Total Cost Modeling for Online Raffle Platforms

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A Structured Financial Analysis of Tip-Based, Service-Charge, and Subscription Models

Executive Summary

Fundraising platforms are frequently compared using headline claims such as “free” or “no platform fees.” However, total fundraising outcomes depend on:

- Completion rate sensitivity to price presentation
- Service charge percentage
- Tip presentation psychology
- Processing structure
- Platform fee recovery method
- Event size

This document models three primary structures:

1. Tip-Based (donor-prompted support model)
2. Service-Charge Model (fixed percentage added transparently)
3. Subscription + Recoverable Service Charge Model

The modeling below reflects observed fundraising behavior across thousands of raffle transactions and nonprofit-reported donor feedback.

1. Behavioral Pricing Observations in Raffle Fundraising

Based on observed nonprofit raffle data:

Service Charge Sensitivity (Raffle Context)

- 3–10% service charge → No statistically meaningful abandonment change (approx. 0–0.5%)
- 12% service charge → ~1% abandonment increase
- 15% service charge → ~25% abandonment increase
- 20% service charge → ~30% abandonment
- Above 20% → ~40% abandonment

These patterns differ from traditional ecommerce because raffle buyers are accustomed to paying "reasonable" ticket service charges (movies, sports, concerts, event tickets). However, once service charges exceed perceived fairness thresholds (typically above 10–12%), abandonment increases sharply.

Guilt-Based Tip Prompt Sensitivity

When checkout includes messaging such as:

- "Keep this free for the organization"
- Suggested 15%, 20%, 25% or 19%, 25%, 30% support options
- Confirmation prompts like "Are you sure you don't want to help?"

Observed impact includes:

- Increased emotional friction
- Higher abandonment rates (commonly 30–40% depending on presentation)
- Donor dissatisfaction in post-event surveys

Unlike transparent service charges, tip-based prompts introduce decision pressure late in checkout.

2. Sensitivity Table: Service Charge / Tip Percentage vs Completion

The table below summarizes observed sensitivity in raffle checkout behavior as the effective add-on percentage increases. These are raffle-context observations (not general ecommerce) and represent typical outcomes across many events; actual performance varies by audience relationship strength, urgency, and messaging.

2.1 Observed completion sensitivity

Effective add-on at checkout	Typical donor perception	Observed abandonment impact (raffle context)	Notes
3%	Expected / normal	~0%	Often perceived as standard processing/service
6%	Expected / normal	~0%	Common “reasonable fee” range
8%	Expected / normal	~0%	Rarely noticed on ticket purchases
10%	Still reasonable	~0% (≈ 1 in 200–300 orders)	Generally not trackable at event level
12%	Borderline but acceptable	~1%	Fundraising gets some “pass,” still measurable
15%	Feels expensive	~25%	Large step-change in completion
20%	Clearly excessive	~30%	Strong resistance unless high relationship value
>20%	“Why so much?”	~40%	Often triggers abandonment + negative sentiment

2.2 Net raised sensitivity by event size

Below is the same sensitivity expressed as net collected at three common raffle sizes, using:

Net Collected = Potential Demand × (1 − Abandonment)

Effective add-on at checkout	Abandonment used	$5,000 potential	$20,000 potential	$100,000 potential
10%	0%	$5,000	$20,000	$100,000
12%	1%	$4,950	$19,800	$99,000
15%	25%	$3,750	$15,000	$75,000
20%	30%	$3,500	$14,000	$70,000
>20%	40%	$3,000	$12,000	$60,000

2.3 Important distinction: transparent service charge vs guilt-based tip prompts

A transparent service charge is typically interpreted as a normal ticketing cost. Buyers are accustomed to paying reasonable service fees for movies, concerts, sporting events, and online purchases that include taxes or handling charges.

