with the existence of personal link to the non-profit organization and the importance of shared values with the non-profit organization that Sargeant and Woodliffe (2005) and Arnett et al (2004) found. Arnett et al (2004) also underline the importance of identity salience within non-profit relationships with their donors for this reason. They state that people want to act in alignment to their identity and values and organizations should focus on their organization-related identity.

Beliefs are also of influence and appear to create a segment of donors. Those individuals who often attend or are involved in religious activities place high salience on religious identity and are often more generous and frequent givers to religious organizations (Ramanath, 2016). This is confirmed by Ranganathan and Henley (2007), who found that religiosity is an important causal variable for a donor's attitude towards helping others.

Furthermore, the religiosity appears significantly related to lapsing behavior. Those with a strong religious conviction were less likely to exhibit discrimination in their giving behavior as they feel the need to spread their support around a wider pool of charities (Sargeant, 2001b).

Concluding, one might say that identification influences donor retention and is influenced by both the identity salience of the non-profit organization and the alignment of values and believes of the donor with the non-profit organization, as modelled below in figure 4.

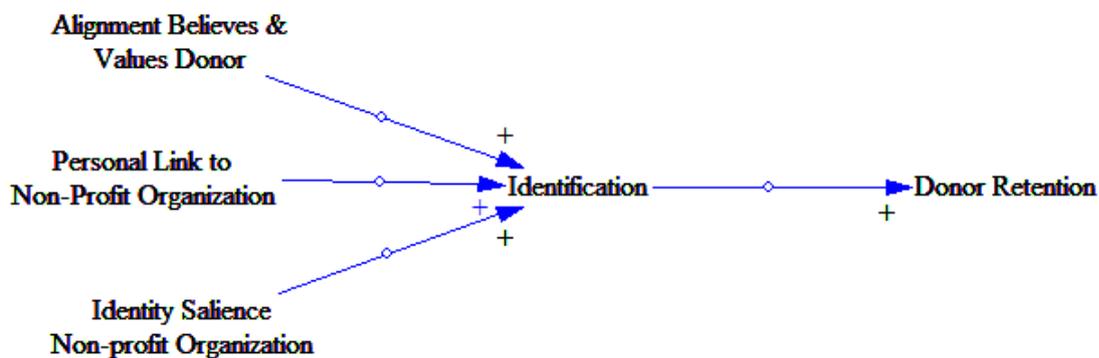


Figure 4: Identification Modelled

2.4.5 A further consideration on the topic of donor retention; personas and segmentation

A resurfacing theme during the exploration of the literature that is not included within the four key drivers has to do with personas and segmentation. Johnson et al (2006) underline the importance of managing the relationship between donor and non-profit organization in order to improve loyalty intentions of donors. Arnett et al (2004) emphasize the importance of viewing the exchange relationship as revolving around individuals, as donor's individual believes and values are important in the eventual outcome on their donor retention. Furthermore, (Sargeant and Lee, 2002) adds that an important aspect of trust within the non-profit-donor relationship are the donors' attitude towards the organization due to personality. Prendergast & Maggie (2013) add that the type of motivation that drives the donor influences their satisfaction with their experience. Jay and Sargeant (2004) even claim that both satisfaction and trust are influenced by the attitude and expectations of the donor. This leads the author to conclude that aside from the four key drivers and their inputs, the persona of the donor matters greatly as well, influencing a multitude of factors. Although it might be difficult to model, it should be taken into consideration when constructing the theoretical model, for example through emphasizing the overall influence of a donor's persona and introducing the need for segmentation in logical places of the model.

For example, segmentation could be important in the matter of acknowledgement. As discussed, blindly sending acknowledgement to the entire donor base might give a backlash, as acknowledgement is mainly useful for less frequent donors, but makes for an increase in lapsing behavior in more frequent but passive donors (Sargeant and Woodliffe, 2005). Furthermore, segmentation might be important when choosing a target audience. Some non-profit organizations might choose to target a certain segment of the market aligned with their own identity, as recommended by Arnett et al (2004), strengthening the identification key driver.

2.5 Theoretical model

A theoretical model was constructed by the author, based on the above theoretical framework of donor retention and some basic elements of how organizations operate.

2.5.1 Some comments on the construction of the theoretical model

First, some comments on the construction of the model. What will surely jump out is the addition of two stocks, namely the workings of both the donor base, which is influenced by the variable of ‘Donor Retention’, and the money on the bank of the non-profit organization. These two stocks allow for the dynamic workings and feedback loops of the system to be identified.

Furthermore, In the theoretical model the detailed version of quality of service has been simplified. The inputs of ‘Feedback on Contributions’ and ‘Quality of Communications’ have been left out for simplification purposes. However, quality of service still consists out of these two inputs. The same thing was done to ‘Identification’. The key driver still consists of the personal donor’s personal link to the non-profit organization, the identity salience of the non-profit organization and its alignment with a donor’s values and believes. However, since this detailed presentation added nothing to the model, it was simplified to just ‘Identification’.

Lastly, where ‘Shared Values and Personal Link’ was an earlier input for ‘Commitment’, ‘Shared Values and Personal Link’ has now been merged with ‘Identification’, since the concept of the two is quite similar. With that being said, the theoretical model can be shown below in figure 5.

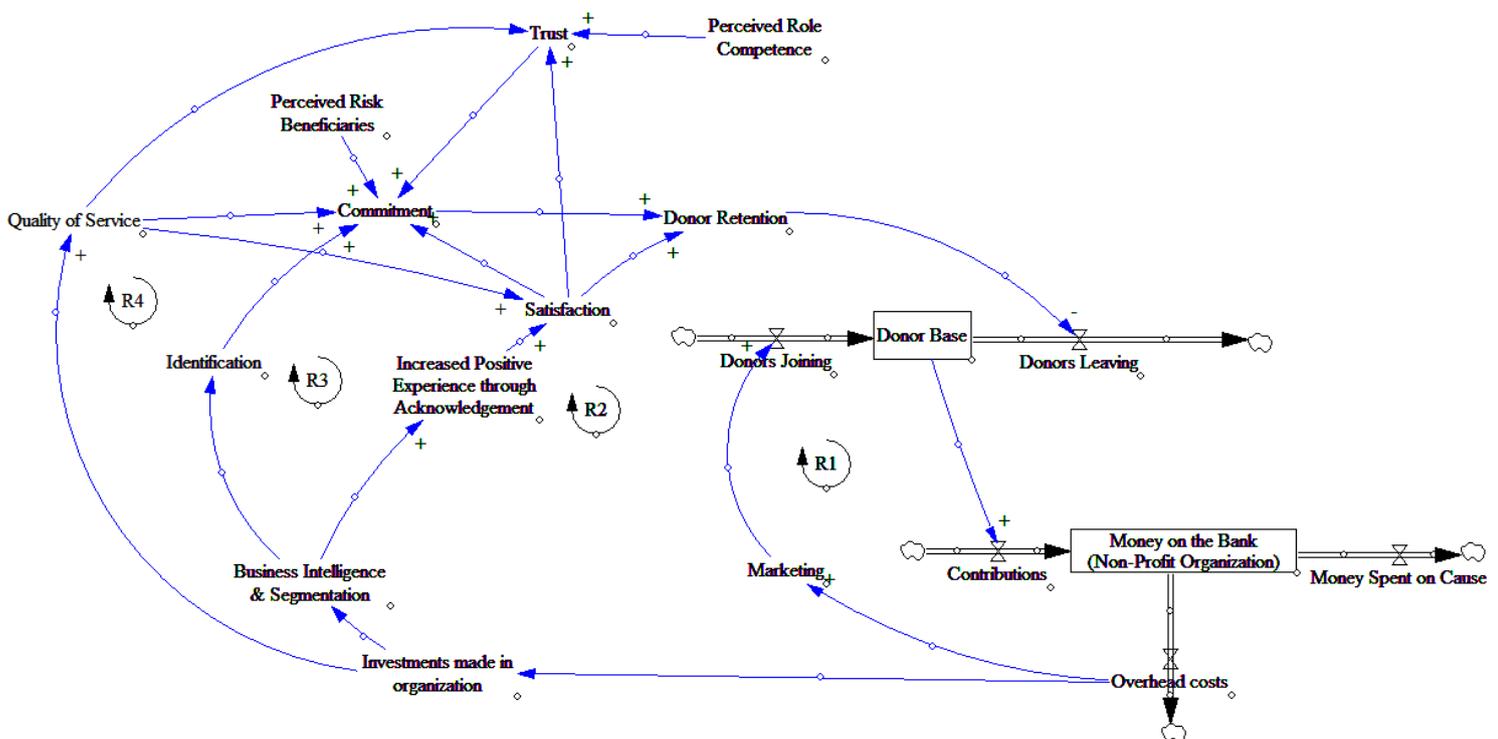


Figure 5: The Theoretical Model

2.5.2 Explanation of the theoretical model

Now the workings of the theoretical model will be explained through the identified feedback loops.

First of all, a simple reinforcing feedback loop can be identified (R1). Its workings are based on investments in marketing, which increases the number of new donors, which increases the donor base. An increased donor base makes for more income through contributions, which allows for more money to be invested in marketing.

The feedback loops R2 to R4 are all related to investments into the organization, aimed at improving the experience of donors attracted, instead of the acquisition itself. Feedback loops R2 and R3 both have to do with Business Intelligence and Segmentation. Segmentation in feedback loop R2 allows for better management of acknowledgement. A proper segmentation for the sending of acknowledgements might increase positive emotions among less frequent givers, while minimizing donor lapse within the frequent but passive part of the donor base. This would improve donor retention, leading to even more funds available for Business Intelligence and Segmentation efforts.

