FUNDRAISING

PRINCIPLES AND PRACTICE

ADRIAN SARGEANT, JEN SHANG,
AND ASSOCIATES

The Instructor's Guide for *Fundraising Principles and Practice* includes sample syllabi, study questions for each chapter, and case studies. The Instructor's Guide is available free online. If you would like to download and print a copy of the Guide, please visit:

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"The rapid growth in nonprofit management educational programs has highlighted the urgent need to develop conceptually grounded textbooks to replace the many how-to books informed mainly by practitioner experience. Nowhere is the need more urgent than in the area of fund development—a major source of revenue for U.S. charities and similar organizations elsewhere. *Fundraising Principles and Practice* by Sargeant and Shang brings a most welcome focus on key conceptual frameworks along with useful checklists and informative examples from the United States and elsewhere needed by students and practitioners alike."

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"Reading this book, it's as if Sargeant has taken you on a personally guided tour through the labyrinth that is our third sector and has left you with a detailed road map and commentary that allows you to continue exploring it, productively, on your own. There is no one better than Sargeant to act in this capacity of guide and mentor—his years as a leading academic and as a practitioner mean that he understands, at all levels, the critical impact that our environment has on each and every fundraiser."

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"*Fundraising Principles and Practices* is designed and written to fill the void in current fundraising and development textbooks for both undergraduate and graduate students studying nonprofit management and leadership. [However,] this book provides far more than a 'how-to' guide as it sets the stage historically for development as a profession, providing exceptional research and examples for novice to senior development practitioners as well.

The book surpasses my expectations for a comprehensive approach that will benefit American Humanics programs throughout the United States. We are indebted to Drs. Sargeant and Shang for this timely and thorough addition to our literature base."

—Sueann Strom, vice president, Academic Partnerships, American Humanics®, Inc.

"Sargeant is the accessible academic and this is typical of his work. It is rigorously researched, clear, concise, well-written, well-presented, and entirely appropriate. Any fundraiser who knows what Adrian knows will outperform the others. It's as simple as that."

—Ken Burnett, author, *Relationship Fundraising* and *The Zen of Fundraising*

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and Associates

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To Gwendoline Owen. Our Nan.

PREFACE

Welcome to our textbook! A quick search on Amazon.com revealed that ours will be the 929th book on fundraising available through the site. Hurrah! Although on the face of it this might sound like a perfectly respectable total for a profession barely a century old (Cutlip, 1990), it doesn't compare favorably with the 308,975 texts available to practitioners of marketing, a related profession with similar longevity. Fundraising professionals are beginning to build a platform of knowledge, but we have a very long way to go to catch up to our for-profit colleagues. Volume aside, we also have concerns about the nature of the texts that are currently available. Books on marketing fall into either of two broad categories, namely "how-to" books written by practitioners on the basis of their own experiences and opinions, and textbooks, which open up access to scholarly material, summarize the current state of knowledge, and impart that to students. In fundraising there is a similar division but textbooks are rare.

We believe that both categories of books have a role to play in a modern profession and both are necessary for the health of the field. We readily acknowledge the contributions of the professional literature, in particular the excellent work of leading practitioners such as Tom Ahern, Ken Burnett, Jim Greenfield, Simone Joyaux, Kim Klein, Harvey McKinnon, Hank Rosso, George Smith, and Mal Warwick. We have admired and respected the work of these individuals for many years. What they all bring to the profession is a wealth of practical experience, a spirited enthusiasm for their craft, and a willingness to share their knowledge with others. They also share an ability to write, to make that knowledge accessible and to impart it with a genuine warmth and passion for the topic. Anyone serious about a career in fundraising would do well to read the classic texts offered by these authors. We reference many of them in this book. Also, in our online resource center at http://www.studyfundraising.info we offer a list of recommended readings to support each of the book's topics.

The picture in terms of textbooks is not so rosy. Presently only three textbooks on the topic are in print (Kelly, 1998; Lindahl, 2008; and from the United Kingdom, Sargeant and Jay, 2004). Added to these, ours is the first to be written by academics from the marketing discipline, and the first to be developed specifically for a university audience, including students enrolled in American Humanics programs and those studying for a diploma in fundraising. Our text will provide the reader with a unique synthesis of the best of professional practice and the latest academic research, drawn from the disciplines of economics, psychology, sociology, philanthropic studies, and of course marketing.

The advent of a comprehensive student textbook is highly significant for the profession, because it draws together, for the first time, the knowledge base that we would expect every competent practitioner to know. As authors we have long felt that every competent fundraiser should have access to the most critical aspects of that knowledge, such as the three key things that drive donor loyalty, an understanding of the relationship between branding and fundraising, and the core psychological principles that underpin why people give. As the body of academic research grows, this knowledge must be fed into professional practice, where it can have an impact on performance. Textbooks and their associated Web resources are an essential part of this process. They offer insight that is complementary to the professional texts we referred to earlier.

Disseminating the latest thinking and research matters because it exposes individual fundraisers to new ideas that should drive forward the quality of their work, but it also matters for the profession of fundraising. The existence of a well-defined and commonly accepted body of knowledge is what underpins our claim to be exactly that: a profession.

As long ago as 1991, Bloland and Bornstein, for example, noted that the most important strategy for gaining professional status is the development of a substantial, legitimate knowledge base. "Creating a theory base that is changed by research, and a research base that is informed by theory is considered by many students of the professions to be the most important tactic in the professionalization process" (p. 117).

Kathleen Kelly (1998), who took the first step in drawing much of this material together, estimated that there were eighty thousand fundraisers practicing in the United States. Today we believe the total to be closer to one hundred thousand. In today's competitive fundraising environment, it is essential for these individuals to have access to a body of knowledge they can call their own. Half a century ago fundraisers might have been able to survive with good people skills, but if this was ever true, it certainly isn't today. The current generation of fundraisers is having to cope with the realities of modern database fundraising, Web 2.0, and an increasingly sophisticated array of planned-giving vehicles that donors may now employ to structure their giving. Possessing good people skills is no longer enough. There is a wealth of facts, tools, frameworks, and theories that fundraisers now need to be aware of. This text is designed to promote their access to this material.

The book is structured in four parts. Part One provides an overview of the development of the profession and defines the sector it serves. It then considers donor behavior, examining who gives, why people give, and the social and environmental influences on that behavior. Part Two focuses on fundraising planning, providing an overview of the planning and budgeting process. It also examines how to assess fundraising activity and appraise the potential for future fundraising investment.

Part Three deals with what we term the *methods* of fundraising. It examines various direct response media and the use of the Internet for fundraising, then major gifts, bequest and planned giving, and corporate and grant fundraising. It also looks at the critical topic of donor retention, reviewing in turn each of the major drivers of donor loyalty.

Part Four looks at the relationship between fundraising and civil society. It explores key issues such as the development of women's philanthropy, the engagement of volunteers, and the management of the public trust. It also explores the social role of fundraising, apprising fundraisers of the wider role they play in their communities.

The associated Web resource (www.studyfundraising.info) offers additional case study material, links to relevant fundraising Web sites (or sources of sector information), additional self-test questions, and reading lists to support each topic. We have selected these resources to offer further insight from around the world. Students of fundraising in every country should find these materials valuable.

We hope that the book and its associated resources will meet your needs.

February 2010

Adrian Sargeant
Jen Shang

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We gratefully acknowledge the assistance of all our coauthors in putting together this textbook. Without the input of your expertise, this text would not have been possible. We also gratefully acknowledge our three reviewers—Simone Joyaux, Tom Ahern, and an anonymous reviewer—who conducted a line-by-line appraisal of an earlier version of the text. Your ideas, corrections, and wit (!) were most welcome. Any remaining errors, however, are entirely our responsibility.

We also very much appreciate the generosity of the nonprofits that have contributed to this book, by sharing their resources and allowing us to reproduce them here. Textbooks are only as good as their examples and we are genuinely grateful for your help. We would also like to say a special thank-you to Mal Warwick for sharing his ideas and helping us access materials. We know there are many, more pressing demands on your time. Finally, we would like to say a big thank-you to our graduate assistants, Amy Wolff and Casey Chell, who helped pull together all the various strands of the text.

Thank you all.

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FUNDRAISING PRINCIPLES AND PRACTICE

PART ONE

Introduction to Fundraising and Donor Behavior

CHAPTER ONE

INTRODUCTION TO THE NONPROFIT SECTOR

By the end of this chapter you should be able to:

1. Describe the difference between the public, private, and nonprofit sectors
2. Understand different perspectives on the scope of the nonprofit sector
3. Describe a variety of ways of categorizing nonprofit organizations in the United States.
4. Locate information on the size and performance of different categories of nonprofit or cause.
5. Describe the key sources of nonprofit income.

This chapter begins our exploration of fundraising by studying the sector that is typically the focus of our activity, reviewing definitions of the nonprofit sector, distinguishing it from the public and private sectors, and examining its primary sources of income. We conclude by exploring how such knowledge of the sector can assist fundraisers in developing their practice.

A "Third" Sector

Over the years many authors have developed widely differing terminology for what is ostensibly the same cohort of organizations. Labels such as *third sector, independent sector, not-for-profit sector, nonprofit sector, charitable sector*, and *voluntary sector* are used with varying frequency in different countries. Unfortunately these labels are all too often used interchangeably and with rather different emphases of meaning, making it impossible to be sure with any degree of certainty that any two writers are addressing the same facet of society. Salamon and Anheier (1997, p. 3) argue that this complexity has developed because of the great range of organizations that are included under these umbrella headings, "from tiny soup kitchens to symphony orchestras, from garden clubs to environmental groups."

Our first task in this text must therefore be to begin to navigate a way through this complexity. The logical starting place is the term *third sector*, which is now in common usage and reflects the distinctive role the sector has in society. The third sector is distinguished by being somehow different from either government or the private sector. All three sectors are important facets of human society and all three have a role to play in the satisfaction of human need.

The private sector or "market" caters to the majority of human needs—certainly in the developed world—matching the supply of producers with consumer demand for goods and services. This market ensures that people can obtain much of what they want and need from others at a reasonable price—or at least those who have money are facilitated in doing so! Economists argue that the market works because suppliers are prevented from charging excessive prices by the knowledge that if they do so, others will enter the market to cater to the need. Similarly, the market ensures that a multitude of needs are met by ensuring that a reasonable profit will be available to suppliers in each case. There is no philanthropy at work here. The market works purely on the notion of self-interest. As Adam Smith (1776, p. 119) noted, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their own advantages."

There are instances, however, in which this market mechanism fails and governments may be compelled to intervene to ensure that certain minimum standards of consumption are met for all individuals in a given society. During and immediately after the Second World War many governments had to introduce food rationing to ensure that those on low incomes were not priced out of the market and starved as a consequence. Equally, in the United States the Medicaid scheme ensures that the poorest members of American society have access to health care, which they couldn't otherwise afford. The term *public sector* is typically used to refer collectively to those institutions and mechanisms a society considers necessary for the basic well-being of its members. Adam Smith (1776, p. 122) defined the public sector as "those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain." Such institutions are both founded and funded by the state, with both its own interests in mind (to prevent civil unrest and to facilitate reelection) and those of its citizens. The funds to provide these institutions and works are derived from taxation (either local or national), and the funding that each receives is a function of what politicians deem appropriate rather than a reflection of the level of use per se.

In the public sector, the state takes legal responsibility for institutions and the work they undertake. Indeed, as Chapman and Cowdell (1998, p. 2) note, "it is one of the characteristics of public sector organizations that they are bounded by and operate within extensive legislation which creates an often creaking bureaucracy, much of which is concerned with the 'proper' use of public monies."

This notion of "proper" use warrants elaboration. In a democracy, what may be deemed proper use will be subject to change. As various parties stand for election, they map out in their manifestos the role that government should play in all aspects of social life, but in particular in balancing the needs of society for the provision of public services against the burden of the additional taxes that would be needed to pay for them. Although it would be ideal for government to meet every basic human need, it is probably unrealistic to expect that wage earners in a given society would be willing to fund such comprehensive social provision through taxation, and in practice a balance is therefore created with only the most widespread, popular, or fundamental needs being met in this way. Other facets of need are simply neglected.

It is within this neglected space, where neither government nor private sector enterprise is willing to engage, that the so-called third sector has a critical role to play. The third sector is distinctive because it comprises individuals or groups of individuals coming together to take "voluntary" action. In other words, the sector comprises people who elect to help other people to resolve issues or concerns. "The essence of voluntary action is that it is not directed or controlled by the State and that in the main it is financed by private, in contradistinction to public, funds. It embodies the sense of responsibility of private persons towards the welfare of their fellows; it is the meeting by private enterprise of a public need" (Nathan, 1952, p. 12).

It is the notion that the sector is not controlled by the state or by business that leads to the description of the sector in the United States as the "independent sector." Although organizations in this sector may indeed be free of direct control, the difficulty with this terminology is that in financial terms such organizations can often be far from independent, drawing financial support from a plethora of government departments, private businesses, or both. This has particularly been an issue in the past thirty years as government has sought to withdraw progressively from many facets of social life, leaving the third sector to shoulder the burden (albeit with support from often large government grants). In the United States the sector is of particular significance—as Tempel and Mortimer (2001, p. vii) note: "Philanthropy and the nonprofit sector occupy a position in the American institutional landscape unlike that in any other developed country. Undertaking functions typically assigned to government in other countries and also accorded unparalleled tax advantages for so doing, these American institutions are thought to be central to furthering democracy and the search for social justice." The fact that the sector occupies this third space means that the activities it undertakes can be quite unique. Third sector, or "nonprofit," organizations often deal with local issues, with politically unpopular issues, or with facets of life that attract little interest from politicians, all too often because few votes hang on the issue. Nevertheless, these can be critical issues for a society to address, and the need is nonetheless pressing simply because the state or private sector enterprise fails to take an interest.

Nonprofit organizations meet these collective demands by collecting financial resources from the government sector and the business sector, and through philanthropy by individuals, corporations, and foundations. Government support comes in the form of contracts, grants, tax benefits, and other public policies that favor the nonprofit sector (Sargeant, Shang, and Shabbir, 2009). Corporate support comes in the form of corporate giving and gifts from corporate foundations. Individual philanthropy takes the form of individual giving, bequest giving, and giving by individual trusts, endowments, and foundations.

A nonprofit organization may be constituted as either a trust or a nonprofit corporation under U.S. federal law. In the case of the latter, whereas for-profit corporations exist to earn and distribute after-tax business earnings to shareholders, the nonprofit corporation exists solely to provide programs and services that are of benefit to the public. Often these programs and services are not otherwise provided by local, state, or federal entities. The term *nonprofit* is slightly misleading in that these organizations can and do earn a profit (or more accurately, an operating surplus). The key difference in the case of a nonprofit is that such earnings must be retained by the organization to invest in the future provision of programs and services. The monies are not dispersed to shareholders.

In this book, although we recognize that a plethora of other terms might be applied, we employ the term *nonprofit* throughout. Readers should be aware that this term has been rightly critiqued for its unfortunate predilection to define the sector by what it is not rather than by what it is (Young, 1983), but it remains the term most commonly used in the United States and for that reason we employ it here.

A Tax-Based Definition

The United States defines nonprofit organizations in tax law laid down by the Internal Revenue Service (IRS). The tax code lists some thirty different types of entity that can benefit from exemption from corporate income tax. These include social clubs, cemetery companies, fraternal benefit societies, and religious and charitable organizations. A full list is provided in Table 1.1. Additional tax benefits are offered to some organizations that permit their donors to claim a tax deduction in return for their support. The majority of those that are able to receive such tax-deductible contributions fall into one specific category of the code: Section 501(c)(3). To qualify for this additional benefit, organizations must fulfill three tests:

1. They must operate to fulfill one of the following broad purposes:
   a. Educational
   b. Religious
   c. Charitable
   d. Scientific
   e. Literary

(Text continues on page 11.)