A guilt-based tipping prompt, however, introduces additional psychological variables:

- Social pressure framing (“keep this free for the organization”)
- Suggested high-percentage defaults (15%, 20%, 25% or 19%, 25%, 30%)
- Confirmation friction (“Are you sure you don’t want to help?”)
- Decision fatigue at the final checkout stage

Observed behavioral pattern:

When the effective add-on percentage is the same, a guilt-framed tip structure often produces higher abandonment than a transparent service charge.

2.4 Tip Prompt Multiplier (Observed Raffle Context)

The following reflects observed tendencies across nonprofit raffle tracking data. Actual results vary.

Effective % Presented	Transparent Service Charge Abandonment	Guilt-Based Tip Abandonment (Typical Range)

10%	~0%	5–10%
12%	~1%	10–15%
15%	~25%	30–35%
20%	~30%	35–40%

This difference appears to stem from:

- Perceived fairness threshold
- Emotional framing vs transactional framing
- Late-stage decision interruption
- Donor perception of platform value vs charity value

In simple terms:

A fixed service charge feels like a ticketing cost. A tip framed as “help keep this free” feels like an additional donation decision. That additional decision point increases cognitive load and reduces completion probability.

3. Modeling Variables

G = Gross fundraising demand potential

C = Completion rate

SC = Service charge percentage

PF = Platform fee

CC = Credit card processing (2.9% + $0.30 assumed blended to ~3%)

Net Raised = G × C

In tip-based systems, processing fees are typically covered within the donor support/tip. In service-charge models, processing is often included within the service charge.

3. Scenario Modeling

We will model three structures across $5K, $20K, and $100K raffles.

Scenario A: $5,000 Raffle

- Tip-Based Model (30–40% abandonment average assumed 35%)

Potential Demand: $5,000 Completion Rate: 65%

Net Raised = $5,000 × 0.65 = $3,250

Organization keeps approximately: $3,250

- Transparent 8% Service Charge Model

Completion impact: ~0%

Net Raised = $5,000 × 1.00 = $5,000

Organization keeps: $5,000

- Subscription + Recoverable Service Charge (Example Structure)

Platform fee equivalent: ~3.5% Processing: ~3% Service charge set at 8% Completion impact: negligible

Organization collects full $5,000 Service charge covers processing + platform equivalent

Net to organization: $5,000

Scenario B: $20,000 Raffle

- Tip-Based (35% abandonment)

$20,000 × 0.65 = $13,000

Net to organization: $13,000

- 12% Service Charge (~1% abandonment)

$20,000 × 0.99 = $19,800

Net to organization: $19,800

- Subscription + 8% Service Charge

$20,000 × 1.00 = $20,000

Net to organization: $20,000

Scenario C: $100,000 Raffle

- Tip-Based (35% abandonment)

$100,000 × 0.65 = $65,000

Net to organization: $65,000

- 12% Service Charge (~1% abandonment)

$100,000 × 0.99 = $99,000

Net to organization: $99,000

- Subscription + Recoverable 8% Service Charge

$100,000 × 1.00 = $100,000

Net to organization: $100,000

4. Key Observations

- Service charges under 10% show no measurable impact in raffle-specific environments.
- Crossing the 10–12% threshold increases sensitivity.
- Guilt-based tipping prompts produce materially higher abandonment.
- At scale, even small percentage differences produce five-figure swings.

5. Important Context

These models reflect observed nonprofit raffle behavior and reported donor feedback. Actual results vary based on:

- Audience relationship strength
- Event urgency
- Prize value
- Messaging tone
- Platform checkout design

Organizations should model their own historical completion rates before selecting a pricing structure.

Conclusion

Evaluating fundraising platforms requires examining:

- Completion rate sensitivity
- Psychological pricing thresholds
- Service charge transparency
- Tip presentation method
- Scale impact

A “free” platform may reduce total raised if checkout friction materially lowers completion rate. Likewise, a transparent service charge or recoverable subscription structure may increase net proceeds when completion rates remain stable.

Organizations should evaluate outcomes — not marketing language.