Feedback loop R3 also goes through Business Intelligence and Segmentation, but now it helps in reaching the right target audience and communicating in the right manner with the current donor base as to strengthen the personal link and identification with the identity of the non-profit organization. The strengthening of this key driver will improve donor retention, also leading to even more funds available for Business Intelligence and Segmentation efforts.

Lastly, Feedback loop R4 goes through the improvement of the service quality offered by the non-profit organization. In reality service quality is connected to several paths to increase donor retention, which would translate to several different feedback loops. However, for matters of simplification one feedback loop was drawn. But it should be noted that the improvement of service quality increases donor retention through both trust and satisfaction, as well as through commitment and is therefore a very crucial variable influencing donor retention. Of course, an improvement of donor retention through service quality would lead to less donors leaving, which would result in an increase of funds, making even more funds available for the improvement of service quality.

All in all, it seems clear that even though marketing seems like a quick way to increase the donor base, three other, though slower, feedback loops have been identified that have an influence on donor retention and could be utilized to maximize the number of donors and contributions and therefore the impact the non-profit organization can make.

The function of this model will be to serve as a comparison model for the one that will emerge from the data of the research later on, which will be specified for the child sponsorship branch of the non-profit sector. That way, differences and similarities between the agreed upon workings of donor retention within current literature and the model resulting from the research can be more easily observed.

3. Methodology

For this research a deductive case study approach will be used for the case study of Compassion Nederland. It will consist of conducting Group Model Building Sessions and data analysis, of which the methods will be explained later in this chapter. The data resulting from these methods will be compared to the current state of literature on donor retention as described in chapter 2.

The choice for conducting a case study is suitable, because it can test and further develop the current knowledge on a subject. Case studies are excellent for critically reviewing and perhaps even refining literature, due to the insight one can gain by delving deep into a specific case (Blijenbergh, 2016). This case study will help research whether the theoretical model coming from current literature can be directly applied to the child sponsorship branch of the non-profit sector, or if it needs to be refined and adjusted for this specific branch.

The case study will be conducted for the non-profit organization Compassion Nederland. Compassion Nederland is a Christian non-profit organization based in Apeldoorn, the Netherlands. It is part of the child sponsorship branch and thus specializes in freeing children from poverty in third world countries. Compassion Nederland does this by creating a personal connection between a donor and their sponsored child, allowing correspondence and updates on the child. Compassion Nederland is part of Compassion International, which is currently providing for over two million children around the world (Compassion, 2020).

In this research, the case study will be conducted through group model building and data analysis. In this chapter will be explained what group model building is and how data was collected from the data sources. Lastly, the research ethics adhered to will be mentioned.

3.1 Group model building

Before explaining the exact methods of data collection, a short introduction will be given on Group Model Building and its broader context of System Dynamics.

System Dynamics was developed in the second half of the 1950s by Jay W. Forrester. According to him, System Dynamics is a theory of the structure and behavior of complex systems (Vennix, 1996). System Dynamics uses maps and models with computer simulation in order to uncover and understand system behavior (Richardson, 2011).

These dynamic models help us greatly in complex situations. The human mind is capable of dealing with simple models. However, if the scale gets bigger and the conditions and correlations more numerous, the human mind is no longer capable of prediction of the outcomes. A computer model can help gain insight in the workings of a complex situation. Though the model building process is inherently still a subjective process, models are a great tool to assess and analyze situations (Andersen & Richardson, 1997).

Group model building is part of the field of System Dynamics and refers to a process of building dynamic models together with decision makers, experts and other stakeholders (Rouwette, 2016).

Vennix (1996) gives a guideline one might consider when deciding whether to opt for a Group Model Building approach. This guideline states that the problem needs to be dynamically complex, which excludes 'static' problems, like identifying a situation in one point of time. One might check this by deciding whether a reference mode of behavior can be drawn from the problem variable. As donor retention and its workings are central within this research, this criterion of dynamic complexity seems to be met, since donor retention could be displayed over time and the researcher is interested in the dynamic relations between the key variables influencing donor retention.

3.2 Data collection

In this section the design of the data collection methods will be explained.

3.2.1 Group Model building

Six group model building sessions were held with key employees from Compassion Nederland present. When designing group model building sessions, there are a few choices one has to make. These choices are whether to apply quantitative or qualitative System Dynamics, whether to make use of a preliminary model and which participants to invite for the sessions. A preliminary is a model constructed based on interviews or document studies beforehand (Vennix, 1996)

Each of these questions will now first be addressed, followed by additional information on the design of the sessions.

3.2.1.1 Qualitative or Quantitative design

In his book, Vennix (1996) points out that many system dynamicists argue that only full-blown quantified models deserve the title of 'system dynamics model'. However, he argues that it isn't always necessary to achieve a quantitative model. In contrary, from the point of view of problem solving, it seems foolish to limit yourself so. Adapting such a restriction on models severely underestimates the strength of building conceptual, qualitative models (Vennix, 1996).

The question on whether to apply a quantitative or qualitative approach rests on three criteria (Vennix, 1996): First, the level of system understanding required, as the process of quantifying can add another layer of understanding. The second criterion is the time and resources available. A quantified model requires significantly more time and resource investment than a qualitative model. The third criterion is whether quantification can even be accomplished. Not all problems or models lend themselves to be quantified within reasonable effort (Vennix, 1996).

For this research, a qualitative approach has been chosen. The reasons for this are not only the time and resources available, but also the nature of the problem of donor retention. From the

theoretical model in the literature review it can be observed that key drivers of donor retention of non-profit organizations are quite 'soft' and abstract. They will therefore not be easily translated into a quantified whole. It is not unreasonable to assume that variables surrounding donor retention in the child sponsorship branch of the non-profit sector will be at least somewhat similar to the theoretical model and therefore difficult to quantify as well.

3.2.1.2 Preliminary model

For this research, the choice was made to not make use of a preliminary model. Instead, the participants were involved in the entire process of constructing the model.

Working without a preliminary model has both its advantages and drawbacks. The most important advantage, especially for this thesis, is its time effectiveness (Vennix, 1996). The researcher doesn't have to include an initial period of research for constructing the preliminary model. As the research period only consisted of three months in total, the addition of this period would have made the research less feasible.

An important note to make here is that the theoretical model was not used in constructing a preliminary model, instead it was withheld entirely from the participants throughout the entire process. This is to ensure that the theoretical model did not warp the results. Starting with the theoretical model might have undermined any similarities found between the theoretical and constructed model when comparing the two.

Two drawbacks of working without a preliminary model are that (1) it is considered to be more difficult and therefore requires more skill and (2) it asks for a greater time investment from participants (Vennix, 1996). The support of an additional facilitator was added in order to ensure the facilitation process going as smooth as possible. Furthermore, there was room for a total of eight sessions, so time investment of the participants was less of an issue than the time horizon of the research. However, time invested by participants is still valuable and should not be taken lightly. Therefore, the remaining time needed with the participants to conduct the research was weighed in between sessions, and the research ended up taking up six of the available eight sessions.

3.2.1.3 Participants

To ensure a broad view from employees working throughout the entire organization, employees from different departments of Compassion Nederland were invited to the sessions. The participants that joined the sessions originated from the departments IT, Finance, Data Analytics/Insights, SET (the Sponsor & Engagement Team), SAT (the Sponsor Administration Team) and general management.

3.2.1.4 Design of the sessions

For the sessions, established group model building scripts were used. Some of the selected exercises are Graphs over Time, Variable Elicitation and Nominal Group Technique (Scriptapedia, 2020).

The following scripts and sessions were conducted and, with permission, recorded:

Session number	Script used
Session 1 (2 hours)	Graphs over Time script
Session 2 (1.5 hours)	Variable Elicitation script
Session 3 (1.5 hours)	Connection Circles script
Session 4 (1.5 hours)	Initiating and Elaborating a Causal Loop Diagram part 1
Session 5 (1.5 hours)	Initiating and Elaborating a Causal Loop Diagram part 2
Session 6 (2 hours)	Policy Development

3.2.2 Data collection on reasons for lapse within Compassion Nederland

In order to gain insight in the donor's reasons for lapse within Compassion Nederland, data was collected from the systems of Compassion Nederland. This was done by reading through all cases of donors terminating their sponsoring in the period of January 1st 2021 to the end of May 2021. Compassion Nederland already keeps track of the reasons for lapse. This is done by employees, who choose a reason for lapse from a list when processing a sponsor termination case.

However, these reasons are quite generic and also thought to not be fully accurate. By reading each case the chance of inaccuracy is minimized, while a full impression for reasons of lapse is gained by the researcher. For each case, the researcher noted the reason and special remarks, like mistakes in communication, as well as the number of years the donor had been committed as a child sponsor to Compassion Nederland (if there were two or more sponsored children, the time between the start of the first sponsoring and the end of the last would be taken). As the researcher had to do this by hand, the number of years the donor had been sponsoring a child was counted by subtracting the starting year from the number of 2021. This means that if a donor started in the year of 2000 and left Compassion Nederland in 2021, 21 years of sponsoring were noted, disregarding the specific months of either the starting or ending date.

3.3 Research ethics

Another important issue are the research ethics. Here the question is asked whether the research is socially acceptable. The research needs to safeguard the interests of the participants. There should be no harm done, the participants should participate voluntarily and the methods should be suitable (Denscombe, 2020). To establish all this, a set of rules has been formed for this research:

1. Information that is deemed sensitive or confidential is kept confidential;
2. When conducting the data collection, donor privacy will be respected. This means no personal data will be revealed in the thesis. Furthermore, during the data collection process within the systems of Compassion Nederland, the researcher will attempt to breach privacy as little as possible. This means viewing and collecting only the information deemed necessary to be informed about the reasons for lapse, any possible communication mistakes and/or abnormalities in procedure and years of sponsorship;
3. Due to the nature of the group model building method, total anonymity cannot be attained within the group model building sessions, since participants will be joining the sessions together. However, participants and their contributions will not be documented by name or function title, as some function titles might still give away identities;
4. Recordings of the group model building sessions have been made. Before recording, however, consent was asked of all participants. Luckily, all participants agreed to this. Otherwise, notes would have been taken.