TABLE 1.1 TYPES OF TAX-EXEMPT ORGANIZATIONS AND NUMBER, EXPENSES, AND ASSETS BY TYPE, 2005

Section of 1986 IRS Code	Description of Organization	Entities Registered with the IRS	Entities Reporting to the IRS	Expenses of Reporting Entities ($ Millions)	Assets of Reporting Entities ($ Millions)
501(c)(1)	Corporations organized under act of Congress	100	4	8	146
501(c)(2)	Title-holding corporations for exempt organizations	5,850	2,783	1,220	13,177
501(c)(3)	Religious, charitable, and similar organizations	984,386	400,709	1,099,799	2,436,067
501(c)(4)	Civic leagues and social welfare organizations	116,890	24,327	44,067	66,766
501(c)(5)	Labor, agricultural, and horticultural organizations	56,819	20,591	18,844	26,143
501(c)(6)	Business leagues, chambers of commerce, real estate boards, and trade boards	71,878	30,798	29,872	54,954
501(c)(7)	Social and recreational clubs	56,369	16,567	10,466	20,608
501(c)(8)	Fraternal beneficiary societies and associations	63,318	7,077	12,919	91,088
501(c)(9)	Voluntary employee-beneficiary societies and associations	10,088	6,887	126,975	143,134
501(c)(10)	Domestic fraternal societies and associations	20,944	2,822	541	2,710
501(c)(11)	Teachers' retirement fund associations	14	7	157	1,228

Section of 1986 IRS Code	Description of Organization	Entities Registered with the IRS	Entities Reporting to the IRS	Expenses of Reporting Entities ($ Millions)	Assets of Reporting Entities ($ Millions)
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and so on	5,901	3,540	34,807	81,722
501(c)(13)	Cemetery companies	9,808	2,221	790	8,255
501(c)(14)	State-chartered credit unions and mutual reserve funds	3,565	1,304	14,366	2,890,440
501(c)(15)	Mutual insurance companies or associations	1,646	558	2	2,807
501(c)(16)	Cooperative organizations to finance crop operations	16	12	22	344
501(c)(17)	Supplemental unemployment benefit trusts	300	115	325	287
501(c)(18)	Employee-funded pension trusts created before June 25, 1959	1	1	146	1,701
501(c)(19)	War veterans organizations	35,113	6,576	1,103	2,451
501(c)(20)	Legal service organizations	9	5	2	2
501(c)(21)	Black lung benefits trusts	28	0	0	0
501(c)(22)	Withdrawal liability payment funds	0	0	0	0
501(c)(23)	Veterans organizations created before 1880	2	2	228	2,680

(Continued)

TABLE 1.1 CONTINUED

Section of 1986 IRS Code	Description of Organization	Entities Registered with the IRS	Entities Reporting to the IRS	Expenses of Reporting Entities ($ Millions)	Assets of Reporting Entities ($ Millions)
501(c)(24)	Trusts described in section 4049 of the Employment Retirement Security Act of 1974	1	0	0	0
501(c)(25)	Title-holding corporations or trusts with multiple parents	1,133	931	913	27,856
501(c)(26)	State-sponsored organizations providing health coverage for high-risk individuals	10	8	269	103
501(c)(27)	State-sponsored workers' compensation reinsurance organizations	12	4	1,231	6,056
501(d)	Religious and apostolic organizations	160	0	0	0
501(e)	Cooperative hospital service organizations	18	11	449	571
501(f)	Cooperative service organizations of operating educational organizations	1	0	0	0
Other	Organizations not classified above, including charitable risk pools	4,105	163	424	475
	Total	1,448,485	528,023	1,401,454	3,291,886

Notes: Not all Internal Revenue code Section 501(c)(3) organizations are included, because certain organizations, such as churches (and their integrated auxiliaries or subordinate units) and conventions or associations of churches, need not apply for recognition of tax exemption unless they specifically request a ruling. Private foundations are included among 501(c)(3) organizations.

Sources: Wing, K. T., Pollak T. H., and Blackwood, A. (2008). *The nonprofit almanac* (pp. 2–3). Washington, DC: Urban Institute Press.

    f. Testing for public safety
    g. Fostering certain national and international amateur sports competitions
    h. Prevention of cruelty to children and animals
2. No substantial part of the organization's activity should be focused on attempts to influence government, either directly or indirectly, through participation in political campaigns. A maximum of 20 percent of their annual expenditure can be applied to mission-related lobbying activity, and they are barred from preparing or distributing campaign literature on behalf of political parties and from electioneering for particular candidates. Other categories of nonprofit, such as 501(c)4 organizations, can engage in lobbying for social change, but contributions to these organizations are not tax deductible.
3. These nonprofits must also demonstrate procedures to prohibit assets or income from being distributed to workers, managers, or the equivalent, except as fair compensation for service rendered. Organizations cannot be used for the personal benefit of founders, board members, staff, or associates.

To complicate matters further, the IRS divides 501(c)3 organizations into two categories. Fundraisers should be aware of the distinction between public charities and private foundations (IRS 2008):

> Generally, organizations that are classified as public charities are those that (1) are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges and universities, (2) have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations or other public charities, (3) receive income from the conduct of activities in furtherance of the organization's exempt purposes, or (4) actively function in a supporting relationship to one or more existing public charities. Private foundations, in contrast, typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources) and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.

An alternative perspective on defining the sector would be to categorize nonprofits by the nature of the activities they undertake. The IRS has done exactly that by developing the National Taxonomy of Exempt

TABLE 1.2 ORGANIZATIONS, EXPENSES, AND ASSETS IN THE NONPROFIT SECTOR, 2005

Nonprofit Category	Organizations Reporting to the IRS	% of Organizations Reporting to the IRS	Reported Expenses ($ Millions)	% of Total Expenses	Reported Assets ($ Millions)	% of Total Assets
Arts, culture, and humanities	43,392	8.22	26,632	1.90	94,722	2.88
Education	78,074	14.79	165,339	11.80	611,567	18.58
Environmental quality, protection, and beautification	10,382	1.97	9,487	0.68	31,840	0.97
Animal related	7,381	1.40	4,576	0.33	12,466	0.38
Health	26,904	5.10	637,067	45.46	787,570	23.92
Mental health, crisis intervention	9,421	1.78	23,500	1.68	19,203	0.58
Diseases, disorders, medical disciplines	12,636	2.39	18,820	1.34	22,849	0.69
Medical research	1,798	0.34	7,098	0.51	33,107	1.01
Crime, legal related	9,307	1.76	7,591	0.54	8,301	0.25
Employment, job related	17,124	3.24	28,947	2.07	33,404	1.01
Food, agriculture, and nutrition	6,620	1.25	7,710	0.55	7,115	0.22
Housing, shelter	20,146	3.82	18,579	1.33	62,820	1.91
Public safety	9,495	1.80	2,403	0.17	6,843	0.21
Recreation, sports, leisure, athletics	42,753	8.10	24,561	1.75	39,673	1.21
Youth development	7,254	1.37	5,756	0.41	12,956	0.39
Human services—multipurpose and other	38,795	7.35	91,540	6.53	135,402	4.11

Nonprofit Category	Organizations Reporting to the IRS	% of Organizations Reporting to the IRS	Reported Expenses ($ Millions)	% of Total Expenses	Reported Assets ($ Millions)	% of Total Assets
International, foreign affairs, national security	5,732	1.09	20,843	1.49	19,630	0.60
Civil rights, social action, advocacy	2,779	0.53	3,098	0.22	3,434	0.10
Community improvement, capacity building	45,433	8.60	29,757	2.12	91,124	2.77
Philanthropy, volunteerism, and grantmaking foundations	72,825	13.79	54,842	3.91	493,945	15.00
Science and technology research institutes, services	3,281	0.62	12,284	0.88	14,860	0.45
Social science research institutes, services	926	0.18	1,520	0.11	3,129	0.10
Other public and societal benefit	17,803	3.37	31,866	2.27	391,442	11.89
Religion related, spiritual development	2,160	0.41	2,006	0.14	14,408	0.44
Mutual/ membership benefit organizations	34,316	6.50	165,318	11.80	339,668	10.32
Unknown	1,286	0.24	313	0.02	409	0.01
Total	528,023	100.00	1,401,454	100.00	3,291,886	100.00

Notes: Only organizations required to file annually with the IRS (organizations that receive at least $25,000 in gross receipts annually) are included in these figures. Expenses include both operating expenses and grants or transfer payments made to individuals and other organizations.

Source: Wing, K. T., Pollak T. H., and Blackwood, A. (2008). *The nonprofit almanac* (pp. 4–5). Washington, DC: Urban Institute Press.

Entities (NTEE). A list of the NTEE major categories is provided in Table 1.2 along with the number of entities registered with the IRS in each case. Putting aside grantmaking foundations (which typically fund work in other categories), it is interesting to note the dominance of education, arts, community improvement, and recreation and sports.

The NTEE is of interest for fundraisers because it categorizes the nonprofit sector into twenty-six major categories. Each of these broad categories is further divided to provide a greater degree of specificity. As an example, arts, culture, and humanities are the A category in NTEE code. Within this category, media and communications are A30. The A30 category includes four industries: file and video (A31), television (A32), printing and publishing (A33), and radio (A34). Each of the other twenty-five categories is further subdivided, making it possible to access statistics on particular parts of the nonprofit sector. Fundraisers can use these categorical codes to search for information on any category of organizations (http://nccs.urban.org/classification/NTEE.cfm). These codes can be particularly helpful when researching trends or looking to identify organizations for a competitor analysis.

A Structural-Operational Definition

The tax-based definition we have just discussed is specific to the United States, derived as it is from the tax code in this country. As a consequence, it suffers from several disadvantages, notably that because tax laws vary it cannot serve as the basis for international comparison, which may be relevant for fundraisers looking for international funding opportunities (James, 1987). Salomon, Sokolowski, and Associates (2004) have developed a structural-operational definition of the nonprofit sector to facilitate such international comparison. Their approach is illustrated in Table 1.3. Their classification defines the nonprofit sector, or *civil society organizations* in their terminology, as a collection of entities that satisfy five requirements: they need to be organized, private, self-governing, nonprofit distributing, and noncompulsory.

The United Nations and the Center for Civil Society Studies at the Johns Hopkins Institute for Policy Studies are currently collaborating to improve basic statistics on the scope, structure, financing, and activities of the nonprofit sector in different countries. Their project categorizes the nonprofit sector into twelve groups (as shown in Table 1.4) and about thirty subgroups. These categories resemble but are not exactly the same as the NTEE categorizations. If you are looking for funding overseas, it will be necessary to be sensitive to these variations.

TABLE 1.3 THE STRUCTURAL-OPERATIONAL DEFINITION

1. *Organized*, that is, they have some structure and regularity to their operations, whether or not they are formally constituted or legally registered. This means that our definition embraces informal, that is, nonregistered, groups as well as formally registered ones. What is important is not whether the group is legally or formally recognized but that it has some organizational permanence and regularity as reflected in regular meetings, a membership, and some structure of procedures for making decisions that participants recognize as legitimate.
2. *Private*, that is, they are not part of the apparatus of the state, even though they may receive support from governmental sources. This feature differentiates our approach from the economic definitions noted above that exclude organizations from the civil society sector if they receive significant public sector support.
3. *Not profit-distributing*, that is, they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers. Civil society organizations can generate surpluses in the course of their objectives, but any such surpluses must be reinvested in the objectives of the organization. This criterion serves as a proxy for the "public purpose" criterion used in some definitions of civil society, but it does so without having to specify in advance and for all countries what valid "public purposes" are. Rather, it leaves these decisions to the people involved on the theory that if there are people in a country who voluntarily support an organization without hope of receiving a share of any profit the organization generates, this is strong evidence that they must see some public purpose to the organization. This criterion also usefully differentiates civil society organizations from for-profit businesses.
4. *Self-governing*, that is, they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs.
5. *Voluntary*, that is, membership or participation in them is not legally required or otherwise compulsory. As noted above, this criterion also helped relate our definition to the concept of public purpose, but in a way that allows each country's citizens to define for themselves what they consider to be a valid public purpose by virtue of their decisions to take part on their own initiative in the organizations affected.

Source: Salamon, L. M., Sokolowski, S. W., and Associates. (2004). *Global civil society: Dimensions of the nonprofit sector* (Vol. 2; pp. 9–10). Bloomfield, CT: Kumarian Press. Reproduced with permission.

Size and Economic Significance of the Nonprofit Sector

In 2006, the nonprofit sector contributed $666.1 billion to the gross domestic product (GDP) of the United States—5.0 percent of the total GDP. Business accounted for 77.3 percent and government accounted for 11.4 percent. The size of the nonprofit sector doubles every decade or so, making it by far the fastest growing sector in terms of its proportional rate of growth. In 1929, for example, it contributed only $1.5 billion, or 1.4 percent of the total (Wing, Pollak, and Blackwood, 2008).

TABLE 1.4 INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS

Group 1: Culture and Recreation

1 100 Culture and arts

1 200 Sports

1 300 Other recreation and social clubs

Group 2: Education and Research

2 100 Primary and secondary education

2 200 Higher education

2 300 Other education

2 400 Research

Group 3: Health

3 100 Hospitals and rehabilitation

3 200 Nursing homes

3 300 Mental health and crisis intervention

3 400 Other health services

Group 4: Social Services

4 100 Social services

4 200 Emergency and relief

4 300 Income support and maintenance

Group 5: Environment

5 100 Environment

5 200 Animal protection

Group 6: Development and Housing

6 100 Economic, social and community development

6 200 Housing

6 300 Employment and training

Group 7: Law, Advocacy and Politics

7 100 Civic and advocacy organizations

7 200 Law and legal services

7 300 Political organizations

Group 8: Philanthropic Intermediaries and Voluntarism Promotion

8 100 Grant-making foundations

8 200 Other philanthropic intermediaries and voluntarism promotion

Group 9: International

9 100 International activities

Group 10: Religion

10 100 Religious congregations and associations

Group 11: Business and Professional Associations, Unions

11 100 Business associations

11 200 Professional associations

11 300 Labour unions

Group 12: (Not Elsewhere Classified)

Source: International Classification of Nonprofit Organizations (ICNA) in Lester M. Salamon and Helmut K. Anheier, *Defining the Nonprofit Sector*. (Manchester, UK: Manchester University Press, 1997), pp. 70-74.

Approximately 1.71 million 501(c)(3) organizations were registered with the IRS in 2008 (IRS 2009). This estimate includes private foundations as well as public charities that have more than $5,000 in annual gross receipts. Organizations with more than $25,000 in gross receipts must complete an annual report using IRS Tax Return Form 990 or Form 990EZ (for organizations with gross receipts of less than $100,000 and total assets of less than $250,000; another variant, Form 990-PF, is available for private foundation organizations). This form requires the organization to provide (among other things) a summary of the organization's finances, including their revenue, assets, income, and expenses for the relevant tax year. Any growth trends noted are based on this self-reported information.

For example, the number of public charities reporting to the IRS increased from 243,430 in 1998 to 420,187 in 2008, or 73 percent. In the same period, total revenues for reporting organizations increased by 91 percent, from $695.3 billion to $1,328.6 billion, and the total assets of these nonprofits increased from $1,182.3 billion to $2,433.8 billion. These latter figures are dominated by the largest organizations, primarily hospitals and higher education institutions, which account for more than half of total assets (Wing, Pollak, and Blackwood, 2008).

Churches and religious organizations are not required to register with or report to the IRS. This includes integrated auxiliaries, subordinate units, and conventions or associations of churches. They are generally exempt from income tax and receive other favorable treatment under the tax law. Although registration is not required, about half of all churches and religious organizations voluntarily do so (Weitzman and others, 2002), and these are included in the estimates based on the self-reported information.

Impressive though these aggregate figures for the sector are, they dramatically underestimate the real size of the nonprofit sector in the United States. Sociologist David Horton Smith (2000) argues that a tax-based description of the sector cannot do justice to the majority of grassroots nonprofit organizations. Reliance on tax data focuses attention on the larger, wealthier, older, more visible nonprofits, in which most of the work is done by paid staff rather than by volunteers (Hodgkinson and Weitzman, 1992; Hodgkinson and others, 1992). Data from grassroots organizations are excluded. Smith defines these as "locally based, significantly autonomous, volunteer-run, formal nonprofit (i.e., voluntary) groups that manifest substantial voluntary altruism as groups and use the associational form of organization, and thus have official memberships of volunteers who perform most, and often all, of the work/activity done in and by these nonprofits" (7). To help distinguish grassroots organizations from other forms of association, Smith provides a helpful summary of their characteristics (see Table 1.5).

TABLE 1.5 ELEMENTS OF THE DEFINITION OF GRASSROOTS ASSOCIATIONS

Characteristics of Grassroots Associations	Omitted from Grassroots Associations Category
1. Group form	Individual, unorganized, amorphous behavior
2. Voluntary altruism based	Business, government, or household/family goals
3. Significantly autonomous of other groups (even if formally affiliated)	Completely controlled subunit of another group/organization
4. Association form (common interest, members elect officers, members pay dues, etc.)	Non-membership-dominated groups
5. Local (small in territorial base or scope)	Supra-local territorial base or scope (from several counties up to international scope)
6. Volunteer staffed (majority of work done by volunteers)	Paid-staff workers based (majority of work done by paid staff)

Source: Smith, D. H. (2000). *Grassroots associations* (p. 9). Thousand Oaks, CA: Sage Publications, Inc. Reprinted with permission.