4. Data Analysis

In this chapter the analysis of the gathered data will be presented. First, the model resulting from the group model building sessions will be explained, followed by the results from the data analysis. Then, the model will be compared to the theoretical model from chapter two, discussing the similarities and differences.

4.1 Group Model Building

The primary result of the group model building sessions was the constructed model from the group. This model serves as direct input for the data analysis.

The model that resulted from the group model building sessions will be called 'the GMB model' from now on and will be presented in parts. First the feedback loops that are present in the GMB model will be explained. Then, as a summary, the whole model will be presented.

An important note to make is that 'donor retention' as a variable was not included explicitly in the GMB model. Rather, variables reducing the flow of donors leaving the organization represented the workings of donor retention. This is illustrated by the example of figure 6 below, where an increase of 'the Competitive Position of Compassion Nederland' will lead to a decrease in the amount of 'Donors Leaving'.

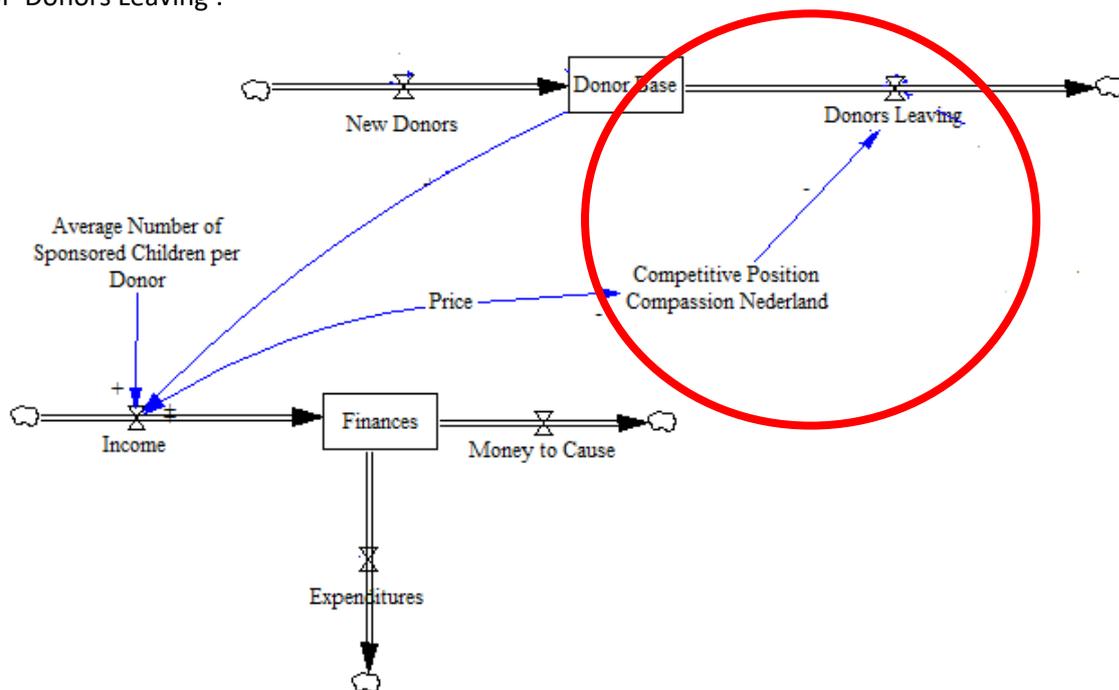


Figure 6: Donor Retention within the GMB Model

Furthermore, two important concepts to explain are the reinforcing feedback loop and the balancing feedback loop. A reinforcing feedback loop is a mechanism where the rise of one variable influences the structure in such a way that the system makes the variable increase even more. A common example of such a mechanic is making (successful) investments, where an increase of money leads to an increase of gained money on interest, which in turn leads to an even greater amount of money and so on. Note that a reinforcing loop can reinforce both a negative influence and a positive influence.

A balancing feedback loop is a mechanism where the rise of one variable influences the structure in such a way that the system makes the variable decrease again. A common example of this is a species in its natural habitat, where an increase of the species leads to overfeeding, which increases starvation, which decreases the population again, and so forth.

The feedback loops present in the GMB model will now be explained and are the following:

1. Quality of Communication (reinforcing);
2. Donor Specific Communication (reinforcing);
3. Staff Motivation (reinforcing);
4. Commitment through Correspondence with Sponsored Child (reinforcing);
5. Commitment through the Communication of Impact (reinforcing);
6. Growth through Word of Mouth (reinforcing);
7. Growth and Capacity (balancing);
8. Increased Probability of Errors through Donor Specific Communication (balancing).

4.1.1 Feedback Loop 1: Quality of Communication

The reinforcing feedback loop of quality of communication can be started at the investments made in the organization; when either investments are made in the training of staff or process optimization, the quality of data entry increases. The quality of data entry has to do with the mastery of the administrative system, which allows the organization to keep track of the information and history of the donor. As a consequence of this, the quality of communication with donors is increased, which increases their experience at touchpoints. Touchpoints are moments in time where the donor comes into contact with Compassion, whether this is through logging into their account, receiving an email or when reaching out to customer service. Notice the input of persona's that is included within the feedback loop, as the persona of the donor will have an effect on the way the donor perceives the moment of contact and will influence his or her experience. Despite this influence, however, the experience will be better as the objective quality of the information increases.

This positive effect on the experience will influence trust, satisfaction and commitment of the donor, which all have a positive effect on donor retention (they decrease the amount of leaving donors in the model). When less donors leave, some of the additional income can be invested again in training of staff or process optimization, making the loop complete.

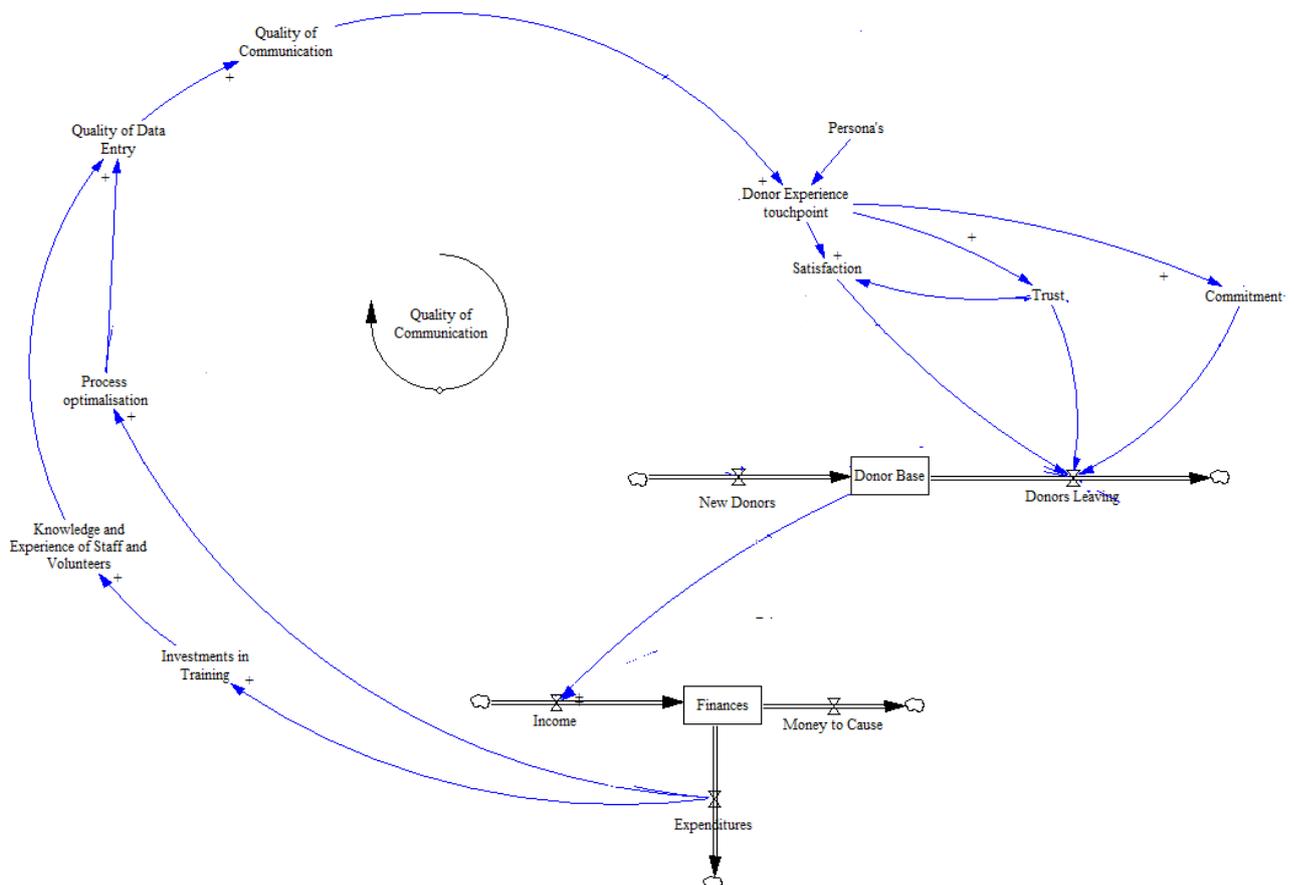


Figure 7: Quality of Communication

4.1.2 Feedback Loop 2: Donor Specific Communication

The reinforcing feedback loop of donor specific communication can be reached through investments in training of staff, available FTE of staff and process optimization. This all allows for more time and capacity to personalize the communication that is sent to donors. This means that instead of receiving generalized communications, donors' experiences are more aligned according to their persona and support history with Compassion. When this happens, Donor Experience is positively influenced. Through the consequently increased variables of satisfaction, trust and commitment, donors are less inclined to leave. This has a positive effect on the donor base and therefore the received income of the organization, leaving room for further investments in training, FTE's and process optimization.