Smith's research shows that IRS data include data from only half of the existing nonprofits who have assets of $5,000 or more and 10 percent of all nonprofits in 1990. He estimates that there are actually more than 18 million nonprofit organizations in the United States. From a fundraising perspective, this distinction matters because Smith's data suggest an altogether more cluttered market for funding than IRS data might suggest. It also matters because fundraising in traditional and large nonprofit organizations may be different from fundraising in grassroots organizations. We would argue that most of the fundraising techniques included in this book are applicable to all organizations, whether large or small. However, we do recognize that many fundraisers in grassroots organizations will be volunteers, possibly performing multiple roles for their organization and working with very limited resources.

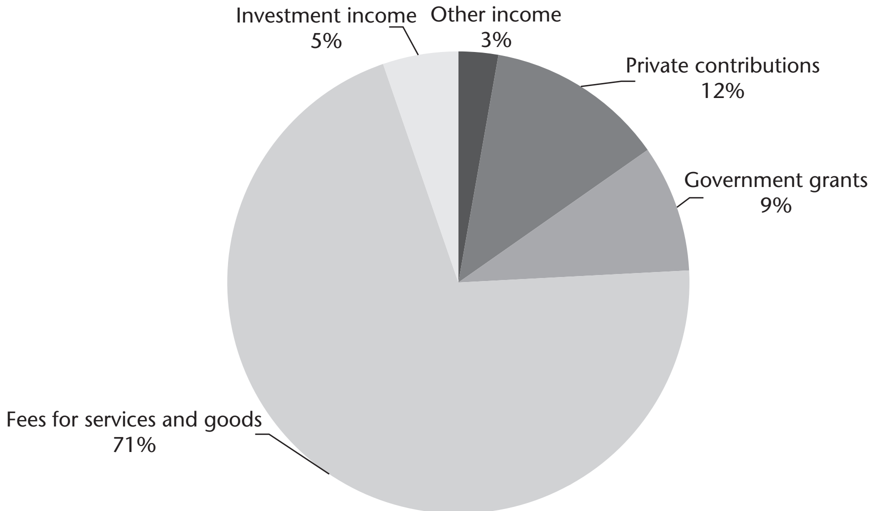
Sources of Income

In 2005, public charities reported total revenues of $1.1 trillion and total assets of $2.0 trillion to the IRS (Wing, Pollak, and Blackwood, 2008). Fees for services and goods accounted for 70.3 percent of total revenue. This number includes income streams such as tuition payments, hospital patient revenues (such as Medicare and Medicaid), and ticket sales.

Private contributions accounted for 12.3 percent of total revenue. This in turn comprises individual donations and grants from foundations and corporations. Nine percent of total revenue came from government grants. Investment income and so-called other income (which includes rental income and income from special events) accounted for 5.4 percent and 2.9 percent of revenue, respectively. The data are summarized in Figure 1.1. It should be noted that excluding hospitals and higher education institutions from this analysis changes the distribution of sources of revenue substantially, as shown in Figure 1.2. These two categories of organization rely heavily on fee income and thus less on donations. For other categories of nonprofit organization, almost one quarter of their income is derived from philanthropy.

When viewed in aggregate, the growth of income to the sector has been impressive. Total revenue broadly doubled in the ten years to 2005, with an average annual growth rate of 7.2 percent. Some subsectors have of course fared better than others. Growth in total revenue ranged from 80.6 percent for arts, culture, and humanities organizations to 224.3 percent for international and foreign affairs organizations.

FIGURE 1.1. SOURCES OF REVENUE FOR REPORTING PUBLIC CHARITIES, 2005 (PERCENT)



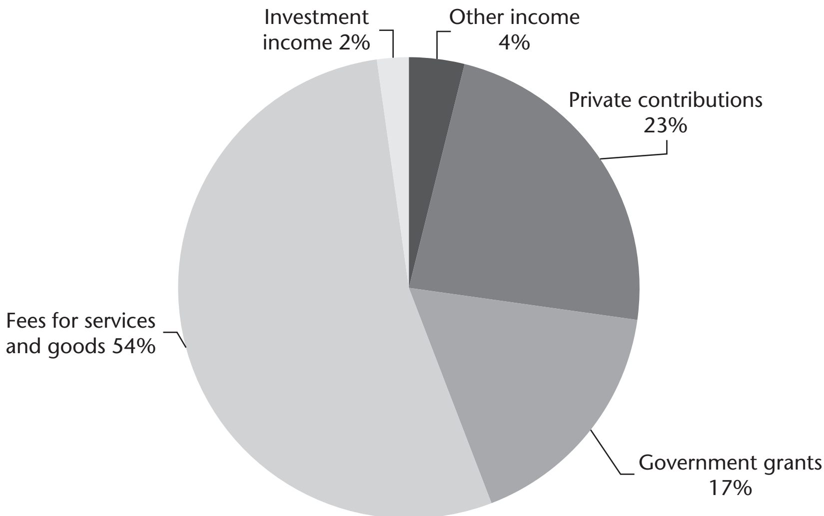
Source: Urban Institute, National Center for Charitable Statistics, NCCS-GuideStar National Nonprofit Research Database: Special Research Version (2005).

Philanthropic Income

Data from the Giving USA Foundation (2009) allow us to take a closer look at the philanthropic income attracted to the sector. They also provide a more recent snapshot of performance. Philanthropic income to the nonprofit sector stood at $307.65 billion in 2008. A breakdown of the sources of that income is provided in Figure 1.3.

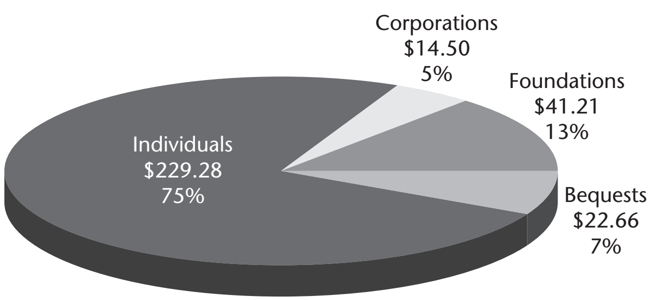
Perhaps the most striking feature of this graph is the generosity of individuals. Together they provide three quarters of the philanthropic income accruing to the sector. Factor in gifts from deceased individuals through bequests and the percentage climbs to well over 80 percent. Many readers new to the sector may be surprised by this, and equally surprised by the low percentage provided by corporations. Businesses have historically provided only around 5 percent of the total of charitable

FIGURE 1.2. SOURCES OF REVENUE FOR REPORTING PUBLIC CHARITIES, EXCLUDING HOSPITALS AND HIGHER EDUCATION, 2005 (PERCENT)



Source: Urban Institute, National Center for Charitable Statistics, NCCS-GuideStar National Nonprofit Research Database: Special Research Version (2005).

FIGURE 1.3. CHARITABLE GIVING 2008



Note: $ in billions. Total = $307.65 billion
Source: Giving USA Foundation/Giving USA 2009. Reprinted with permission.

giving, despite the hype that often surrounds gifts of this nature. We could be forgiven for assuming from the media coverage generated by this support that the figure would be much higher. It is important that fundraisers be aware of this, particularly those approaching the role for the first time. Many may be tempted to spread their resources across both corporate and individual giving, whereas these figures suggest that in many cases they would be wise to focus on the latter.

The Giving USA study has been conducted annually for more than fifty years and consequently allows us to track giving over an extended period and through many global recessions. The data indicate that despite periods of recession or economic uncertainty, both philanthropy in the United States and giving to most subsectors (or causes) have grown steadily over the past fifty years. Although in years of recession giving can decrease (in real terms), the long-term trend is remarkably robust. Perhaps disappointingly, though, total giving hasn't risen as a percentage of GDP. It remains at a stubborn 2 percent.

Focusing just on individual giving, we know that people typically donate to nonprofits about 2 percent of their disposable income (that is, the amount of income left to an individual after taxes have been paid and available for spending and saving). This figure too has remained static. A further way of looking at the amount spent by individuals on charity is to express it as a percentage of household expenditure. In this case it is helpful to draw a distinction between essential household expenditures and luxury household expenditures. In regard to the former, if we consider giving as essential spending, it will be included with purchases such as clothing, energy, and food and would equate to around 6 percent of this category. If it were regarded as a component of luxury private consumption and thus considered in the same category as purchases such as alcohol, international travel, recreation, restaurants, and tobacco, it would equate to around 16 percent of expenditure in this area. Giving to nonprofits is thus a small percentage of household expenditure regardless of the category to which one might assign it.

In interpreting these latter figures it would be easy to conclude that people care less about their giving than they care about their own luxury. As we shall see in Chapter Five, this would be a mistake. Although the amount given annually may be only a small percentage of household expenditure, it is often highly significant to the individual. Giving is closely linked to people's core sense of who they are and the values by which they live. Fundraisers should thus distinguish between the dollar level of donations and their psychological importance to donors.

TABLE 1.6 CONTRIBUTIONS IN 2007: $306.69 BILLION BY TYPE OF RECIPIENT ORGANIZATION ($ IN BILLIONS)

Sector	Amount	Percent
Religion	$106.89	35.0
Education	$ 40.94	13.0
Human services	$ 25.88	9.0
Health	$ 21.64	7.0
Public-society benefit	$ 23.88	8.0
Arts, culture, and humanities	$ 12.79	4.0
International affairs	$ 13.30	4.0
Environment/animals	$ 6.58	2.0
Gifts to grantmaking foundations	$ 32.65	11.0
Grants from foundations to individuals	$ 3.71	1.0
Deductions carried over and other unallocated giving	$ 19.39	6.0

Source: Giving USA Foundation/Giving USA (2009). Reprinted with permission.

Table 1.6 indicates how the funds are applied. Religion is the largest recipient of giving. Religious organizations receive roughly one third of overall contributions, about $106.89 billion. Education is second in line. Most subsectors experienced a decline in support from 2007 to 2008 (accounting for inflation) as a consequence of the downturn in the economy. After accounting for inflation, only giving to religious and public-society benefit organizations increased philanthropic income in this period (by 1.6 percent and 1.5 percent respectively). It is important to note that although a downturn in the economy is significant, it is not disastrous for giving. Although the recent recession has proven to be one of the worst on record, after adjusting for inflation, individual giving fell by only 5.7 percent from 2007 to 2008.

Summary

In this chapter, we have explored various definitions of the nonprofit sector, outlined the size and scope of it, and compared its characteristics and economic significance with those of the business and governmental sectors. We have also summarized the sources of income available to nonprofits and identified key historic trends in these data.

The diversity of the nonprofit sector makes it difficult for practitioners and academics to reach a consensus on what constitutes the full scope of the sector. It is therefore necessary to pay careful attention to the terminology when researching sector trends. Each term carries a unique meaning, and each way of capturing the size and scope of nonprofits presents only one perspective on the sector.

Among all the sources of income, individual philanthropy is obviously the most important source for fundraisers to monitor. Individual giving (including that offered in the form of bequests) has historically risen steadily in terms of its inflation-adjusted dollar values. It fell in 2008 as a consequence of the downturn in the economy, but the long-term trend remains upward. By contrast, giving expressed as a proportion of individual disposable income has remained static for more than fifty years. A significant challenge for fundraisers in the future will be both to increase the dollar value of giving and to increase its overall share of household expenditure.

Discussion Questions

1. What is the third sector and how does it differ from the private sector and the government or public sector?
2. What other terms are used to describe the third sector? How do they differ in scope?
3. Distinguish between the tax-based and structural-operational definitions of the sector. When should you use one definition rather than the other?
4. Explain the limitations of calculating the size of the nonprofit sector using IRS data, and explain how fundraisers can obtain a more accurate estimate.
5. Describe the major sources of income for the nonprofit sector.
6. Describe the major sources of philanthropic income for the nonprofit sector. Visit the Center on Philanthropy Web site at http://www.philanthropy.iupui.edu. Follow the links to the latest Giving USA study. What trends in giving to your own category of nonprofit can you identify?

CHAPTER TWO

THE DEVELOPMENT OF A PROFESSION

By the end of this chapter you should be able to:

1. Understand and describe the historic context of fundraising.
2. Explain how fundraising evolved into a profession by the middle of the twentieth century.
3. Understand the requirements for fundraising to be considered a profession.
4. Distinguish between four major categories of campaign: annual fund, capital campaigns, planned giving, and endowment campaigns.
5. Understand the role of professional associations and identify at least one relevant to your own role.
6. Understand the role that academic research can play in informing professional practice.

In the previous chapter we introduced the nonprofit sector and described its principal sources of income. In this chapter we move on to consider the role of the fundraiser in securing these monies, beginning with a brief description of the origins of the profession. As Payton (1988, p. 177) notes, "practice should indeed be informed by theory *and* history" (italics added). The majority of this book focuses on the former, but as Payton suggests, it is worth taking time to consider the latter. After all, as Lewis (1993, p. 9) reminds us, "our future will be surer if we understand our past."

All fundraisers need a basic understanding of how their roles evolved, and of the major players who helped define the profession we know today.

Having mapped out the historical evolution of the fundraising profession, we move on to define the fundraising function, describing the principal categories of activity undertaken and the terminology used to define them. We also explore what it means to be a profession and whether we have now earned the right to be called professionals. We close the chapter with an exploration of some of the challenges currently facing the profession, most notably the need for a more knowledge-based approach.

Early American Fundraising

Historian Scott M. Cutlip's excellent book *Fundraising in the United States: Its Role in America's Philanthropy* (1965/1990) provides the most extensive account of the history of fundraising in the nineteenth century and the first half of the twentieth century in the United States. According to Cutlip, organized philanthropy supported by systematic fundraising is very much a twentieth-century phenomenon. Before then, philanthropy was conducted on a much smaller scale and largely financed by a few very wealthy individuals in response to personal appeals. Most individual giving was directed to the churches, to the pitifully poor, and to schools, colleges, and hospitals. No organized or formal fundraising efforts were recorded for the giving of these gifts.

That said, a number of key figures in the new American colonies did play a valuable role in instilling the culture of giving that is so prevalent in American society today. John Winthrop (1588–1649), William Penn (1644–1718), and Cotton Mather (1663–1728) were among early philanthropic leaders who saw giving as an integral part of their religious practice. Their contribution lay in persuading the wealthier elements of society to regard giving as an obligation associated with their wealth, and over time this sense of obligation morphed to embrace not only the wealthy but all of American society. Quite a legacy—but it is important to recognize that this was a process that took many years to accomplish. Romanticized notions of the generosity of the early colonists are largely false. As Hall (1992) notes, "legislatures in the colonial and early national periods were intensely hostile to voluntary associations of any kind" (p. 181), and most colonial colleges were state enterprises funded through taxation, as were early churches (barring those in colonies that tolerated religious diversity). Giving, as we know it today, was largely unnecessary.

The American Revolution and the desire it created for a less interventionist state were to change this situation. By the dawn of the nineteenth century, a strong tradition of private philanthropy had begun to emerge and has continued to this day, to become what Marts (1966) regards as one of the most durable factors of American life. When Alexis de Tocqueville wrote in 1835 of his travels in America, he was impressed by the willingness of the people to give freely of their own funds for social improvements (Probst, 1962). He observed that when a community of citizens recognized a need for a church, school, or hospital, they came together to form a committee, appoint leaders, and donate funds to support it. The generosity observed by de Tocqueville was not triggered by fundraising in any formal sense; rather, it was largely a response to personal solicitation for help from one individual to another. As Broce (1986) notes, systematic solicitation of the general public did not begin until the early 1900s.

That said, there were early campaigns. Among the earliest recorded were the major campaigns designed to establish the famous colleges of Harvard in Massachusetts and William and Mary in Virginia. Americans gave generously to create these opportunities for their children, but additional support was often sought from overseas. Because the colleges of that era existed to educate both laymen and clergy, ministers were frequently employed to fundraise on behalf of these great endeavors. The first example of this is credited as taking place in the early 1600s when three ministers were dispatched from America to England to raise money for Harvard College. One of them came back with £150—a pretty good sum at the time; a second stayed in England as a minister; the third met his death on the gallows, which perhaps illustrates that fundraising has always been a somewhat perilous profession!

Other early fundraisers included Benjamin Franklin, who undertook a number of campaigns and was known for the careful manner in which he planned them. When asked for his advice he was said to have remarked, "In the first place, I advise you to apply to all those whom you will know will give something; next, to those whom you are uncertain whether they will give anything or not, and show them the list of those who have given; and lastly, do not neglect those whom you are sure will give nothing, for in some of them you may be mistaken" (quoted in Gurin and Van Til, 1990, p. 14). Indeed, much of the fundraising of the day and throughout the nineteenth century was conducted through the medium of personal solicitation, in some cases by paid solicitors. It was common practice at this time to raise funds by assembling a list of suitable wealthy persons and inviting them to a special function or, more usually, dinner.

Early fundraising manuals typically suggested that, aside from potential benefactors, the guests for dinner should include a smattering of "pretty young ladies," which was seen as essential if high-value gifts were to be solicited. It appears that male donors have always been keen to impress with the size of their charitable wallets.

Church collections and the writing of "begging" letters were also common. It was not until 1829 that the first instance of committed or regular giving was reported. In that year a fundraiser by the name of Matthew Carey sought annual subscriptions of $2 or $3 to support a number of local institutions. Unfortunately, only small sums were raised, and although it was visionary, his drive was eventually abandoned.

The nineteenth century was to see one last event of major significance for the fundraising sector: the emergence of the first cooperative or "federated" fundraising campaign. The organization we know today as United Way began as an effort to coordinate activities among local charitable organizations. The first such activity appears to have taken place in 1887 when a priest, two ministers, and a rabbi recognized the need for cooperative action to address their city's welfare problems. They created the Charity Organizations Society to serve as an agent to collect funds for local health and welfare agencies, as well as to coordinate relief services, counsel and refer clients to cooperating agencies, and make emergency assistance grants. The idea of a coordinated fund drive for local charities soon spread to other communities. Separate organizations have been created in most communities in the United States to handle fundraising for local charitable organizations. United Way is the largest example of federated fundraising, but there are others, including federated campaigns for categories of cause such as human services or the arts.

The Great Philanthropists

A further key development of great historical interest was the emergence in the late nineteenth and early twentieth centuries of a number of truly great philanthropists whose influence, through the institutions they created, can still be felt today. Multimillionaires such as Andrew Carnegie and John D. Rockefeller sought innovative ways to dispose of their surplus wealth. This was no easy task, because a way had to be found to divert resources to those who were most in need and not to squander them on those who would not draw benefit from the gift. To quote Carnegie, "The worst thing a millionaire could do would be to give all his money to the unreclaimably poor" (Bremner, 1996, p. 159). A mechanism was thus sought to distribute private wealth with "greater intelligence and vision than the individual donors themselves could have hoped to possess" (Gurin and Van Til, 1990, p. 15). It is thus in this period that a number of extraordinarily wealthy charitable trusts or foundations were established for the purpose of distributing the wealth of these great philanthropists. These organizations differed from those established in earlier centuries because

1. Their objectives were primarily to achieve some public purpose defined in the deed that established the organization. Such objectives were usually drafted to be broad and multiple. The goal of a reorganized Rockefeller Foundation in 1929, for example, became simply "the advancement of knowledge" (Rockefeller Foundation, 2009).
2. They departed from giving to individuals as a means to alleviate suffering, in order to address the more fundamental and controlling processes (Karl and Katz, 1981). Joseph Rowntree (1904/1983) wrote into his original trust deeds that much current philanthropic effort was "directed to remedying the more superficial manifestations of weakness or evil, while little thought is directed to search out their underlying causes" (The Rowntree Society, 2009). He criticized the alleviation of Indian famines without examining their causes and directed that none of his three trusts should support hospitals, almshouses, or similar institutions.
3. They were legally incorporated bodies whose charitable and public purposes were duly recognized.

Some of these philanthropists undoubtedly chose to support charity out of their own vanity, perhaps to secure their place in history or to excite a degree of timely public recognition for their works, out of a desire for self-aggrandizement or in the search for some personal advantage or honor. Undoubtedly the majority, however, gave because they felt it was the moral, religious, and socially responsible thing to do with their wealth. As Carnegie famously remarked to William Gladstone, four-time prime minister of the United Kingdom, "He who dies rich dies disgraced" (Carnegie, 1889, p. 664)

Key Historical Figures

No account of fundraising history would be complete without reference to Charles Sumner Ward, who is credited with revolutionizing the practice of fundraising in the United States. Indeed, he is regarded by many as the father of modern fundraising. At the beginning of the twentieth century he was the general secretary of the Young Men's Christian Association (YMCA) in Grand Rapids, Michigan, and spent most of his time raising funds to keep the doors of that organization open. He engaged in the traditional forms of major gift fundraising described earlier and in an endless round of dinners and public engagements. He radically changed this approach with the creation of what he later referred to as the first ever "intensive" campaign in history.

In 1905 he was charged with the task of raising $90,000 for a new YMCA building in Washington, D.C. Rather than dilute the campaign over a period of many months, he reasoned that if plans were made well in advance, it should prove possible to limit the fundraising to a single week. In reality Ward met his target well before the week was up and went on to administer many other successful campaigns, notably to help the war effort in 1916.

Ward's "intensive" or "whirlwind" campaigns were based on four general principles:

1. *Concentration of time*. Ward believed that businessmen were willing to work for a worthy cause if only they could find the time. By telescoping an appeal for funds into the space of one or two weeks (depending on the size of the city), he was able to secure the help of those business leaders who were needed to spearhead the drive. Shortening the campaign had the further advantage of keeping it front-page news in the community for its duration. Even when, in later years, Ward directed national campaigns for hundreds of millions of dollars and the appeal had to last longer, he always set the shortest feasible time. As he was fond of noting, "one can raise more money in six days than in six years."

2. *Organization*. Before the appeal for funds began, the groundwork of a campaign had to be laid with military precision. A large force of the most influential people in a city had to be built up, and each individual had to be carefully informed about exactly what they would be responsible for. Above all, Ward saw the generation of a number of pace-setting gifts as essential. The day the pioneering campaign began, the newspapers carried two front-page pictures, one of John D. Rockefeller, who contributed $100,000, and one of a local newsboy who had contributed a single dollar. The inference was obvious: this was a big-money campaign, but it was also a campaign that concerned the humblest individual in society.

3. *Sacrifice.* In soliciting workers, one got nowhere by minimizing the time and effort required. To do that was to cut the ground out from under a campaign. Far better was to say that the job was likely to be difficult and then to convince people that their personal sacrifice of time and energy was worth it.

4. *Education.* The public had to be made to see why it had a stake in the success of the appeal. First the cause had to be sound, then it had to be brought to the public through all available media of publicity.

In regard to the latter element, Ward ensured that, in the months before a campaign, news articles slowly built up the need. Civic pride was skillfully manipulated: "What other cities have done, Baltimore can do." A notable facet of each campaign were the clocks he placed in conspicuous locations. He would set the hour hand at the Roman numeral XII, under which would be written the amount of the goal. As the campaign moved forward, the minute hand advanced ever closer to the hour, to show how much nearer the goal had become. The clocks generated a substantial amount of public interest and excitement, which Ward complemented with a series of news stories. He was the first to employ publicity directors, whose role was to continually supply the newspapers with material to keep the campaign on the front page. "The press, the pulpit and the active propaganda form an educational force by which practically every individual in a community may be reached" (cited in Cutlip 1965/1990, p. 92).

Ward was also the first to recognize the significance of arranging a pacesetting gift in advance of a campaign. Such a gift would usually be from a tenth to a third of the total and would be conditional on the full amount being raised in the allotted time. He also expected all of the directors of an organization to make an early contribution to a campaign, as an example to others. This is still considered good practice today.

Toward a Profession

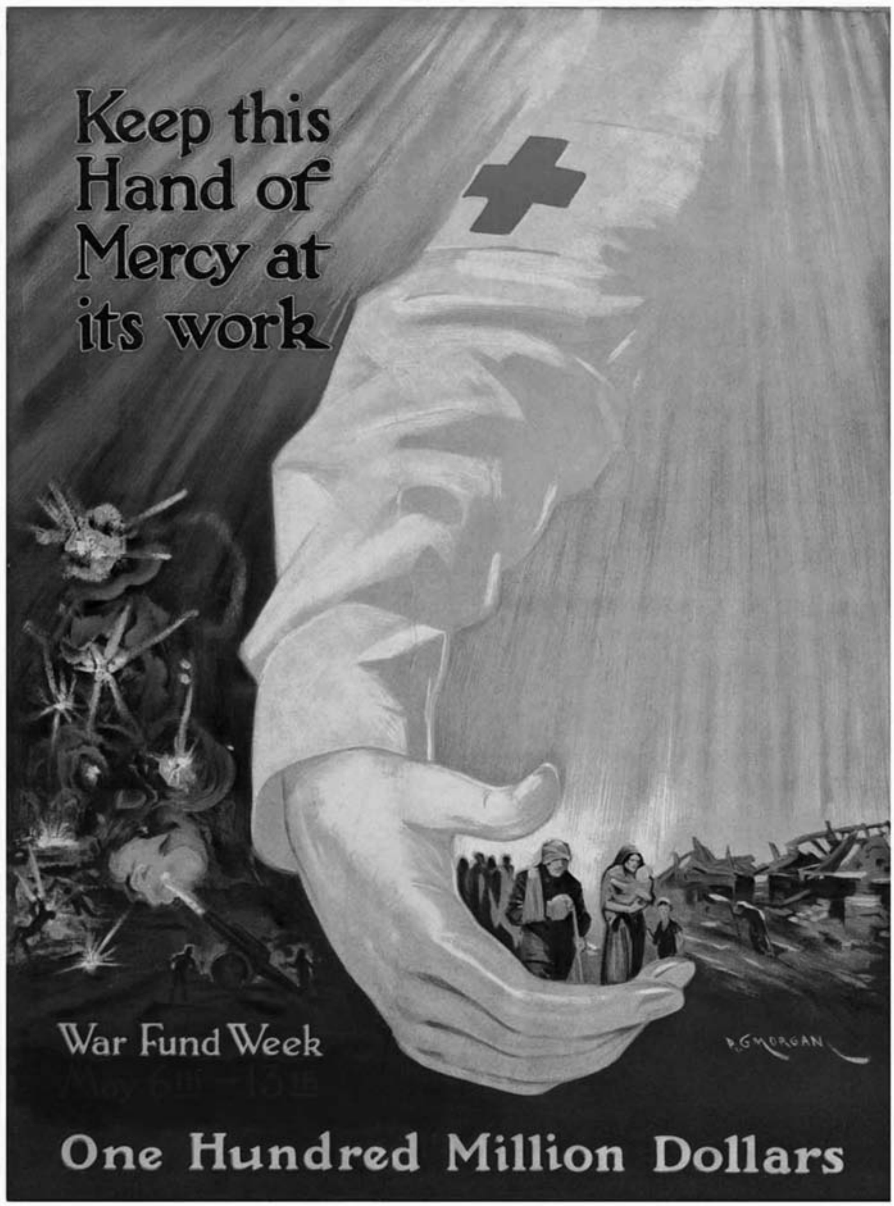
The advent of the First World War had a dramatic impact on the practice of fundraising. There was rapid growth in the number of nonprofits created to address the needs of victims, but the conflict also served to accelerate prosperity throughout society, further broadening the potential giving constituency to include all but the poorest members of society. Mass fundraising became possible for the first time and, as Fowler (1999) notes, by the end of the Great War, most of the fundraising techniques we are familiar with today had been invented and had reached peaks of varying efficiency. To illustrate the scale of the activity, $250 million, a truly staggering sum at the time, was collected by the American Red Cross's War Fund (Advertising Educational Foundation, 2009). The use of advertising as a fundraising tool became commonplace, and the creative execution of many ads would not look out of place today. An example of an American Red Cross fundraising poster from the period is provided in Figure 2.1.

The other significant development during war time was that federated fundraising was used on a national instead of a local level. All seven major war relief organizations joined forces as the United War Fund Committee. The highly efficient, highly effective, and unprecedentedly large-scale fundraising required by the First World War facilitated the professionalization of fundraising. By war's end fundraising had become an accepted full-time occupation. Full-time fundraisers operated in both nonprofits and specialized fundraising consulting firms. The war also had the impact of broadening participation in fundraising. Fundraising practices were adopted in a much wider range of nonprofits, expanding from a traditional base of religious organizations, higher education institutions, and community chests (that is, federated appeals) to embrace health organizations, all types of churches, all levels of educational institutions, all kinds of art and culture organizations, and all types of social welfare organizations.

The first moves were also made toward the creation of a fundraising profession. This movement came to a head in 1935 when the major consulting firms of the time organized themselves to form the first national association for fundraisers: the American Association of Fundraising Counsel (AAFRC) (Street, 1985). The founding firms were the American City Bureau; the John Price Jones Corporation; Ketchum Inc.; MacArt & Campbell; Marts & Lundy, Inc.; Leo Redding, Inc.; Tamblyn & Brown, Inc.; Tamblyn & Tamblyn; Ward, Wells & Dreshman, Inc.; and Will, Folsom & Smith, Inc. Now known as the Giving Institute, the AAFRC, more than seventy years after its inception, still promotes the need for professional and ethical standards of practice, and seeks to influence the creation of laws governing philanthropy. It currently has thirty-four member firms (Giving Institute, 2009).

One of the major achievements of the AAFRC was the development of standards of practice and a professional code of ethics (Giving Institute, 2009), which is now one of many such codes to which fundraisers can

FIGURE 2.1. AMERICAN RED CROSS FUNDRAISING POSTER



adhere. Such codes are highly significant in fundraisers' claim to have achieved professional status. Fundraising professionals must adhere to certain standards of professional conduct and to an ethical code in the same way that medical doctors and lawyers are bound by theirs. We return to this topic in detail in Chapter Four.

Adherence to a commonly agreed-upon set of ethical principles is just one requirement for the establishment of a profession. Professions by definition specialize in one tightly defined sphere of operation. The use of particular techniques and approaches is in part what distinguishes fundraisers from marketers and public relations professionals. Kritzer (1999) argues that the degree to which a profession specializes indicates how mature the profession is. As we have just established, this specialization defines the field, but as the profession becomes more mature, individuals begin to specialize in particular aspects of that field. In fundraising we have therefore seen individuals specialize in particular forms of fundraising (such as the annual fund or planned giving) or media (such as direct mail or face-to-face).

As the profession has morphed, legal regulations have been created at the federal and state levels and revised to keep pace with developments (Abbott, 1988). The first legal challenge lay in defining what a fundraising professional is (Torstendahl and Burrage, 1990). Although federal law rarely defines the term *fundraising* in its broadest sense, Bruce Hopkins (2000), a national specialist in nonprofit law who has produced a series of excellent texts on the subject, takes fundraising to mean the generation of revenue for charitable purposes. We concur; fundamentally this is what fundraisers do. We also like this definition because it is simple and comfortably embraces the activities of both paid and volunteer fundraisers.

Compare this definition with the one offered by the State of Minnesota: "any person who for financial compensation or profit performs for a charitable organization any service in connection with which contributions are, or will be, solicited in this state by the compensated person or by any compensated person the person employs, procures, or engages to solicit; or any person who for compensation or profit plans, manages, advises, consults, or prepares material for, or with respect to, the solicitation in this state of contributions for a charitable organization" (Hopkins, 2000, p. 19). At least twenty-nine states have established legal definitions of fundraisers and most intentionally distinguish fundraisers employed in nonprofits from professional solicitors. In eight states, for example, a professional solicitor is a person "employed or otherwise retained for compensation by a professional fund-raiser, rather than directly by a charitable organization, to solicit charitable contributions" (Hopkins, 2000, p. 4). This division is significant because most states impose significant regulation on professional solicitors and the nonprofits that engage them.

Specialization in Categories of Activity

The *annual fund* is an organized institutional effort to solicit regular donations from donors. Annual funds are used to support the daily operation of a nonprofit organization and its ongoing programs. Historically, donations offered in support of the annual fund have been offered in the form of checks as donors are invited to "renew" their investment each year. Larger gifts are sometimes offered and these can also be made in the form of either a one-time payment or an agreed-upon number of installments. The purpose of an annual fund is to cultivate a large group of active donors who share an interest in the organization's mission. These individuals will often go on to become long-term supporters, major donors, and even planned givers. They may not give a lot every year, but their long-term value warrants considerable attention from the fundraiser. Building a strong annual fund is thus almost always the first step in building a successful fundraising program.

In recent years many U.S. nonprofits have introduced monthly gift or "sustainer" programs to supplement their annual giving. Here donors elect to spread out their giving; instead of sending a check once a year, sustainers offer a regular amount each month, which is debited automatically from their bank account or credit card. This form of giving can be very popular with younger age groups, who are comfortable with electronic payments and dislike having to write checks. It can also be appealing to donors, because significantly more of their money can be spent on the cause. The nonprofit does not have to spend time and money soliciting annual renewals, although some follow-up is obviously necessary when payments are cancelled or credit cards expire.

Capital campaigns are organized efforts to raise funds for a particular project with a fixed budget and a fixed timeline. Donations collected during capital campaigns are most often used to support a relatively large project within an existing organization. *Large* is of course defined in proportional terms. For example, a capital campaign for one organization may be to raise $50,000 to update all of its computers, whereas for another it may be to raise several millions for a state-of-the-art medical facility. Capital campaigns typically fund the purchase of buildings, land,

and equipment, although a capital campaign can also be run to build an endowment (discussed shortly).

Planned giving is the most legally complicated type of individual giving because it often involves structuring the gift of a variety of assets to benefit both the organization and the donor. The benefit to the donor accrues through a reduction in personal, capital gains or estate tax, or through the production of income during the donor's lifetime; involving a financial planning consultant can thus be essential. Fundraisers working in this domain are frequently technical specialists who work with external advisors as appropriate.