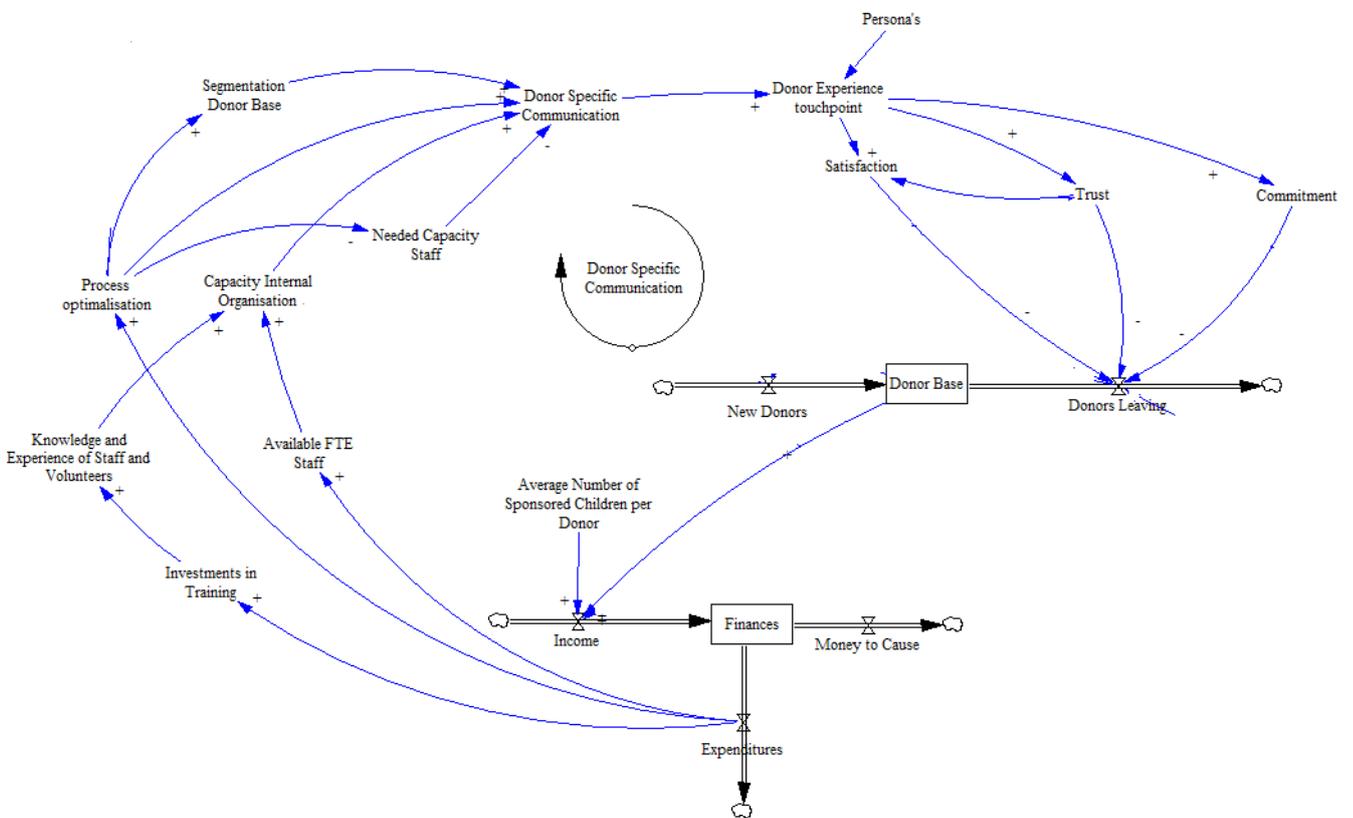


Figure 8: Donor Specific Communication

4.1.3 Feedback Loop 3: Staff Motivation

The reinforcing feedback loop of staff motivation concerns the effect of donors leaving on staff. Not only can a high number of sponsors leaving be discouraging to staff members, often the contact with a donor about their departure aren't experienced as friendly or positive in general. If staff is less motivated, it is difficult to maintain the attitude and energy required to put effort into donor specific communication. If donor specific communication can succeed however, donor experience increases. Through the positive effect this has on donor retention through the variables of satisfaction, trust and commitment, less donors will leave. This will have a positive effect on the motivation of staff, which will have a positive effect on donor specific communication again.

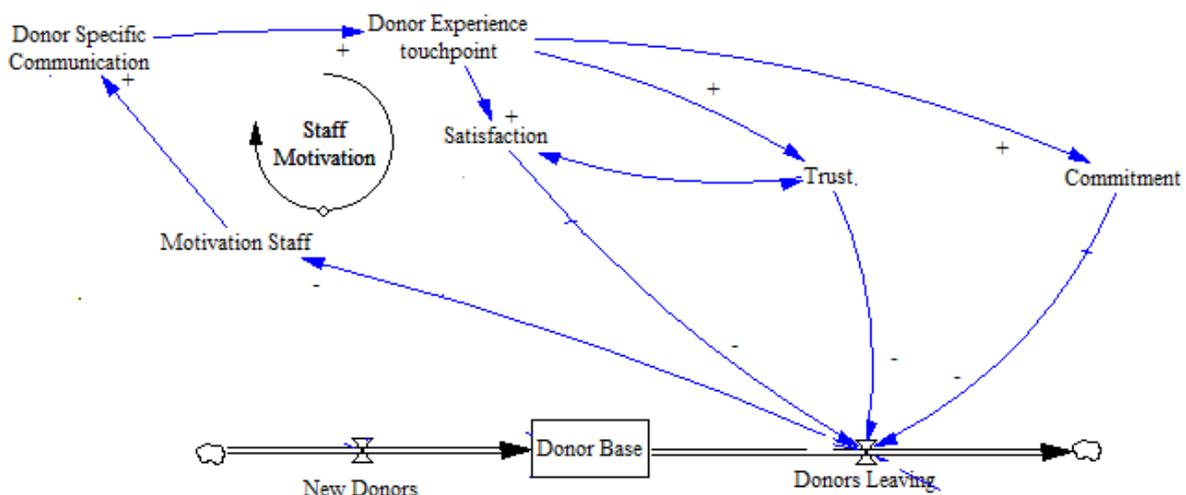


Figure 9: Staff Motivation

4.1.4 Feedback Loop 4: Commitment through Correspondence with Sponsored Child

The commitment through correspondence with sponsored child is quite easy to explain, as it only contains two variables. When sponsoring a child, the donor can write letters to the sponsored child and will receive letters back. The frequency and content of the letters together form the correspondence here. A good correspondence will increase a donor's commitment to the sponsored child, making the donor more inclined to invest in the correspondence, and so forth.

In the final session it was noted that the correspondence would be considered an input for other variables in the model as well, not only the commitment to the child of the donor. What has become apparent from the sessions, however, is that the correspondence itself is quite difficult to regulate for the organization, since it heavily depends on actions taken by both the donor and the sponsored child. For this reason, and matters of time constrained, the matter of correspondence was not delved into much deeper than the primary workings shown here.

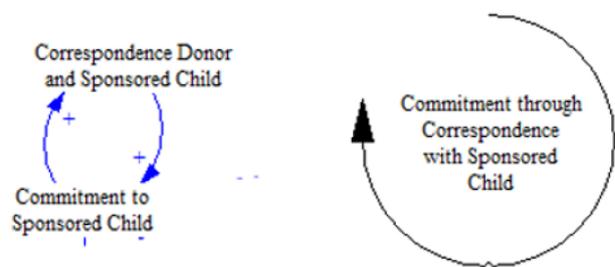


Figure 10: Commitment through Correspondence with Sponsored Child

4.1.5 Feedback Loop 5: Commitment through the Communication of Impact

The fifth reinforcing feedback loop that can be identified is driven by the communication of impact in the field to donors. Note that the communication here concerns the general impact in the field, not specific information on the sponsored child. The communication about the impact can positively influence trust, the commitment to both Compassion Nederland and its mission and commitment to the sponsored child itself. The increased trust and commitment to Compassion Nederland and its Mission are accomplished through the sense of demonstrated impact that Compassion Nederland is making. The relation to commitment to the sponsored child can be explained by the time horizon Compassion Nederland works in. Supporting a child is an extraordinarily long-term investment and it can take many years before the fruits of the sponsorship can be seen. Success stories and communication about the impact in the field can remind the donor of what can be achieved on the long term and therefore strengthen his commitment to his or her sponsored child as well. The increase of commitment has a positive effect on donor retention, which in turn has a positive effect on the impact Compassion Nederland can make in the field through the increased income. Then this can be communicated back to the donors again.