Planned gifts take two basic forms:

1. The gift is made during the lifetime of the donor or donors by means of a trust or other instrument (see Chapter Fifteen).
2. The gift is made by will, so the contributed property comes out of the decedent's estate (a bequest or devise). The second type of giving is also referred to as bequest giving or legacy giving.

In this book, we look at both forms of giving, examining the complex financial vehicles that can be used to structure planned giving and examining the bequest, which in reality is a gift that every donor (not just wealthy donors) could consider making.

Income from planned giving can be used to support the general operation of an organization (sometimes founded by the donor) or the fulfillment of a project. The complexity of planned giving lies not only in its legal and logistical procedures but also in donors' often complex reflections on what they want such a large sum of money or estate to achieve. For many, a planned gift will be the most significant they ever make and a deep consideration of their life and values is often an integral part of the decision-making process.

Endowment campaigns raise money to, as the name suggests, begin or increase the funds in an endowment. Endowments can be established to cover annual operating expenses or any specific aspect of an organization's work. Frequently endowments are created when a donor has a specific interest or concern and the monies are then held for that purpose. The endowment fund is a charitable gift established in perpetuity in which the principal is invested for total return (both income and appreciation) and a small portion of the fund's balance (usually 4 to 6 percent) is paid out. The beginning principal is the value of the asset that was contributed by the donor or donors; the income is the earnings produced by the principal, and appreciation (or depreciation) is the gain (or loss) in the value of the principle since it was contributed (Newman, 2005). Boards that accept endowment monies are bound by the donor's intention. Undesignated funds are sometimes set aside by boards and called "endowments," but because the board is not permanently bound by its own action and these funds can later be redesignated for other purposes, such funds are properly considered to be "reserves," not endowments.

Endowment campaigns are often ongoing because many organizations never stop trying to attract money into their endowment fund. From a nonprofit's perspective, the benefit in building an endowment to cover operating expenses, in particular, is that it can eventually build to such a size that the pressure to raise annual funds is reduced. In effect, organizations are securing a "guaranteed" income for the future, although this is obviously subject to the usual fluctuations in the stock market so is not the panacea for which many boards might hope.

Where endowment activity is ongoing, the word *campaign* may be inappropriate. Campaigns have specific targets and time horizons, which a more general focus on endowment would lack. It is also important to recognize that although we label endowments as a fourth category of activity, many fundraisers see an endowment campaign as just another form of capital campaign, because both usually involve amassing a certain amount of wealth within a specific period.

Traditionally, in the United States a good deal of fundraising activity has been pigeonholed into one of these four categories. In bigger organizations, fundraisers are assigned to each.

We see dangers in this method and prefer a more integrated approach in which fundraisers talk to donors about the issues that concern them and worry thereafter about how to structure the gifts. Donors are rarely interested in endowments, capital campaigns, or annual funds per se. They are rather more interested in making a difference to a cause, and it is from that base that fundraising should begin.

Such an approach focuses on the needs of the donor rather than on the needs of the organization and is at the core of what has become known as a donor-centered or relationship approach to fundraising. Great fundraisers such as Ken Burnett (1992) have long and passionately advocated for an approach to fundraising that begins with developing an understanding of donor needs and preferences and building all contacts and communications around satisfying those needs. As we shall see in Chapter Twelve, such an approach is central to successful donor retention and development.

Specialization in Fundraising Occupations

Specialization has occurred not only in the categories of activity. Each one of these fundraising vehicles can be implemented through a variety of media. It could be done through face-to-face solicitation, direct mail, telemarketing, special events, advertising, and more recently, the new digital media. Fundraisers have thus begun to develop expertise in each of these domains. A quick search on one of the most popular nonprofit employment and volunteer sites in the United States, http://www.idealist.org, reveals that full-time employment opportunities exist for each of these specialties.

Specialization in Professional Associations

Professional associations play a pivotal role in distinguishing one profession from another and in excluding "nonprofessionals" from the community of one profession (Larson, 1977). Since the formation of the AAFRC, many more professional bodies have been created to serve the needs of the fundraising profession. The Association of Fundraising Professionals (AFP), for example, was formed in 1960, although at the time it was known as the National Society of Fund Raisers. Today the AFP is the world's largest association of fundraising professionals. It has more than thirty thousand members in two hundred chapters throughout the world. It serves the needs of the profession as a whole and "fosters development and growth of fundraising professionals [while promoting] high ethical standards in the fundraising profession" (AFP, 2009).

Other professional organizations are more focused. There are professional organizations for different forms of fundraising. For example, the Partnership for Philanthropic Planning, formerly known as the National Committee on Planned Giving (NCPG), is "the preeminent association for professionals in the charitable gift planning field" (NCPG, 2009). Similar organizations exist to support fundraisers working in major gifts and direct response. At least one professional association can be found for each of the major categories of the National Taxonomy of Exempt Entities. For example, the Association for Healthcare Philanthropy is the only association dedicated exclusively to advancing and promoting the health care development profession. The Council for Advancement and Support of Education is the professional organization for advancement professionals who work in alumni relations, communications, and all aspects of education fundraising and marketing. Note the use here of the term *advancement*, which in this case includes fundraising.

In addition to these national organizations, local associations also exist to serve smaller fundraising communities. For example, the relevant association for development officers working in public radio is the Public Radio Association of Development Officers. This is complemented by a bewildering array of other associations that serve only one geographic area: Eastern Public Radio, Pacific Islanders in Communications, and Public Radio in Mid-America, for example.

What all these associations offer is an opportunity for their membership to keep up-to-date with developments in their profession, to further their fundraising education, and to improve the quality of their individual professional practice. Individuals who take their commitment seriously in these respects may also apply for Certified Fund Raising Executive (CRFE) status. This accreditation is available to all fundraisers who meet certain experience requirements and pass the CFRE examination. Many employers now insist on this requirement, and fundraisers in the United States who hold this accreditation currently command a salary premium that is 17 percent higher than that of their noncertified peers (CFRE, 2009).

Looking to the Future

If increasing specialization has been the hallmark of professional fundraising over the past fifty years, knowledge generation, knowledge dissemination, and formal education will mark the future. A further key ingredient of any claim to be a profession is the identification and dissemination of an appropriate body of knowledge (Abbott, 1988). Doctors, lawyers, accountants, electricians, and any other profession one might name have carefully delineated the knowledge they expect every competent practitioner to have, but the profession of fundraising has only recently taken the first tentative steps toward defining its own distinctive body of knowledge.

Knowledge Generation

In fundraising today, the basis for knowledge should be an amalgam of learning from the best practices in the field (as it has been for half a century) *and* the latest academic research. Until recently, few professional training programs have taken any advantage of theory or research drawn from academia. The British National Occupational Standards for Fundraising, redeveloped in 2008, sought to remedy this situation. The authors delineated both the skills and the academic knowledge that fundraisers should be expected to have when working in each of a variety of fundraising roles. Thirty-three sets of skills and their associated knowledge were delineated.

The pace of change in this arena will undoubtedly quicken as more research from the domains of economics, psychology, sociology, marketing, and the nascent field of fundraising begins to offer a contribution and an increasing number of practitioners begin to recognize its significance. Aiding in this process of raising awareness of what research can offer are a number of rigorous studies designed specifically with the needs of practitioners in mind. Notable here is the longitudinal research effort initiated by the AAFRC in the 1960s. Their pioneering Giving USA series, which we highlighted in Chapter One, has reported trends in giving annually since 1967 and as a consequence offers considerable insight into the behavior of all the keys sources of giving under a wide variety of conditions.

Several other developments have also contributed substantively to the body of knowledge, or will do so in the near future. The Center on Philanthropy at Indiana University recently created a panel study known as the Center on Philanthropy Panel Study (COPPS). The data comprising this study are drawn from questions on giving and volunteering inserted into the General Social Survey (GSS). The GSS is a large-scale social survey that gathers information from a nationally representative sample of Americans to understand the development of American society. It began in 1972 and has included COPPS questions since 2001. This data set is rapidly becoming one of the best sources of information on who gives and why in the United States. Details can be found on the Center on Philanthropy's Web site at http://www.philanthropy.iupui.edu.

The Center on Philanthropy also appointed the world's first academic chair in fundraising in 2006 and graduated the world's first recipient of a doctorate in philanthropic studies in 2008. The significance of these two events was to establish an academic base for generating academic knowledge for the fundraising profession. The next generation of doctoral students trained in this academic base will shape the landscape of the future fundraising academy.

Knowledge Dissemination

Creating research-based fundraising knowledge is only part of the equation for becoming a profession. This knowledge also has to be disseminated to the professionals who stand to benefit from its use. The AAFRC has long recognized the need for effective knowledge dissemination so that fundraisers may learn from the successes and failures of their peers. As Carlton G. Ketchum, a founder member, observed, "The client institution is everywhere better served because we share some of our information and some of our ideas. The exchange of this kind of knowledge between firms takes place in the Association meetings, in its bulletins, and in its individual contacts of competitors who are yet friends and fellow practitioners. Not much of it would occur, crossing company lines, but for the confidence engendered by relationships within the Association" (Street, 1985, p. 19).

The knowledge referred to here comprises the best practices and ideas generated by the first generation of professional fundraisers—individuals who raised millions of dollars for their causes. Just as the profession has celebrated and shared in this expertise, it must now recognize the emerging contribution of fundraising science. The next step for the profession is thus to establish and draw on its own academic base in order to ensure that fundraising research can inform the practice of fundraising. Academic scholars have already begun to publish articles in professional outlets such as the *Chronicle of Philanthropy* and the *Nonprofit Times*, and to offer speeches at professional conferences and events. In the coming decades we should expect to see much more academic presence in these professional settings.

Knowledge-Based Education

As the profession continues to develop we are likely to see an increasing amount of interest in formal academic training, as professionals seek to develop their knowledge and draw on the rapidly expanding fields of fundraising and philanthropy research. As the popularity of fundraising as a profession continues to grow it is also likely that universities will respond to demand from students wishing to enter the profession and create degree and certificate programs that would allow them to prepare for such a career and be exposed to this knowledge.

The Teachers College at Columbia University received a grant from AAFRC in 1959 to expand an existing course in educational fundraising. At the time, Columbia had the first and only master's degree in fundraising. Other universities, such as St. Mary's in Minnesota and, much more recently, Avila University in Kansas have now entered this market. In addition, there are well over 250 academic institutions that offer fundraising courses as part of other degrees at both the undergraduate and graduate levels. These courses are both credit and noncredit. Although this variety is commendable, fundraising education is still very much in its infancy. Most of these courses are taught by practicing professionals, who may not always be aware of the latest research, instead of by academically trained scholars and educators. There is clearly room for both, but a better balance is needed and this should and will change. A solid academic education in fundraising will inevitably become a prerequisite for those entering the profession in decades to come, and the academy will need to develop to accommodate this need. Fundraising is presently where the profession of marketing was in the 1960s. Formal education was scorned, with most employers appointing directly into sales and marketing roles. By the late 1990s, degree programs in marketing were commonplace, and most employers now recognize the virtue of hiring individuals with a solid grounding in the field. As a profession, fundraising has a long way to go to catch up, but the building blocks are definitely in place.

Summary

In this wide-ranging chapter we have mapped the historical development of the fundraising profession in the United States and introduced key players such as Charles Sumner Ward. We have also looked in some detail at our claim as fundraisers to call ourselves professionals, highlighting the requirements for a profession to specialize, develop its own body of knowledge, initiate a code of professional ethics, form professional associations that distinguish the profession from others, and ultimately to require that all new entrants are in some way qualified to enter the field. We have also distinguished training in fundraising skills from the knowledge-based education that we believe will be essential to increasing the quality of professional practice over the next decade and beyond.

Discussion Questions

1. What is AAFRC and what is its historical significance?
2. What was distinctive about the intensive campaigns designed by Charles Sumner Ward? What lessons might we draw from those early campaigns today?

3. How is the term *fundraiser* defined legally? How does a fundraiser differ from a professional solicitor?
4. "All you need to become a successful fundraiser is good interpersonal skills." Critically evaluate this statement, drawing on your learning from this chapter.
5. In what ways does a capital campaign differ from an endowment campaign? How might the rationale for donor support differ between the two?
6. What is meant by the term *annual fund*? Identify any potential drawbacks of using this terminology when addressing donors.
7. Visit the Center on Philanthropy's Web site at http://www.philanthropy.iupui.edu/Research/COPPS/panelstudy.aspx and identify five key contributions to knowledge offered by the COPPS initiative.

CHAPTER THREE

ETHICAL FUNDRAISING

Eugene R. Tempel and Sarah K. Nathan

By the end of this chapter you should be able to:

1. Distinguish between the ethical and legal obligations of a fundraiser.
2. Understand the role of professional codes of ethics.
3. Describe and apply the principles of the AFP code of ethics.
4. Describe the contents of the Donor Bill of Rights.
5. Deal with common ethical dilemmas in fundraising.

The purpose of this textbook is to provide a thorough grounding in modern fundraising practice. We introduce a variety of tools, models, and frameworks that fundraisers may use to inform their professional practice. Although such things are clearly important, it is also critically important to look beyond the "how-to" and focus on why the process of fundraising should reflect the general values of the nonprofit sector. It is through reflection and careful thinking about ethical standards and practices that fundraising truly becomes a profession. Success as a nonprofit professional is built on both technical *and* ethical expertise and standards.

Adhering to ethical standards in fundraising is especially important because the success of an organization's mission rests on trust—the trust of clients, volunteers, donors, and the community served. Stewarding the public's trust is therefore a critical role for fundraisers to perform. To do this well, fundraisers must look beyond their own immediate needs and behave in a manner consistent with the values of their profession and of the sector as a whole. Independent Sector (2002, p. 11) tells us, "Those who presume to serve the public good must assume the public trust." To this we would add that those who assume the public trust must hold themselves to a higher set of standards. Strong ethical standards build public trust in the nonprofit sector. Through transparency, full-disclosure, and self-regulation, fundraisers can position their own organization as trustworthy in carrying out its mission and, in so doing, benefit the wider sector too.

The study of ethics is essentially the determination of right from wrong (Institute for Global Ethics, 2009). Such decisions are driven by individuals' own beliefs and values and by those of the wider society in which they live. Ethical values can also be drawn from particular religious traditions. In Judeo-Christian society, for example, these values may include respect and compassion for the individual and concern for the impact of one's actions on others.

Ethics operate at a different level than the laws of a particular society, because laws frequently provide only for minimum standards of behavior. They deal with the worst excesses of that behavior and with aspects that are of the greatest public interest and concern. Most states, for example, now have laws governing the use of professional fundraising firms; these laws may impose reporting requirements on these organizations to prevent fraud, and they may make it clear to donors what payments will be deducted from their gifts before they are passed to the nonprofit.

Ethics, by contrast, operate at a "higher" level. Although a particular action may not be illegal, it may nevertheless be regarded by a given individual as wrong because it indirectly harms others or is not in the best interests of the organization that employs their employer. For example, professional ethics guide the manner of the remuneration that an organization pays to a fundraising agency, how the agency will use any donor information gathered, what case for support will be adopted, and so on. It is this gray area beyond the realm of the law that is the domain of ethical judgments, and it is where the fundraising profession has invested considerable time and effort to determine what does and does not constitute appropriate behavior.

Deciding right from wrong is no easy matter. One reasonable person may regard an act as unethical while another equally reasonable person may not. As Anderson (1996, p. xii) notes,

> It is simply the nature of ethics, unlike arithmetic, to be uncertain. Its issues, choices and actions can provoke head-shaking, demand thoughtfulness, consistency and decisiveness—with no clear or certain prospect that one's decision is wholly right. In that respect doing ethics can benefit from a certain amount of structure, a kind of discipline guided by durable principles. However, given the mysteries of the human condition, and the often perplexing nature of day-to-day experience, being ethically responsible also demands moral imagination and resourcefulness. In a word it takes artfulness—provided it entails no mortal blow to consistency nor leads to an act of hypocrisy.

The concept of "durable principles" forms the foundation for this chapter. On what basis should fundraisers be making ethical decisions? Rather than review the contributions of a procession of philosophers, we adopt a pragmatic approach to answering this question, introducing a range of ethical frameworks on which fundraisers might build and highlighting a series of common ethical dilemmas. We illustrate how these dilemmas might be addressed by referring to the Code of Ethical Principals and Standards of the Association of Fundraising Professionals (AFP), which is typical of many such codes developed by a wide range of sector bodies. We begin, however, with a discussion of the work of Independent Sector.