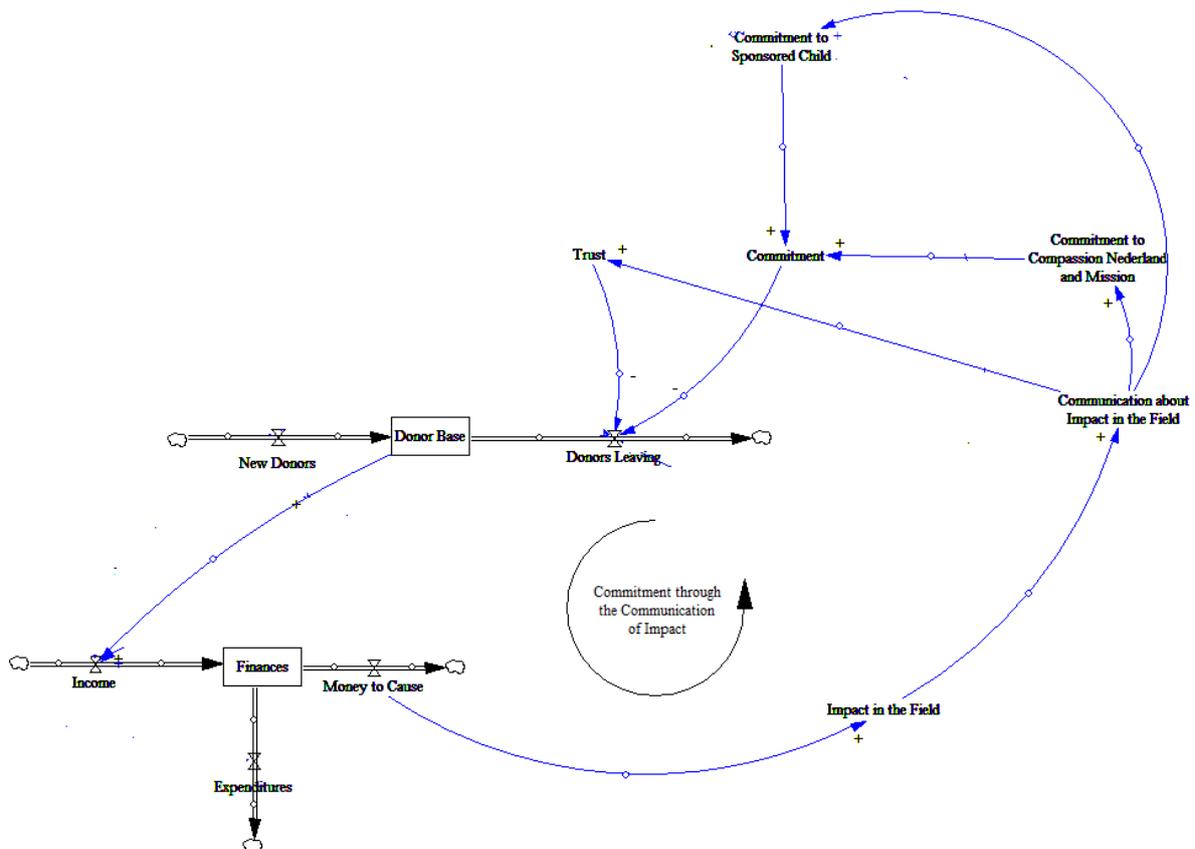


Figure 11: Commitment through the Communication of Impact

4.1.6 Feedback Loop 6: Growth Through Word of Mouth

The last of the reinforcing feedback loops is growth through word of mouth. Its workings are quite similar to that of donor specific communication. Instead of the donor experience improving donor retention, however, this effect goes through the satisfaction of the donor. Donors that are more satisfied have a higher net promoter score. This is basically word of mouth, or how likely a donor is to recommend Compassion to a friend or family member. The increased NPS will lead to new donors, which will increase the donor base and the income Compassion Nederland generates. A part of this increase can then be used to invest in donor specific communication again.

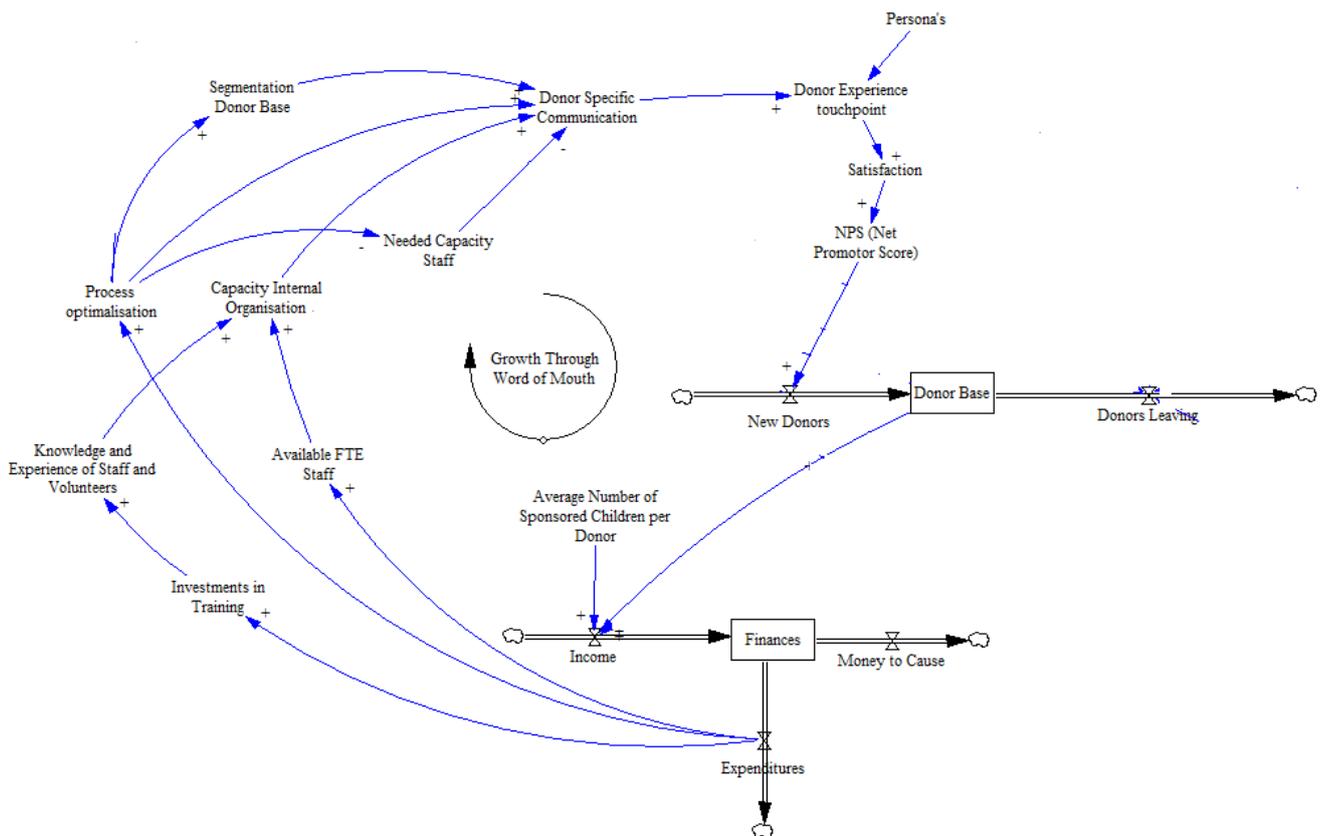


Figure 12: Growth Through Word of Mouth

4.1.7 Feedback Loop 7: Growth and Capacity

Growth and capacity is *the first of two balancing feedback loops*. Compassion Nederland can't keep on growing infinitely with the same capacity of staff. So as the donor base grows, more staff is needed in order to keep the level of donor specific communication from suffering. It should be noted that an increase in donor retention will lessen the load and actually reduce the needed capacity. However, even if no donor would leave, an increasing donor base would still require more and more staff capacity.

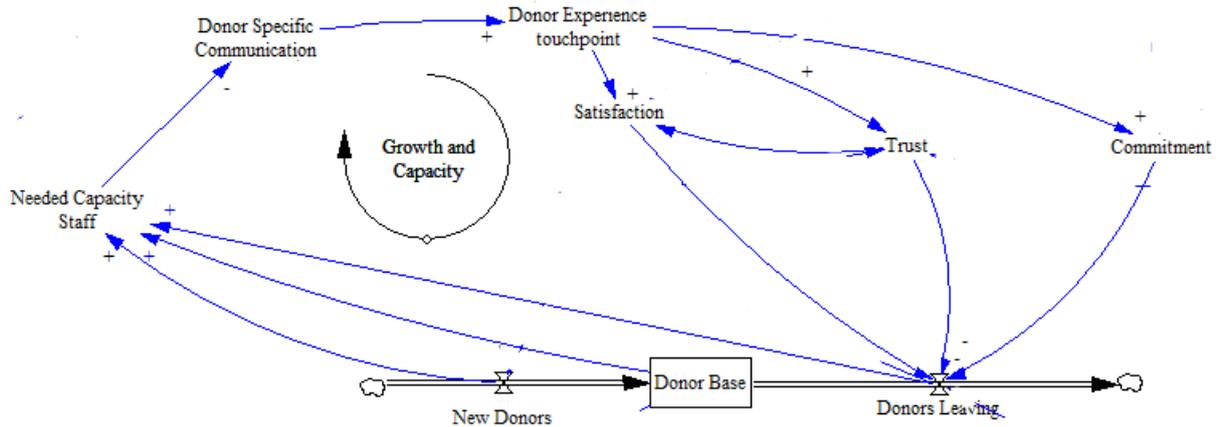


Figure 13: Growth and Capacity

4.1.9 The Full Model

Now that all mechanisms have been explained, the full GMB model can be shown. Before this is done, however, five important variables from the model will be explained further.

1) Commitment to Sponsored Child;

Commitment to sponsored child is a very special variable, since it seems specific for the child sponsorship branch. Commitment seems to be fed by both the commitment to the organization and its mission and commitment to the sponsored child, instead of only depending on the commitment to the organization itself.

2) Number of Decision Moments;

One thing that was mentioned during the sessions is the number of decision moments for the donor. A decision moment is a moment where the donor is reminded of his or her support through communication moments or when they have to make a conscious decision to continue their support.

The nature of child sponsorship seems to be so that decision moments cannot be averted. As opposed to a non-profit organization that can choose to let the support 'silently continue', the support and journey of sponsoring a child does not allow for this. The journey includes both frequent communication with the donor and moments where active choice from the donor is required, like the ending of a tax agreement or the exit of a sponsored child, which is the next important variable.

3) Exit Sponsored Child;

As already mentioned, the exit of a sponsored child is when the child leaves the project. This can be for different kinds of reasons, like the child's family moving out of the area, leaving the child no longer able to receive support, or the child graduating the program. It is important to note that the exit of a sponsored child is a very special occasion. Not only does it 'drop' the commitment level to the current sponsored child, it also negatively effects sponsor experience, as donors often find it hard to have to say goodbye to the child. While these negative effects are happening, the sponsor is faced with a decision moment whether to stop their support or to start supporting another child.

When the commitment is exclusively driven by the commitment on the sponsored child and not necessarily to Compassion Nederland itself, an exit of the sponsored child will have an adverse effect on donor retention. An exit is when the sponsored child leaves the project. The donor will then have to make a choice between continuing their support to a new child or quitting all together. When commitment is solely dependent on the commitment to the sponsored child for a donor, the chance they will stop sponsoring is increased compared to those with a more balanced commitment.

Furthermore, during the sessions it became clear that the way exits are handled is important. Currently Compassion Nederland immediately assigns a new child to a donor when an exit occurs. While a large portion of donors will accept this, some don't take it so well and will leave the

organization as a response. Due to all these factors, currently an average of 35 to 40% of donors of Compassion Nederland lapse after experiencing an exit.

4) Availability of Information from the Field

'Availability of Information from the Field' is an input for both 'Communication about Sponsored Child' and 'Donor Specific Communication'. 'Donor Specific Communication is enabled by availability of information from the field, as Compassion Nederland is dependent on this information to provide quality of service to donors, especially in case of an exit of a sponsored child. Communication about the well-being and progress of the sponsored child also increases commitment to the sponsored child.

5) Persona's

Another point that was mentioned and stressed throughout the sessions is the influence of personas. Right now, persona of the donor is modelled as an input for 'donor experience touchpoints'. Although difficult to model, it could be said that the persona of a donor influences the workings of the entire GMB model. This because a donor's attitude, preferences and perception of things may change the influence and impact of different relations within the model. Furthermore, where identification makes no direct appearance in the GMB model, it was mentioned when discussing personas in the context of identification with the mission. Religion was also thought to be a part of this. However, as the participants explicitly chose not to model this, the eventual GMB model does not include the variable of identification explicitly.

An important note to make here is that even though the variables 'Process Optimization' and 'Segmentation Donor Base' were inputs from the participants, the link between the two was not added to the GMB model during the sessions. However, as the last 45 minutes of the last session were spent by the participants discussing and agreeing on the importance of investing in tools and processes in order to improve segmentation, the researcher added this link to the model. This way the model represents the content of the sessions more fully than to not include this link.

6) Visit Field or Running Muskathlon

This variable was considered important for the specific workings of commitment for Compassion Nederland, as they provide field visits and organize special fund-raising runs (Muskathlons). However, this variable is extremely specific for Compassion Nederland, as not all child sponsorship non-profit organizations will organize these.

Now these important variables have been explained, the final model is shown on the next page in figure 15.

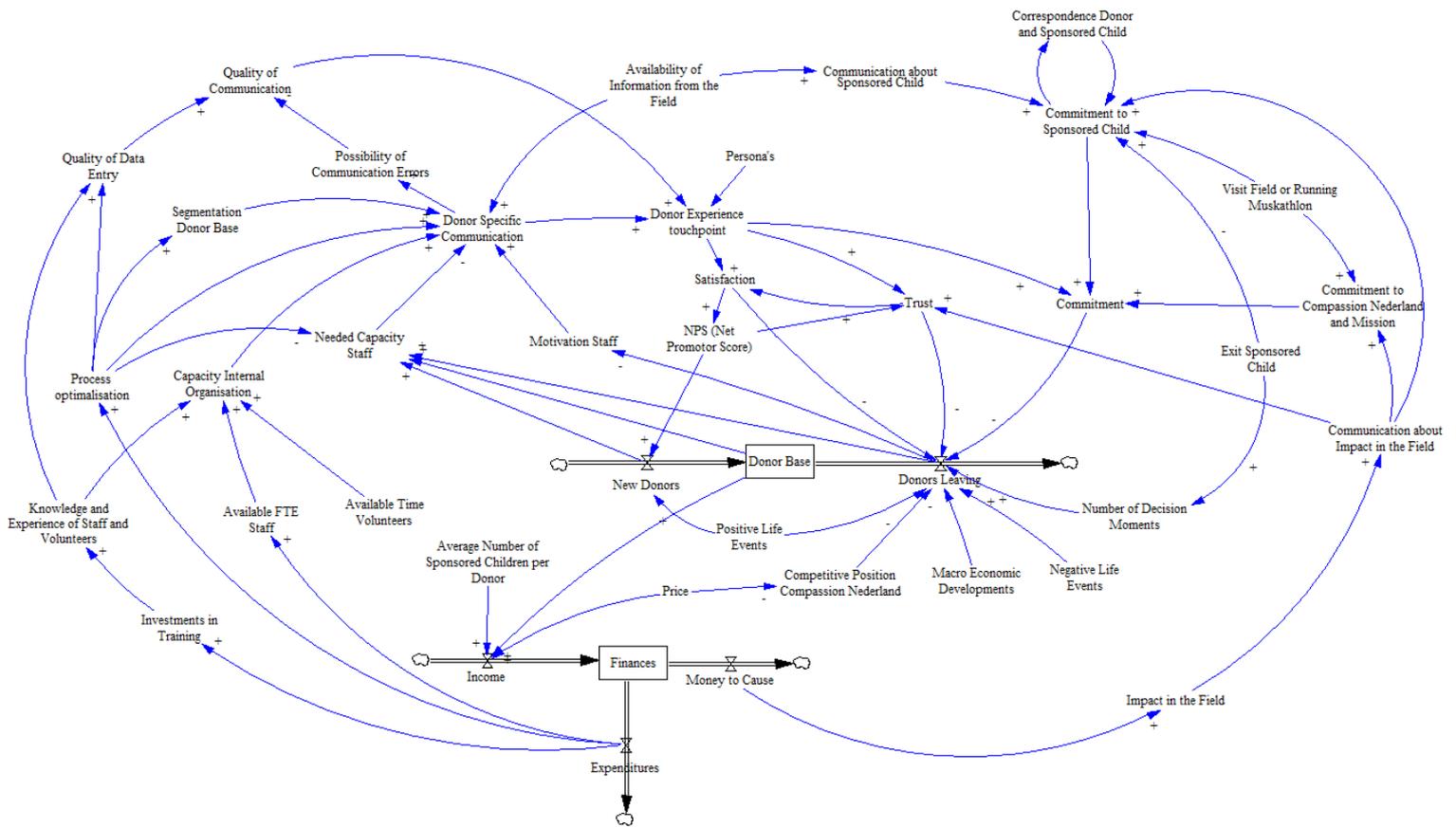


Figure 15: The full Model as Constructed in the Group Model Building Sessions

4.2 Data analysis on reasons for lapse within Compassion Nederland

This section covers the data analysis on reasons for lapse of Compassion Nederland. On average, each donor that left Compassion Nederland during the first five months of 2021 had been sponsoring the organization for around 9 years. When shown in a graph, the distribution is as follows:

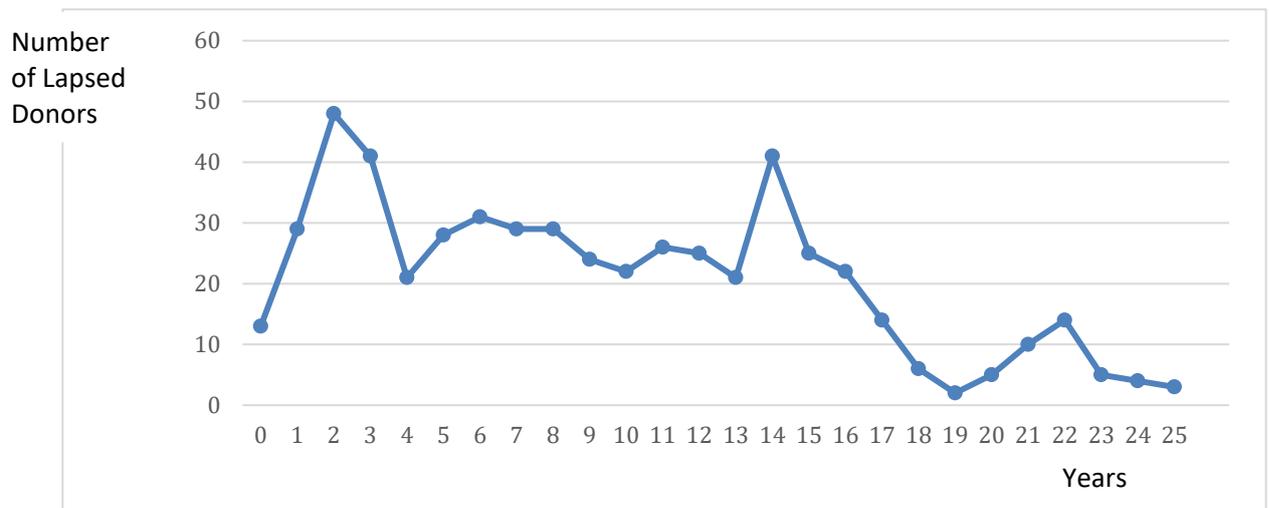


Figure 16: distribution of years sponsored by lapsed donors

Then the collected data on reasons for lapse were translated into more generic reasons for purposes of analysis. The reasons for lapse that were analyzed are summarized in the pie chart below.