Obedience to the Unenforceable

Independent Sector, the nonprofit leader in public policy and innovation in management, encourages the highest standards of ethical practice. Its publication *Obedience to the Unenforceable* was developed and adopted in 1991 and revised in 2002, as a way to set forth values and expectations for behavior. The title of the publication refers to the extent to which individuals uphold self-imposed standards. The report begins: "Public trust is the most important asset of the nonprofit and philanthropic community. Donors give to and volunteers get involved with charitable organizations because they trust them to carry out their missions, to be good stewards of their resources, and to act according to the highest ethical standards. Most fundamentally, voluntary and philanthropic organizations abide by the highest ethical standards because it is the right thing to do" (Independent Sector, 2002, p. 6).

Independent sector believes that there are essential values and ethical behaviors that all organizations within the independent sector should have in common, including the following:

- Commitment beyond self
- Obedience to the laws
- Commitment beyond the law
- Commitment to the public good
- Respect for the worth and dignity of individuals
- Tolerance, diversity, and social justice
- Accountability to the public
- Openness and honesty
- Prudent application of resources

To provide guidance for the adoption of these values and behaviors, *Obedience to the Unenforceable* presents specific examples of illegal acts, unethical behaviors, and ethical dilemmas related to each of these values. The report offers no answers to the ethical dilemmas, recognizing that, as we noted earlier, organizations must struggle with such decisions on their own.

More recently, Independent Sector convened sector leaders to develop recommendations for good governance for the nonprofit community. It organized the Panel on the Nonprofit Sector in 2004 as a response to increased congressional scrutiny and media reports of nonprofit wrongdoing. In 2007 the panel published *Principles of Good Governance and Effective Practice: A Guide to Maintaining the Highest Standards of Transparency, Good Governance and Accountability*. Of the thirty-three principles the guide outlines, the following seven specifically address responsible fundraising practices (Independent Sector, 2007, pp. 24–27):

1. Solicitation materials and other communications addressed to donors and the public must clearly identify the organization and be accurate and truthful.
2. Contributions must be used for purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor.
3. A charitable organization must provide donors with specific acknowledgments of charitable contributions, in accordance with IRS requirements, as well as information to facilitate the donors' compliance with tax law requirements.
4. A charitable organization should adopt clear policies, based on its specific exempt purpose, to determine whether accepting a gift would compromise its ethics, financial circumstances, program focus or other interests.

5. A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws, and do not employ techniques that are coercive, intimidating or intended to harass potential donors.
6. A charitable organization should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.
7. A charitable organization should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names. [Excerpted from Panel on the Nonprofit Sector, *The Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations* (2007). The Panel on the Nonprofit Sector was convened by Independent Sector, which continues the Panel's work to strengthen accountability and governance in nonprofits and foundations. Learn more at www.independentsector.org.]

These issues are echoed in the Code of Ethical Principals and Standards developed by the Association of Fundraising Professionals.

The AFP Code of Ethical Principles and Standards

The AFP Code of Ethical Principles and Standards is the foundation for all fundraising activity by the AFP's members. It provides a structure that fundraisers can use to help guide them as they make what can frequently be difficult decisions about the nature of their day-to-day practice. The code is reproduced in Figure 3.1. Other fundraising professional bodies have similar codes.

So how can these principles be applied? First, it is imperative that fundraisers become familiar with the code and understand the situations it covers *before* it is necessary to confront the ethical issues it addresses. The code is easily assessible on the AFP Web site, along with its companion, Ethical Guidelines to the Code of Ethical Principles and Standards. This document addresses each ethical principle in turn and provides helpful examples of what the AFP deems ethical and unethical behavior. The examples provided are not exhaustive, but they do deal with the most common situations that fundraisers might confront.

FIGURE 3.1. AFP CODE OF ETHICAL PRINCIPLES AND STANDARDS

AFP members, both individual and business, agree to abide (and to ensure, to the best of their ability, that all members of their staff abide) by the AFP standards. Violation of the standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

Member Obligations

1. Members shall not engage in activities that harm the members' organizations, clients or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients or nonprofit organizations.
8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during and after any sale of materials and/or services. Members will comply with all fair and reasonable obligations created by the contract.
9. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

Solicitation and Use of Philanthropic Funds

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.

(Continued)

13. Members shall take care to ensure that donors receive informed, accurate and ethical advice about the value and tax implications of contributions.
14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

Presentation of Information

17. Members shall not disclose privileged or confidential information to unauthorized parties.
18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.
19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to or exchanged with other organizations.
20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

Compensation and Contracts

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).
22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.
23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.
24. Members shall not pay finder's fees, commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.
25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

Source: AFP (2007).

The Donor Bill of Rights

Before exploring a number of these common issues, it is worth highlighting a further document of interest. The Donor Bill of Rights was also developed by the AFP, but in concert with a range of other professional bodies, including the Association for Healthcare Philanthropy and the Council for Advancement and Support of Education. It has subsequently been endorsed by a wide variety of other bodies and is now accepted as the industry standard. It is reproduced as Figure 3.2.

It is interesting to note that the fundamental themes of openness and transparency pervade this document too and that in effect the professional

FIGURE 3.2. THE DONOR BILL OF RIGHTS

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
III. To have access to the organization's most recent financial statements.
IV. To be assured their gifts will be used for the purposes for which they were given.
V. To receive appropriate acknowledgement and recognition.
VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Source: Association of Fundraising Professionals (2009a).

bodies have created a mirror image of their codes of professional ethics to express them in terms of what these behaviors actually mean for donors. Organizations that embrace the Donor Bill of Rights commonly reproduce it in their fundraising materials to demonstrate their commitment to its content. In effect, they embrace the code as *their* institutional policy.

The existing Bill of Rights is of course focused on traditional fundraising media, namely direct mail and face-to-face solicitation. To address the gap in new media fundraising the AFP has recently produced a new Bill of Rights for donors giving through digital channels. It is reproduced as Figure 3.3.

FIGURE 3.3. THE E-DONOR BILL OF RIGHTS

The E-Donor Bill of Rights is intended to complement the original document and provide further and more detailed guidance for the new world of online giving. In addition to the rights outlined in the Donor Bill of Rights, online donors should demand the following of their online solicitors:

- To be clearly and immediately informed of the organization's name, identity, nonprofit or for-profit status, its mission, and purpose when first accessing the organization's website.
- To have easy and clear access to alternative contact information other than through the website or email.
- To be assured that all third-party logos, trademarks, trustmarks and other identifying, sponsoring, and/or endorsing symbols displayed on the website are accurate, justified, up-to-date, and clearly explained.
- To be informed of whether or not a contribution entitles the donor to a tax deduction, and of all limits on such deduction based on applicable laws.
- To be assured that all online transactions and contributions occur through a safe, private, and secure system that protects the donor's personal information.
- To be clearly informed if a contribution goes directly to the intended charity, or is held by or transferred through a third party.
- To have easy and clear access to an organization's privacy policy posted on its website and be clearly and unambiguously informed about what information an organization is gathering about the donor and how that information will be used.
- To be clearly informed of opportunities to opt out of data lists that are sold, shared, rented, or transferred to other organizations.
- To not receive unsolicited communications or solicitations unless the donor has "opted in" to receive such materials.

Source: Association of Fundraising Professionals (2009a).

Common Ethical Dilemmas

In reading what follows, it is important to bear in mind that there are no right or wrong answers in the domain of ethics. Some answers may be "righter" than others, but ultimately professional fundraisers must make their own decisions about what is appropriate, guided by the standards. Common ethical dilemmas include the following.

Remuneration

The debate here concerns what constitutes appropriate remuneration for fundraising activity. Particularly at issue is whether fundraisers should be paid by salary or receive a commission for every donation they successfully solicit. Indeed, should this remuneration vary depending on the value of a particular gift? The payment of commission or bonuses has long been a practice of for-profit managers looking to retain and motivate their staff. Most for-profit marketing managers do not have an ethical dilemma over whether to initiate a payment system of this type, because they need to achieve sales. Profit for the business is paramount, and bonuses and commissions can be effective motivational tools. However, in the context of fundraising, the payment of commission is felt to be problematic because it could lead to undue pressure being exerted on donors to give. Fundraisers remunerated by commission would have a vested interest in persuading as many people as possible to give, even when it was clearly inappropriate for them to do so or when their needs would be better served by giving to another organization in perhaps a different way, because fundraisers have to make a living and if they are paid on commission the only way they can achieve this is to "sell" ever more donors on making a gift. The security of a salary effectively removes this incentive and makes it less likely that fundraisers will feel pressure to ignore the needs and wishes of the prospects they meet. They can, in effect, afford to take a long-term and more selfless view of the solicitation process.

Percentage-based compensation is considered unethical. It is covered in Standard 21 of the AFP Code of Ethical Principals and Standards. By contrast, payment involving some form of bonus may be acceptable. Perhaps all members of the team could receive an additional one-off payment for hitting the target for a campaign. This would be acceptable provided that the amount offered was not based on a percentage of the total monies raised and was consistent with the organization's normal practices (Sczudlo, 2003).

Donor Information

Donor information issues are covered in Standard 18 (and Standard 17 is related). The basic notion here is that all information on donors and prospects that fundraisers collect and record as part of their role should remain the property of the soliciting organization. During job interviews or the hiring process, it is possible that a fundraiser might be confronted with an organization that expects the individual to bring their donor and prospect information with them from their previous employer. Such details might be regarded as a professional asset. It is essential that the fundraiser explain that the information belongs to the other organization and that fundraisers have agreed as a profession not to engage in the practice of sharing personal information acquired on behalf of another employer.

A second issue connected with donor information has become increasingly critical of late and concerns the collection and storage of donor data. Fundraisers have an ethical duty to collect and store only such data as they need for the purposes of fundraising, and to ensure that the data they collect are used only for that purpose and not shared with third parties (unless permission has been granted for them to do so). Donors are becoming increasingly sensitive to the security of their personal data and to the organizations and individuals who might have access to it. It is therefore essential that all nonprofits develop, publish, and promote a privacy policy that deals with these issues (Hogan, 2007).

Donor Relationships

Similarly, fundraisers often develop very close personal relationships with the donors they solicit. This can particularly be the case in the realm of major gifts where fundraisers expend considerable effort getting to know their donors and their interests, concerns, and expectations. It can be very tempting when changing employers to look back at some of these relationships and decide to try to interest some of these individuals in the work of their new organization. This too is considered unethical. The relationship that fundraisers have with donors is developed on behalf of an organization as an opportunity to engage individuals in the mission of that organization. The relationship therefore belongs to, or is "owned by," the organization. It is not a personal relationship and it cannot, therefore, ethically be extended for private benefit or for the benefit of a third party.

Of course life is seldom that neat. Consider the following example:

> Jane was employed for ten years as a major gift fundraising officer for her local Humane Society. As part of that role she developed a close personal friendship with Elsie, who became a loyal and major donor to the society. Jane has recently switched jobs and is now working as the director of development for her local United Way. She made a conscious decision not to approach the donors she solicited for the Humane Society, but she has just had a phone call from Elsie, who has quite spontaneously indicated that she would be willing to give a substantial sum to the United Way. How should Jane respond?

This is a trickier situation to handle. Jane's behavior has certainly not contravened the AFP code, because her former donor has initiated the contact and she is thus exploiting no one. Jane is also under a duty to her current employer to take all reasonable steps to maximize their income, and she has an obligation to the donor not to neglect what appear to be her current interests. In this case, however, Jane does still have a duty not to benefit from her former relationship with this donor. There is thus no easy solution. The best course of action in this scenario is for her to explain to the donor her ethical dilemma and to offer to put Elsie in touch with one of her colleagues at the United Way who would be able to talk to her further about the possibility of a gift.

Acceptance of Gifts

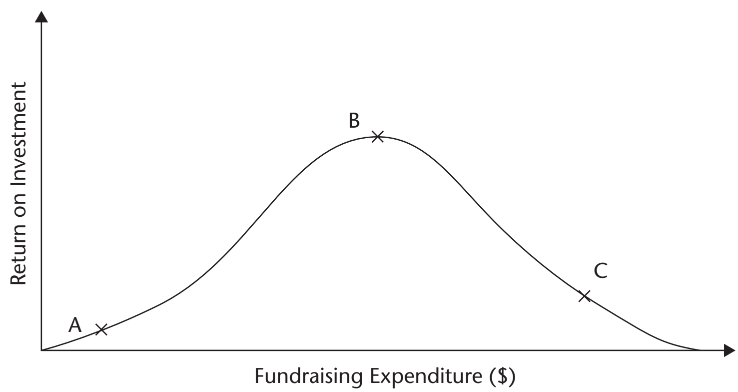
As we noted earlier, many fundraisers become personally acquainted with their high-value donors and in some cases develop genuine and enduring friendships as a consequence. It is not uncommon under these circumstances for donors to present these fundraisers with often quite valuable gifts. The ethical dilemma here is whether such gifts should be accepted and whether the value should be retained by the individual or ceded to the nonprofit (Hall, 2004). Again, this is a complex area because, as the AFP code makes clear, fundraisers should not seek to benefit from the relationships they have with their donors. The integrity of the relationship with the nonprofit should be the first priority and it should always be maintained. That said, small gifts or tokens of affection are deemed acceptable, but of course the dilemma then becomes a decision over the point at which the value of such gifts begins to make them unacceptable. There are no right answers here and the safest solution is almost certainly to decline any personal gifts from donors, no matter how small they may be.

The Costs of Fundraising

A further dilemma arises around the issue of when one should stop fundraising. Figure 3.4 illustrates the returns that organizations might generate from fundraising at different levels of expenditure. Clearly this is a gross simplification of reality, but it serves to illustrate the general experience of most nonprofits. When expenditure is low on fundraising, organizations may not be investing enough to take advantage of economies of scale or to achieve a significant enough media impact to overcome the clutter of other appeals. At this stage, point A in the figure, \$1 of investment may achieve only break-even returns or slightly more. As expenditure rises, the nonprofit reaches a point where it achieves its maximum possible return on investment as economies of scale are eventually realized.

Let's say, for the sake of argument, that the nonprofit achieves a return of \$5 for every \$1 of investment—point B in the figure. If the expenditure is increased further, the returns for each incremental dollar of expenditure then begin to fall. The reasons for this are manifold, but it often occurs because at a certain point it becomes progressively more difficult for an

FIGURE 3.4. RETURNS THAT ORGANIZATIONS MIGHT GENERATE FROM FUNDRAISING AT DIFFERENT LEVELS OF EXPENDITURE



organization to find additional new donors. It is still very cost-effective to raise funds, but the return begins to drop away to \$3:1, then \$2:1, and so on. This effect is represented as point C in the figure. The difficult ethical issue is that in pure economic terms the nonprofit would be better off continuing to invest in fundraising to the point where marginal investment equals marginal revenue (that is, to the point where an additional \$1 raises exactly \$1). This would maximize the income that the organization is able to generate, but few donors would be happy with such a high percentage of their gift being spent on fundraising! Such a high level of fundraising expenditure, if adopted by all nonprofits, would be likely to cause great offense and widespread public concern as fundraising messages began to dominate the media. It is thus rather more likely that an organization would decide to cease expenditure on fundraising at a point where the return for the incremental dollar is at a somewhat higher level. Of course what this level should be is a matter for debate.

Tainted Money

Sometimes other situations arise that are beyond the scope of the practices laid out in the Donor Bill of Rights or the Code of Ethical Principals and Standards. The most likely of these situations is often referred to as "Tainted Money." Money acquired from criminal activity is the most obvious type of tainted money, but thankfully it is not the most common. A more common form is a contribution or gift that is a direct assault on an organization's integrity or that represents values conflicts between the organization (or its key stakeholders) and the donor. At the heart of tainted-money issues is the potential impact on a nonprofit's values, mission, or reputation that might accrue from accepting a particular gift (Cohen, 2002).

There are several examples of media reports of tainted money issues from recent years. For example, in 2007, Stanford University entered into a \$100 million research partnership with ExxonMobil that the oil and gas company had been publicizing in an advertising campaign. The partnership prompted Stanford alumnus Steve Bing to rescind a \$2.5 million pledge because, as an environmental activist, he saw the relationship as antithetical to his own philanthropic values. In the same year, the University of Iowa College of Public Health faculty voted to decline a gift from the Wellmark Foundation—a \$15 million gift to name the school after the state's largest insurance company. The faculty felt that accepting the gift and renaming the college could jeopardize its prominent reputation for independence in research and affect how research findings would be viewed by the public. In another case, the Salvation Army in Florida turned down a gift of $100,000 from a lottery winner because gambling conflicts with its core values and it often counsels families who are homeless because of gambling addiction. However, the local Habitat for Humanity chapter and the Rotary Club of Marco Island both accepted gifts from the same donor.