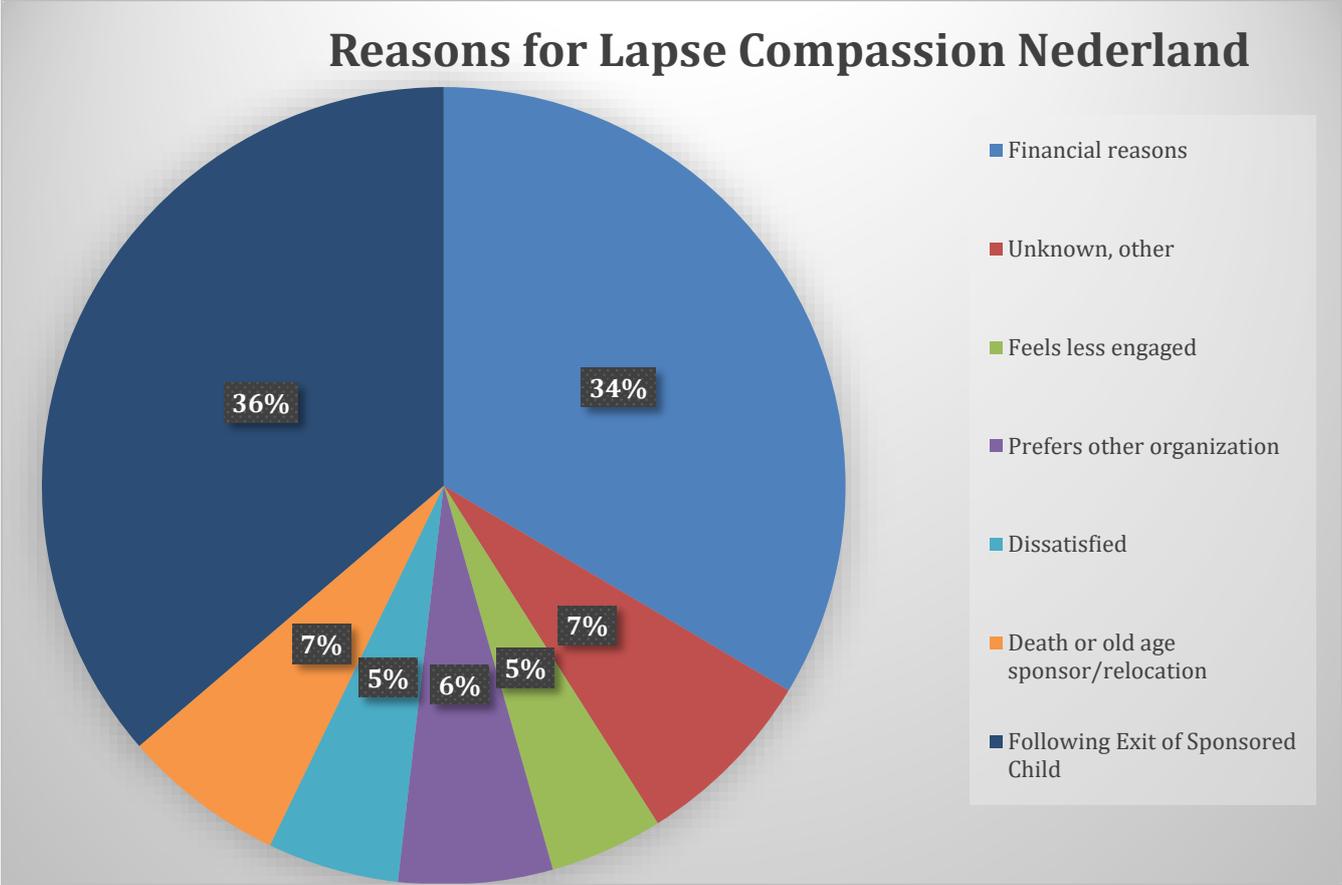


Figure 17: Reasons for Lapse Compassion Nederland

=The first thing that jumps into view is the striking division of the reasons for lapse in three parts –The first and biggest portion are sponsors leaving as a consequence of an exit of a child, which accounts for 36% of lapses. 34% of donors lapse due to financial reasons. The third part exists out of the remaining reasons for lapse.

Interestingly, 13 cancels (which accounts for 2.4% of total lapses) were done because donors felt like the sponsoring went on for too long and the Sponsored Child was growing too old for further support. They often felt either profoundly dissatisfied or like ‘their work was already finished’. These donors were counted in with the ‘Dissatisfied’ category.

The categories of dissatisfaction, feeling less engagement and preference of other organizations together formed a percentage of 16% of the total of reasons given for lapse.

4.3 Comparison Theoretical Model and GMB Model

In this paragraph, the model from the GMB sessions will be compared to the theoretical model from chapter two. Although similarities can be observed between the models, some differences are also present. First, the similarities and differences in the variables of the two models will be explained, followed by the similarities and differences between the dynamic workings of the models.

4.3.1 Similarities and Differences in Variables

The comparison of the variables between the models will start by identifying the similarities. Some of the similarities are immediately obvious. For example, the key drivers of Commitment, Trust and Satisfaction from the theoretical model make a direct appearance in the GMB model.

The last key driver from the theoretical model, Identification, is harder to find, but implicitly present, mainly through the variable of 'Persona'. The participants of the sessions acknowledged that individuals experience things differently, mentioning the influence of identification with Compassion Nederland's mission and values, as well as its religious identity.

Another similarity is the importance of quality of service in both models. The GMB model has not modelled this in the exact wording, but it is present in its workings through variables such as 'Quality of Communication', 'Donor Specific Communication' and the 'Experience Donor Touchpoint'.

Aside from the similarities some differences can also be identified. First of all, an important difference from the theoretical model is the addition of two vital variables, namely the 'Commitment to the Sponsored Child' and 'Availability of Information from the Field'.

Commitment to the sponsored child is an extra dimension to the key driver of commitment, instead of it just being the commitment to the organization and its mission, as is the case in regular non-profit organizations. Although this variable is different from the theoretical model of donor retention within regular non-profit organizations, its finding does align with literature. As Nathan and Hallam (2009) already found, donors drop their least favorite non-profit organizations first, and without exception drop their commitment to sponsored children in developing countries last. The finding of the variable of 'Commitment to Sponsored Child' as an additional input for commitment seems like an extension of this earlier finding. It might explain the high average of 9 years of past support that each donor gave that left Compassion Nederland in the period of January-May 2021.

The linkage of a donor to a specific sponsored child does not only bring benefit to the organization, however. The nature of the child sponsorship seems to be so that decision moments cannot be averted. A decision moment was defined in the session as a moment where the donor is reminded of his or her support through communication moments or when they have to make a conscious decision to continue their support, at which point a certain percentage seems to lapse. This is in line with Sargent and Woodliffe's (2005) notion of passive donors, who found that passive

donors seem to review their support when reminded that it is still ongoing, and communications that remind the donor of the ongoing support might stimulate donor lapse.

A special kind of decision moment is an exit, where a sponsored child leaves the project. For this reason, 'Exits' were added separately to the model. The exit drops the commitment to the current sponsored child and usually creates a negative experience for the sponsor, as they are suddenly forced to say goodbye to their sponsored child. On top of this, the donor has to decide whether to continue their support to a new sponsored child. An exit therefore creates a vulnerable and difficult point in time and are a direct stimulant of donor lapse.

The linkage between a donor and sponsored child also creates an obligation for the organization to provide the donor with specific information on the sponsored child. Correspondence between donor and sponsored child might increase a donor's commitment, but letting the responsibility of keeping a donor committed rest on the shoulders of a sponsored child, who could still be very young, is at best unreliable. This is where the importance of the variable 'Availability of Information from the Field' comes in. Although the variable is not included in a feedback loop, it is noteworthy to mention the limiting or enabling effect the variable 'Available Information from the Field' has on the entire GMB model through its influence on 'Donor Specific Communication' and its indirect influence on 'Commitment to the Sponsored Child'.

4.3.2 Similarities and Differences in Dynamic Workings

This paragraph will compare the workings of the theoretical model and the GMB model. It will focus on comparing the workings of the key drivers and identified feedback loops in both models.

First of all, despite the key drivers of donor retention being present in the GMB model, their workings are different from the interconnectedness and influence of the key drivers of donor retention of the theoretical model. The key drivers in the GMB model seem to be more independent and their interconnectedness is less sophisticated than is displayed in the theoretical model. However, as there was an unfinished discussion and disagreement between the participants on the exact workings of the key drivers, the researcher will not generalize this difference in working to theory regarding donor retention within the branch of child sponsorship.

Furthermore, the majority of the reinforcing feedback loops identified in the theoretical model, which go through 'Business Intelligence & Segmentation' and through 'Quality of Service', can also be found in the GMB model. For example, the feedback loops 'Quality of Communication', 'Donor Specific Communication' and 'Commitment through the Communication of Impact'. The reinforcing feedback loop from the theoretical model that goes through 'Marketing' does not make an appearance in the GMB model. However, as the participants were told to focus on donor retention and not donor acquisition this difference would make sense.

Further differences in the dynamic workings were the feedback loops in the GMB model such as 'Growth through Word of Mouth', 'Staff Motivation' and 'Growth and Capacity'. However, these seem to be the result of a difference in abstraction level. The theoretical model is very high in abstraction, while the GMB model includes variables such as the likelihood a donor would recommend the non-profit organization (modelled as NPS, Net Promotor Score) or the available FTE's and volunteers the non-profit organization has to work with. Regular non-profit organizations will also have to hire staff or attract volunteers will similarly also have a reputation amongst their donors. The differences are therefore not true differences in the dynamic workings of the model, rather differences in abstraction level.