In a further example, Rapper Master P sought to save his elementary school from closing because it lacked funds (Nolan, 1999). His contribution to the St. Monica Catholic School in New Orleans would have kept it in operation. The school was known as a "safe haven" for poor youth. Although this case did not involve any legal issues or violate any code of ethics, it raises questions about conflicting values. On the one hand, St. Monica's School, sponsored by the Catholic Archdiocese of New Orleans, teaches Christian values along with the typical academic subjects. Those values include respecting others and not using language that would degrade others. On the other hand, we have Master P, who made his money in a genre known as "gangsta rap," which includes sexually explicit lyrics that tell tales of living in tough, violent neighborhoods.

This case is particularly interesting because it constitutes a genuine dilemma. Would accepting the money earned in this way call into question the integrity of the school and the Catholic Church? What if the school were to close because it failed to accept the donation? What services would no longer be provided? What would happen to the children who were presently enrolled? Would they suffer substantive harm as a consequence? As an impartial observer, you might decide to act in an ethical manner to preserve the integrity of the school. Equally, you might feel an ethical obligation to fulfill an important mission in a needy neighborhood.

In the end, two moral theologians were involved in discussions with the Archdiocese and the donor in this case. Ultimately they decided to accept the donation because Master P was moving beyond rap to develop new lines of income in clothing and professional sports, and the gangsta rap was only a persona and did not reflect his true character. They determined that the gift would have little impact on the mission of the church—and the school stayed open.

Organizational ethical issues such as the Master P case require action and engagement with a variety of the organization's stakeholders and ultimately a decision by key organizational leadership, including the board of directors. Many organizations house established ethics committees to deal with these issues. Typically, ethics committees are ad hoc, meeting only when there is an issue to be decided. An ethics committee should be small enough to be called into session on quick notice to deliberate. It should be large enough to represent key stakeholders. The committee should establish a process for reviewing ethical dilemmas, and the members should be trained in solving such dilemmas.

Adopting Professional Codes

Our first responsibility as nonprofit professionals is to create an ethical foundation for our work. Thoughtful reflection and careful study of ethics grounds us in behavior that promotes the mission of our organization while furthering public trust. When we internalize ethical practices, we act in the best interests of the organization and serve as a role model to others. Our second responsibility is to promote ethical behavior among our colleagues and in the organization as a whole. Promoting the values of the nonprofit sector that Independent Sector has outlined is a beginning. Fundraisers should ask their organizations to understand and adopt the Donor Bill of Rights, the Principles for Good Governance and Ethical Practice, and an organizational statement of ethics. Depending on the subsector, it may also be appropriate to consult other professional associations—for example, the Direct Marketing Association, the National Committee on Planned Giving, the Association of Direct Response Fundraising Counsel, the Council for Advancement and Support of Education, or the Association for Healthcare Philanthropy. All of these bodies promote standards of ethical behavior that are specific to particular domains. A full list of relevant organizations is helpfully provided by Independent Sector at http://www.independentsector.org/issues/accountability/standards2.html. If an organization already has an ethics code, it should be reviewed with staff and board members regularly and modified as needed. This kind of mindfulness will advance the work of the sector.

Summary

In this chapter we have introduced the topic of ethics, highlighting why it is essential for all fundraising practitioners to develop an awareness of potential ethical conflicts and dilemmas. We have also provided an overview of the excellent work of organizations such as Independent Sector and the Association of Fundraising Professionals, both of which provide a range of resources on which the fundraiser may draw. Such resources have been created to provide support to professionals, both in their day-to-day work and in soliciting the engagement and support of the organizations for which they work. It is important to note that these are just two sector bodies that have developed ethical guidelines and there are a range of others (highlighted earlier) that provide guidance for more specific fundraising contexts (such as healthcare or education) or forms of fundraising (such as direct response or planned giving).

We concluded the chapter by examining a number of common ethical dilemmas, many of which may be faced by a fundraiser early in his or her career. Issues such as appropriate forms of remuneration, the acceptance of personal gifts, and the avoidance of tainted money occur frequently in our sector and it is critical that fundraisers consider *in advance* how they will deal with such potential dilemmas as they arise.

Discussion Questions

1. Working as the fundraiser for a cancer research charity you are approached by Imperial Tobacco, which wants to make a $2 million donation to fund one of your research programs. What action would you take?
2. Working as the fundraiser for an animal welfare charity, you solicit charitable bequests from a small number of high-value donors each year. In December 2006 you discover that Dorothy Miggins has died, leaving $2.4 million to your organization. She has also left you personally a valuable painting that you discover you could sell for $80,000. What action, if any, would you take?
3. You work as the fundraiser in a hospice that provides palliative care for the terminally ill. You are approached by one of the nursing staff, who indicates that Jim Francis, a patient at the hospice, has decided he wants to cut his family out of his will and leave all his monies to the hospice. He suffers from terminal cancer but also has mild dementia and on some days (around 50 percent) is very confused. What action would you take?
4. Jack Townsend lost a daughter to kidney disease in November 2008 and your nonprofit provided valuable support to both him and his daughter during her final days. In February 2009 you discover through a third party that Jack is auctioning one of his kidneys for about $300,000 and is intending to send you a check for the proceeds. What action, if any, would you take?
5. Working as the fundraiser for an environmental charity, you are offered a significant donation from the members of the local chapter of the National Rifle Association. What action would you take?

CHAPTER FOUR

INDIVIDUAL GIVING BEHAVIOR

By the end of this chapter you should be able to:

1. Describe the demographic and socioeconomic characteristics of American donors.
2. Describe key motives for giving.
3. Understand and describe the individual giving model.
4. Apply an understanding of the psychological processes described in the individual giving model to the design of fundraising communications.
5. Understand and describe the Sargeant and Woodliffe model of giving behavior.
6. Distinguish between content and process models of giving behavior.

In this chapter, we introduce the topic of donor behavior. The focus is on individual giving by living individuals. Bequest giving and institutional giving (by foundations and corporations) are discussed in later chapters. We draw here on recent survey work done by Independent Sector and the Center on Philanthropy at Indiana University, introduced in Chapter Two, to illustrate who currently gives to nonprofits and how demographic characteristics appear to influence both participation in giving and our relative generosity. We also introduce two models of individual giving behavior that shed light on why people give and on the factors and processes that influence that behavior. In Chapter Five, then, we set donors in their social context and explore in greater detail how environmental factors can shape giving.

Who Gives?

In the United States there are now ample data available to answer this question. In aggregate, it appears that donors share a number of characteristics. The demographic profile of a typical donor is provided in Table 4.1

Interpreting these data provides fundraisers with a variety of insights, most notably the following:

- *Gender*. Males give a higher average amount than females, but not a higher percentage of their household income.
- *Age*. The average amount of giving increases as people get older and peaks between ages fifty and sixty-four. Thereafter it declines as people reach retirement age. Giving as a proportion of household income generally increases with age.
- *Ethnicity*. Whites give more than other ethnic groups in terms of both average amount and percentage of household income.
- *Education*. Giving increases with the level of education.
- *Marital status*. Married people give at a higher level than people in any other category, although widows and widowers give the highest percentage of their household income.
- *Income*. The average level of giving increases as income increases. However, the lowest income group gives the highest percentage of household income.
- *Employment*. Employed people give a higher average amount, but unemployed people give a higher percentage of their household income.
- *Homeownership*. Homeowners give a higher average amount and a higher percentage of their household income than renters and others.
- *Citizenship*. U.S.-born people donate more than foreign-born people (living in the United States).
- *Children living in household*. The level of giving is higher in families with children living in the household, but giving as a percentage of household income is higher in families with no children living in the household.

As informative as these statistics might be, they must be set in context (Wilhelm, 2007). Individuals matching these characteristics may or may not be donors to your organization. These are merely societal averages. The profile of donors to one organization may be very different from the profile of donors to another.

TABLE 4.1 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENT HOUSEHOLDS

GENDER	All Households	Male	Female
Contribution	$ 1,415	$ 1,547	$ 1,333
Household income	$53,432	$60,541	$49,120
Percentage of household income	2.7%	2.7%	2.8%

AGE	21–29	30–39	40–49	50–64	Over 65
Contribution	$ 668	$ 1,285	$ 1,643	$ 1,704	$ 1,484
Household income	$45,705	$60,099	$63,712	$57,636	$35,958
Percentage of household income	2.9%	2.4%	2.5%	2.8%	4.1%

RACE/ ETHNICITY	White (Non-Hispanic)	Black/ African American (Non-Hispanic)	Other (Non-Hispanic)	Hispanic (Any Race)
Contribution	$ 1,506	$ 1,114	$ 1,236	$ 979
Household income	$55,991	$42,833	$49,352	$43,916
Percentage of household income	2.2%	2.6%	2.5%	1.9%

EDUCATION	Less than High School	High School Graduate	Some Technical School or College	College Graduate or Some Additional Professional Schooling
Contribution	$ 518	$ 865	$ 1,420	$ 2,327
Household income	$27,627	$40,392	$52,980	$77,082
Percentage of household income	2.2%	2.3%	3.0%	3.2%

MARITAL STATUS	Married	Living with a Partner	Divorced	Separated	Widowed	Single
Contribution	$ 2,021	$ 720	$ 901	$ 818	$ 980	$ 860
Household income	$67,672	$57,976	$38,367	$44,213	$27,861	$44,339
Percentage of household income	3.0%	1.5%	2.6%	2.6%	3.6%	2.0%

(*Continued*)

TABLE 4.1 CONTINUED

HOUSEHOLD INCOME	**Under $25,000**	**$25,000–$49,999**	**$50,000–$74,999**	**$75,000–$99,999**	**$100,000 or More**
Contribution	$ 439	$ 891	$ 1,633	$ 2,038	$ 3,854
Household income	$13,955	$34,996	$59,172	$82,958	$145,670
Percentage of household income	3.2%	2.6%	2.8%	2.5%	2.6%
EMPLOYMENT STATUS	**Employed**	**Not Employed**			
Contribution	$ 1,491	$ 1,278			
Household income	$60,227	$41,668			
Percentage of household income	2.5%	3.2%			
HOME OWNERSHIP	**Owns Primary Residence**	**Rents Primary Residence**	**Other Arrangement**		
Contribution	$ 1,796	$ 651	$ 1,106		
Household income	$61,733	$36,856	$42,003		
Percentage of household income	3.1%	2.0%	2.8%		
RESPONDENT BORN IN U.S.	**Yes**	**No**			
Contribution	$ 1,463	$ 859			
Household income	$53,771	$49,259			
Percentage of household income	2.8%	2.0%			
CHILDREN LIVING IN HOUSEHOLD	**Yes**	**No**			
Contribution	$ 1,571	$ 1,335			
Household income	$60,710	$49,854			
Percentage of household income	2.6%	2.8%			

Source: Independent Sector (2001), pp. 131–139.

Looking at simple averages can also be misleading even if your donor population is representative of the national donor population. As we reported in Chapter One, the giving and volunteering survey (Independent Sector, 2001) shows that Caucasians give more than any other ethnic group. However, Yen (2002), for example, has shown that the effect of ethnicity on giving disappears if one accounts for other variables such as income, age, and education level.

In other words, variations in giving by ethnic group are not due to the color of an individual's skin; rather, they reflect differences in a variety of other respects. Two people, one Caucasian and one African American, who have exactly the same income, age, and other social economic characteristics would be statistically indistinguishable. Taking account of these factors makes the apparent difference disappear. The lesson here is that the influences on giving are interrelated and to examine the real impact of a factor, it is necessary to understand all of these complex relationships.

The broad categories employed by Independent Sector can also create difficulties in interpretation.

The average income for giving households is somewhere between \$50,000 and \$60,000 and most academic research to date shows that there is a U-shaped relationship between income and giving. The poorest and the richest give a higher proportion of their income than the middle class (Auten, Clotfelter, and Schmalbeck, 2000). James and Sharpe (2007) looked more closely at this relationship and determined that the reason the poorest people seem to be more generous than the middle class is that there is a core cohort of mostly retired donors who, although cash poor (and thus belonging to the lowest income category), are actually asset rich. This core group represents only 5 percent of all the people in its income category, but it presents a distinctive market for fundraisers to address, probably for bequests. Reliance on aggregate statistics alone would lead to this potentially profitable segment being ignored.

There is also a difficulty with these statistics that arises from the fact that although donors may appear to belong to a particular category, we have no way of knowing whether this category has recently changed. Giving occurs in a dynamic environment where donors' income as well their wealth changes over time (Schervish and Havens, 2001). Therefore, what determines how much more or less people will give is not necessarily how much income they have at a given point of time but, rather, how much their income has changed since their last donation. Economists have estimated that giving increases by about 0.4 to 0.8 percent with a 1.0 percent increase in income (Vesterlund, 2006).

In aggregate, although statistics such as those provided by Independent Sector are valuable, they should be interpreted with care and supplemented with data from additional sources when being used as the basis for campaign planning or targeting.

Motivation

Independent Sector's perspective on donor motivation is reproduced in Table 4.2. It focuses on only a small number of motives for giving, but it helpfully highlights the significance of the fundraiser's role in stimulating giving. Most individuals will not give unless they are actually asked to do so. The table also highlights the relevance of tax reduction to this context, although, as we shall see later, the role of tax as a "motive" for giving is a highly contentious issue.

Other perspectives on giving have tended to draw a distinction between giving where a benefit accrues to the donor and giving where no such benefit appears to exist. We discuss each perspective below:

Self-Interest Versus Altruism

Self-interest in giving can manifest in a variety of ways, including the following:

Self-esteem. Donors can be motivated to give because it offers them the opportunity to feel better about themselves for having made the gift (Piliavin, Piliavin, and Rodin, 1975).

Atonement for sins. Some donations may be motivated by the desire to atone for past sins—again with the ultimate goal of allowing

TABLE 4.2 REASONS FOR GIVING

Reasons to Give	% Indicating
Personally asked to contribute	55.9
To get a tax deduction	20.3
To fulfill religious obligation or belief	52.4
Something is owed to the community	58.3
Those who have more should give to those who have less	79.5

Source: Independent Sector (2001), pp. 131–139.

the donor to feel better as a consequence of having made the gift (Schwartz, 1967).

Recognition. Donors may be motivated by the recognition they will receive from the organization, their family, peers, or the local society in which they live (Dowd, 1975).

Access to services. Donors may give to a nonprofit because they believe that at some point in the future they may benefit from the work it undertakes. Donations to a hospital, for example, may be driven by donors' belief that if they are ever admitted they might be offered preferential access to treatment.

Reciprocation. Donors whose lives have already been touched by a nonprofit in some way may feel obligated to give to that nonprofit in order to reciprocate for assistance or services that were provided in the past. The notion of reciprocation also has a wider application: we know from the psychology literature that sending tangible "gifts" to donors can also generate the need for reciprocation. Many direct-mail packs include pens, free address labels, and other small items designed to stimulate a response.

In memoriam. Donors frequently give in memory of a friend or loved one. In such cases the gift acts as a celebration of the individual's life and allows the donor to express his or her feelings of loss and perhaps solidarity with those left behind. Such gifts are often intensely personal and may offer the donor considerable utility in bringing meaning to the loss of a loved one.

Tax. There is considerable empirical evidence that the smaller the cost to donors of making a gift, the more likely they will be to contribute. A number of studies have examined the relationship between income tax rates and charitable support. Although there has been variation in their findings, the responsiveness of individual giving to changes in taxation appears relatively great. A change of a given percentage in the price of donating results in a 24 percent greater percentage change in donations. Thus a shift in the marginal tax rate from, say, 40 percent to 30 percent results in a roughly 15 percent increase in the cost of giving and therefore reduces giving by 18.6 percent—that is, 15 percent times 1.24 (Weisbrod, 1988).

Tax relief for giving is thus considered an important motivator of charitable giving and, as Odendahl (1987, p. 21) notes, "the saving of taxes is not ever far from a person's motivation. . . . it is in mine, and it is in almost everybody's I know. I think if it were not for the savings in taxes—the notion that the government really is participating in a gift—I think there would be an awful lot less giving." Nevertheless it is important not to overstate the influence of taxation. Whatever way one looks at giving and whatever the marginal rate of taxation, the donor will always be better off not making a donation and keeping their money to themselves. Indeed, this notion is reflected in studies that have sought to rank a series of motives for giving; the impact of favorable tax breaks is typically a long way down the list. This is also true in the work of Independent Sector reported in Table 4.2.

Leading economist James Andreoni (2001) offers a more succinct way of looking at the utility that derives from giving. He argues that so-called selfless giving may be explained by the following:

1. *Public good theory*. Postulates that people will support nonprofits because they recognize that society as a whole will benefit from the donation. They are thus being rational because as a member of that society they too will derive benefit from the donation.
2. *Exchange theory*. Posits that donors will give because of the tangible rewards they will receive for their donation. These may take the form of membership benefits that accrue as part of their subscription, or of acknowledgment devices such as plaques or citations on a roll of honor.
3. *Warm glow effect*. Some economists believe that the utility offered by a gift can be psychological and thus completely intangible. People give because they feel better about themselves for having made the donation.