The balancing feedback loop of 'Increased Probability of Errors through Donor Specific Communication' that can be found in the GMB model is an interesting one. On the one hand it points out a valid problem with more personalized communications – the chance of errors increases as the communications become more personal and targeted. On the other hand, is it a feedback loop that assumes that the communication will be done by employees. This is where the implementation of automated systems could shine and, if done well, mitigate the risk of errors in communication.

Moreover, there are the additional feedback loop called 'Commitment through Correspondence with Sponsored Child' and 'Commitment through the Communication of Impact', which also works through the variable of Commitment to the Sponsored Child. As the Commitment to the Sponsored Child is a variable found to be important to the child sponsoring branch of non-profit organizations specifically, these feedback loops are specific to the branch as well.

5. Conclusions and Discussion

5.1 Conclusions

In this paragraph, the research question will be answered by answering the sub questions. The research question of this research is as follows:

Which key variables, dynamic relations, and corresponding policy implications can be identified within the topic of donor retention within the child sponsorship branch of the non-profit sector?

This question will now be answered by answering the following sub questions:

What are the key variables that determine donor retention within the child sponsorship branch of the non-profit sector?

To answer this sub question, the theoretical model of donor retention for the non-profit sector in general was compared to the GMB model. The key variables of Commitment, Trust, Satisfaction, Identification, Quality of Service are key variables that the child sponsorship branch shares with the non-profit sector in general. Furthermore, the key variables of 'Commitment to the Sponsored Child' and 'Availability of Information from the Field' were found to be specific additions to the branch of child sponsorship non-profit organizations.

Which dynamic relations can be identified for the key variables of donor retention within the child sponsorship branch of the non-profit sector?

Increased donor retention through reinforcing feedback loops through the variables of 'Quality of Service' and 'Business Intelligence & Segmentation' are feedback loops that the child sponsorship branch shares with the non-profit sector in general. Furthermore, the reinforcing feedback loops 'Commitment through Correspondence with Sponsored Child' seems to be specific to the branch of child sponsorship, as well as 'Commitment through the Communication of Impact' in its working through the variable 'Commitment to the Sponsored Child'.

The addition of the dimension of 'Commitment to the Sponsored Child' to Commitment seems to be a huge advantage for the child sponsorship branch of the non-profit sector. This is reflected in the high average of 9 years of past support that each donor gave that left Compassion Nederland in the period of January-May 2021.

However, donor retention through commitment to sponsored child creates an obligation to provide the donor with specific information on the well-being and progress on the child, which is where the variable of 'Availability of Information from the Field' plays a central role within the model. The link between a donor and sponsored child also creates a vulnerable and difficult point in time when a sponsored child leaves the project, represented as the variable 'Exits'. For Compassion Nederland, an exit of a sponsored child is the number one reason for lapse.

What are the policy implications of the identified factors and dynamic relations within donor retention within the child sponsorship branch of the non-profit sector?

From the comparison between the theoretical model and the GMB model, it became clear that the importance of the quality of service provided and the use of Business Intelligence and segmentation applies to the non-profit sector as a whole, as well as for the branch of child sponsorship. The first recommendation therefore is to invest in the quality of service and the use of Business Intelligence and segmentation tools. The Business Intelligence and segmentation tools can also help in determining the right content and frequency of communication for donors, as not to create any unnecessary decision moments, while still improving donor retention as much as possible.

Furthermore, as the key driver of commitment has an additional input within the child sponsorship branch, namely the commitment to the sponsored child. The additional commitment this brings is an advantage. However, it is important to consider its implications. First of all, non-profit organizations within the child sponsorship branch would do well to ensure that information about the sponsored children's well-being and progress will be provided by the field and adequately communicated to donors.

Second and lastly, non-profit organizations within the child sponsorship branch should be careful about balancing both the commitment to the sponsored child and commitment to the non-profit organization. When the commitment to the sponsored child is high, but there is no commitment to the specific organization, the chances of donor lapse increase when the sponsored child leaves the project. Therefore, non-profit organizations within the child sponsorship branch would do well to try to achieve commitment of donors to the organization as well as to the sponsored child.

5.2 Discussion

In this paragraph the discussion on the research will take place. There are several noteworthy points to discuss.

First, there are a few methodological limitations to the research. First of all, the theoretical model that was constructed in chapter two was constructed by the researcher. Although based on literature, the process of distilling the vast amounts of information found in literature to a theoretical model involves some discernment from the researcher. Other researchers might disagree on the exact construction or workings of the model.

Moreover, the method of group model building that was used is subjective in nature, as it aims to capture the mental models of different participants, and might therefore not be deemed as reliable as other types of methods. However, the participants were purposely invited from throughout the organization, in order to prevent a one-sided view on the workings within the organization.

Another disadvantage of the Group Model Building method is the difficulty of facilitating the process. With many participants, a lot of information is shared in a short amount of time, and each participant has his or her own personality that has an effect on the group dynamic. Even though the facilitator was joined by a co-facilitator during the sessions, both of the facilitators were quite inexperienced. Even though the GMB model resulting from the sessions gives valuable insights, it might have been lifted to a higher level by someone more experienced. A critique on the current model that can be made is that it contains several different levels of abstraction, and is therefore a bit unbalanced. It was also hard to balance between what was said and what was added and agreed upon within the model. For example, one participant brought up the importance of the service level of business partners of Compassion Nederland. As it wasn't added to the model and also didn't fit in with the explanation of the model and its workings, it was left out. However, this is an example of the researcher having to balance the many things that were said during the group model building sessions with finding the narrative of the eventual model, with the risk of leaving variables or notes that might have been of value. The methodology of the thesis would have been improved by not only adding another facilitator, but making sure that at least one of the facilitators was experienced in the method of Group Model Building.

Another thing that should be mentioned is that the recording from the first of the six group model building sessions that were held crashed when saving. This is why there is no transcript of that session. Fortunately, the content of the first session contained only an introduction to the project and a brainstorm-like exercise to get the participants familiar with thinking in the way of System Dynamics. The researcher also noticed that the ideas from the first sessions that were deemed important made their way back into later sessions. The actual input that was used for the thesis was done in the last five sessions, which were recorded successfully and transcribed.

Another limitation has to do with the external validity. Although Compassion Nederland is a large organization, certainly within its larger context of Compassion International, the research remains only a singular case study. However, the aim of the study is not to achieve statistical generalization, but analytical or theoretical generalization. The similarities and differences between the theoretical model and the model that was found through the research are valuable contributions as they contribute to the existing literature on the subject of donor retention.

This leads us to the theoretical implications of the research. The findings of this extend the current literature on donor retention by partly validating the workings of donor retention as described in literature for the specific branch of child sponsorship, as well as extending the literature by the findings of additional workings that are specific to the branch of child sponsorship. However, as this is a single case study, the results should be seen in the correct light of exploration of the topic of donor retention within the child sponsorship branch.

This brings us to the last point to discuss, which is that the results from the research lead to several suggestions for future research. First of all, it would be very valuable if further research was done on the theoretical model proposed in chapter two in order to test it and assign relative weights to the relations and feedback loops present. This would provide the non-profit sector with a tested dynamic model of donor retention, where the importance and implications of the variables and feedback loops are represented even more clearly. The second suggestion for future research would be to deepen the knowledge of donor retention within the child sponsorship branch. This research provided clues for key variables specific for the branch, like 'Availability of Information from the Field' or 'Commitment to Sponsored Child'. It would be valuable to know the more intricate workings of these variables, important elements within these variables, and ways to influence them. The third and last suggestion for future research concerns the balance between the commitment to the sponsored child and the commitment to the non-profit organization. Information on how to achieve this balance and mitigate the risk of donor lapse after an exit would be very valuable information for non-profit organizations within the child sponsorship branch.

6. Practical implications and recommendations for Compassion Nederland

As the last sub question of the research already discussed the implications of the findings for the non-profit branch of child sponsorship as a whole, this section will discuss the practical implications and recommendations for Compassion Nederland.

The first recommendation from the third sub question to invest in the quality of service and the use of Business Intelligence and segmentation tools also applies to Compassion Nederland. Avoiding unnecessary decision moments while still fostering donor retention is important and segmentation of the donor base can help with this. It would be good to know what kind and what frequency of communication would suit each segment of the donor base, in order to achieve the highest increase of donor retention.

Business Intelligence and segmentation might also help with reducing donor lapse after an exit of a sponsored child. As discussed earlier, Compassion Nederland now transfers the donor's support to a new sponsored child after an exit occurs. While a large part of donors accepts this, another part is dissatisfied with this approach and will leave Compassion Nederland. By applying segmentation and designing a custom approach for different segments of the donor base after an exit, the percentage of donor lapse after an exit might be decreased.

Another recommendation would be to invest in balancing the commitment to the sponsored child and to Compassion Nederland as an organization. Ideally, Compassion Nederland should aim to achieve a high commitment of donors to the organization as well as high commitment to the sponsored child. Increasing the commitment of the donor to Compassion Nederland could be done through increased communication about the impact Compassion Nederland is having in the world as an organization specifically. This could be aided again by Business Intelligence and segmentation, perhaps by providing information on the impact Compassion Nederland is having in the country of the sponsored child. Increased commitment to the sponsored child could be achieved through increasing the available information from the field and increase communication to donors on the well-being and progress of their sponsored child.

This brings us to the last recommendation, which concerns the available information from the field. Compassion Nederland is part of Compassion International and is therefore dependent on the international organization for the supply of this information. The recommendation for Compassion Nederland would therefore be to start a conversation on an international level about the kind of information that is needed from the field in order to increase donor retention, and how this information can be attained from the field.

7. References

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