By contrast, arguments have been raised in favor of genuinely altruistic giving, whereby donors recognize a need and decide to offer a gift even in circumstances where they themselves will derive none of the benefits alluded to here. The sending of an anonymous donation or the leaving of an unsolicited bequest are two commonly cited scenarios in which self-benefit would be hard to quantify. Simmons (1991), however, still argues that even these seemingly selfless acts can ultimately be traced back to self-interest. Such acts might include "the desire for one's life to matter, to improve one's self picture, to feel happier about life and self, to relieve the distress of empathy with the victim, or to obey religious or societal norms" (p. 16). Perhaps, as Simmons goes on to stress, the underlying motive shouldn't really be of interest to us at all. Helping should remain admirable even where, at its root, the action may have been inspired by these subtle self-rewards.

Emotions as Motives

Other researchers have examined the role of emotions in stimulating giving.

1. *Sympathy*. Sympathy as a motive has received considerable attention from fundraisers. Sympathy allows the donor to conform to personally held beliefs (Clary and Snyder, 1991; Schwartz, 1977) about what is acceptable. In other words, when confronted with a request to give, donors will feel sympathetic if they believe it is inappropriate for the beneficiaries to be suffering in the manner depicted in the fundraising communication. There is a relationship between the degree of sympathy engendered and both the propensity to donate and the chosen level of support (Batson, 1990; Fultz and others, 1986). Greater sympathy leads to more giving and a higher level of gift.

2. *Fear, pity, guilt.* All three of these emotions have a positive impact on both giving and the amount of that giving (Krebs and Whitten, 1972; Pieper, 1975). We group them together because although they can all be used effectively in fundraising communications, they must be used with care. Their use should be strong enough to demand action, but not so strong that they becomes personally distressing to the donor. At this point, stimulating additional emotion becomes counterproductive and donors deal with their distress not by giving but by avoiding the communication.

3. *Social justice.* Miller (1977) argued from social justice motivation theory that if people witness undue suffering, their belief in a just world will be threatened; consequently, they will experience the emotions of sadness or distress and be motivated to respond in order to restore their faith in that just world. Donors motivated in this way have a strong sense of equity and believe that people "get what they deserve." They are thus more motivated to respond to a campaign raising funds for breast cancer victims than to a campaign for lung cancer victims, whom they may regard, rightly or wrongly, as partially responsible for their own condition.

The Role of Empathy

Although some authors see empathy as an emotion and thus a further stimulus to giving, we prefer to regard empathy as a mechanism by which people experience the emotions we have just described. Empathy may be defined as an individual's emotional arousal elicited by the expression of emotion in another (compare Shelton and Rogers, 1981). Davis and colleagues (1987) established that nonprofits should ask prospective donors to imagine how the beneficiary must feel rather than ask them to imagine how they would feel in the beneficiary's place. The distinction is subtle but important. In one case, donors are compelled to look at a problem from the beneficiary's perspective; in the other, they are not. Equally, to be effective, the arousal of empathy must be powerful enough to overcome indifference but not so powerful that it becomes personally distressing to the donor. In the latter case, the message will be ignored (Fultz and others, 1986). Images in fundraising communications thus have to strike an appropriate balance.

An example of an empathy-generating ad, produced by the Parkinson's Disease Society of Singapore, is provided in Figure 4.1. The copy reads, "The body starts to tremble uncontrollably, limbs stiffen up like boards, movements are painfully slow and jerky, speech is blurred, maintaining balance is impossible and so even simple tasks become a living hell. This is Parkinson's disease. Currently there's no evidence to say why it occurs or who will be its next victim. And there's no cure. The only hope is rehabilitation and therapy. To find out how you can help visit http://www.parkinsonssingapore.com."

The effect of empathy on donations is particularly strong if donors value others' welfare and perceive them to be in need (Batson and others, 1995). Another way to increase the likelihood that donors may empathize with beneficiaries is to make it easier for the donors to take the beneficiaries' perspective (Batson and others, 2003). This can be achieved by emphasizing the similarity between donors and their beneficiaries.

If direct comparison is not possible, then an indirect approach can be adopted. For example, if it is not possible for donors to imagine themselves growing up as children in Africa, then fundraising materials could help them see the matter in relation to their own children. "Would you want your child to live in an environment like that?"

Another way to increase similarities is to develop more "abstract" arguments (Levy, Freitas, and Salovey, 2002), making it is easier for donors to see connections between themselves and the cause. For example, instead of focusing on the suffering of someone in the final stages of Alzheimer's, the appeal could be framed to call attention to a patient suffering from a terminal disease. It can be much easier for people to relate to such a need than to Alzheimer's, because many more of us have had the experience of seeing someone close experience a terminal disease.

Interestingly, Blair and Wicklund (1984) have also shown that empathy can be evoked by telling stories about how a beneficiary has helped others. Although they may have nothing else in common with the beneficiary, donors can take the beneficiary's perspective by way of a shared sense of compassion.

FIGURE 4.1. EMPATHY-GENERATING AD PRODUCED BY THE PARKINSON'S DISEASE SOCIETY OF SINGAPORE

Source: Parkinsons's Singapore.

The Role of Values

Before closing our discussion of donor motivation, it is important to recognize the relationship between motivation and an individual's personal values. Values are "enduring beliefs that a specific mode of behavior or end-state is preferred over other alternatives" (Rokeach 1973, p. 25). Kahle (1983), for example, developed a list of nine values that he argued commonly shaped behavior, namely self-respect, self-fulfillment, accomplishment, being respected, fun and enjoyment, excitement, warm relationships with others, and a sense of belonging and security. There are other perspectives on values, but Kahle's approach has the merit of being easy to use in the context of most consumption behaviors (Beatty and others, 1985).

The relevance for fundraising is that donor preferences for certain values are likely to be expressed through their giving, and thus will enhance their motivation under certain circumstances. For example, a donor who values being respected may prefer to give under circumstances in which his or her giving will be visible, perhaps during a gala or other event. Public recognition will also be important to this individual, and organizations that can offer this dimension may be preferred over those that cannot.

Personal values are not the only types of values that could influence donor behavior. Organizational values too can make a difference. Some organizational values appeal only to people holding certain personal values (Bennett, 2002). People who value individual achievement (accomplishment, security, self-respect, being respected), for example, prefer to donate to nonprofits that believe in being exciting, entrepreneurial, adventurous, and competitive.

Definitions of Donor Behavior

We cannot begin to understand the complexity of the psychological mechanisms behind donor behavior without knowing precisely what we mean by the expression.

1. *Who*. Someone who gives money away. He or she can be categorized by demographic characteristics or by other long-term psychological dispositions that we explore later in the chapter.
2. *Where*. The location of the action. A donor may give away five dollars on a busy Manhattan street, in a shopping mall, or online in the privacy of his or her home.

3. *When.* The time of the action. A donor may give by text message while driving in morning rush-hour traffic, or the donor may offer a few dollars to the Salvation Army while leaving a grocery store.
4. *How.* The giving situation. It could be as simple as dropping a five dollar bill into the hat of a street performer, or as complex as hiring a professional advisor to develop an appropriate gift to charity to include in a will.
5. *How much.* The quantity or value (or both) of anything donated—money, time, land, or stock.
6. *To whom or what.* The recipient organization or particular project that the donor wishes to support.
7. *Context.* Any other details associated with the act of giving. For example, some donors may not want to be contacted by any telemarketing campaigns, or they may not want to receive more than one solicitation per year. Honoring these requests is essential to cultivating long-term support from these donors.

The sum of all an individual's giving acts is termed *donor behavior.* The distinction between one act of giving and giving behavior is important. Some psychological principles are general enough to be applied to most giving situations; others are more specific and apply only to certain types of acts. It is therefore important to specify the types of acts that one intends to facilitate, and to characterize them precisely before designing fundraising strategies to achieve them.

The reason we elaborated in such detail on how to describe a donation act is because fundraisers have the power to change each and every element of the giving process. For example, once a person has made a first gift, the goal becomes how to elicit a second gift, and after the second, a third, and so on. However, this doesn't necessarily mean that fundraisers need to achieve a repetition of the same act. On the contrary, fundraisers sometimes need to change giving acts in order to encourage more giving. If a donor gave cash the first time, it might be better to encourage him or her to switch to regular giving by credit card or to give a higher amount. By defining precisely the kind of giving act they wish to facilitate, fundraisers can design much more targeted campaigns and rely on a much more detailed understanding of the available research.

The next section summarizes this material.

Modeling Donor Behavior

Having explored who gives and why, we can now move on to explore the issue of how such decisions are made. The simple model of the influences on donor behavior in Figure 4.2 depicts a number of psychological processes that can typically shape a donation decision. Each component is discussed in turn.

Attention

The model begins by acknowledging that donation decisions are triggered in the main by external stimuli. We can be exposed to nonprofit appeals through a plethora of media, including face-to-face, direct mail, and press and television advertising. Attention refers to the process by which people devote mental activity to one or more of these stimuli. The key characteristic of attention is that it is selective (Anderson and others, 2004) and reflects motives and goals that the individual wants to achieve at a given point in time. It also reflects an individual's experience, because people tend to see what they expect to see and neglect other stimuli.

Hoyer and MacInnis (2001) offer the following suggestions for attracting attention:

- Making stimuli personally relevant by appealing to donors' motives and goals.
- Asking donors to reflect on questions about themselves in a direct-mail piece or online. This works because people are genuinely interested in what they think, what they are like, and what their own opinions are.
- Making stimuli pleasant by using attractive models, pleasant background music (online or on radio or television), or humor.
- Making stimuli surprising by using novelty and unexpectedness. (An example of an ad for the Australian Childhood Foundation based in Melbourne is depicted in Figure 4.3. For their ongoing campaign Stop Child Abuse, they used child-size mannequins to represent children suffering neglect. The mannequins were placed in high-traffic locations around the city and then a large poster was pasted over the top of the figure so that only the feet and legs could be seen. The words on the poster were, "Neglected Children are made to feel invisible.")
- Ensuring that a communication contrasts in at least one major way with other solicitations the donor may be receiving. In the context of press advertising, this might be achieved by the size of the ad, the typeface, the colors, the key messages, or the nature of any images or copy.
- Making stimuli easy to process. This is a particularly important yet often ignored element in fundraising communications. Images can

FIGURE 4.2. INDIVIDUAL GIVING MODEL

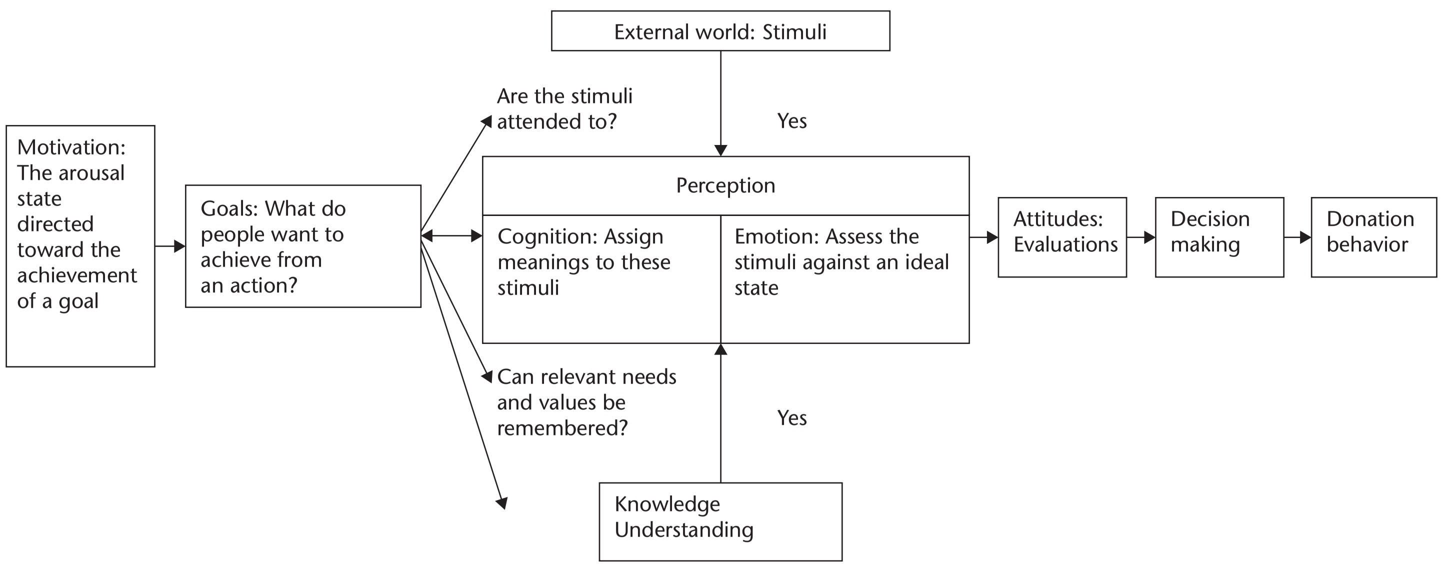


FIGURE 4.3. EXAMPLE OF NOVELTY IN ADVERTISING

Source: Australian Childhood Foundation.

be made easy to process if they are prominent and concrete and contrast clearly with their surroundings. Copy also needs to be easy to read, avoiding the use of long, complex words and jargon.

Perception

Perception is defined as "the process by which an individual organizes and interprets stimuli into a meaningful and coherent picture of the world" (Schiffman and Kanuk, 1994, p. 162). Two individuals may read an identical message from a charity but develop very different perceptions of the organization and the work it is trying to achieve. This happens because the process of interpreting a message is highly subjective and personal.

It is also highly complex. People are constantly receiving a plethora of stimuli from their environment. To make sense of all these data we take shortcuts that allow us to handle the volume. The perceived characteristics of even the simplest stimulus are thus viewed as a function of the whole to which the stimulus appears to belong. This makes life much simpler for the individual.

As an example, a Christian donor receiving a communication from a Christian charity might infer, as a consequence of seeing the word *Christian* in its name, that this organization is better managed and more efficient than a secular organization. In this case, the Christian donor applies what she associates with a Christian organization (in general) to this particular organization. An atheist, by contrast, may form entirely the opposite perception. Note that neither of them necessarily reflects the reality of exactly how this organization is run. Both donors apply general characteristics associated with a whole (in this case their perception of a Christian nonprofit) to the characteristics associated with a specific organization.

As we have noted from the outset, the interpretation of stimuli is highly subjective. It is based on what donors expect in the light of experience; on the number of plausible interpretations they can envision; on their beliefs, motives, and interests at the time of the perception; and on the clarity of the stimulus itself.

So subjective is the process that people often make errors. There are a variety of circumstances in which these can occur:

Halo effect. People can draw conclusions about a stimulus on the basis of only one characteristic when they should consider more (Bagozzi, 1996). Donors may judge whether a particular nonprofit organization is worthy of support on the basis of their perception of the appearance of its premises, of the emotion generated by its television advertising, or of how much the organization spends on the salaries of its executives. None of these factors can reflect the organization as a whole, but any one of them can create an overall impression, which might very well be in error.

Irrelevant cues. When required to form a difficult perceptual judgment, donors often respond to irrelevant stimuli. They might therefore reject a mail appeal from a nonprofit because the paper seemed too glossy or the pack too expensive.

Stereotyping. People make judgments on the basis of their perceptions of a whole group of people or organization (Darke and Ritchie, 2007). For example, donors may discredit a nonprofit advertisement that is perceived to be too "commercial" because of their general negative beliefs about advertising and marketing. Equally, they might prefer to give to Catholic charities because of a belief that such organizations are more efficient than others.

Jumping to conclusions. Many people jump to conclusions before examining all the relevant evidence. For example, a donor may start to read a press advertisement and reach a conclusion at the end of the first sentence. For this reason, copywriters are often careful not to save their most persuasive arguments for last.

Emotion

Having previously addressed the role of emotions as motives, here we look at the psychological processes that evoke them. As attributes are assigned, the donor may experience an emotional arousal. This emotion arises from a series of cognitive appraisals of the content of the communication (Bagozzi, Gurhan-Canli, and Priester, 2002) and of whether the current condition of the beneficiary group differs from the donor's perceived ideal. If they do—and it is the job of the fundraising communication to ensure that they do—the donor may feel sympathy, anger, pity, or indeed any of the emotions we discussed earlier. These appraisals can be either conscious or unconscious. Individuals are not necessarily aware that an appraisal is taking place.

Each individual emotion is caused by a unique combination of appraisals that people conduct after assessing the circumstances in an appeal. To be clear, the circumstances themselves do not cause people to experience a particular emotion; rather, it is their cognitive interpretation of the situation that generates the emotion. Two people may experience exactly the same communication but feel very different emotions.

There are five key appraisals that stimulate emotion. Individuals interpret the stimuli as follows:

- *Motive consistent or motive inconsistent.* If the situation presented is consistent with the motive or goals that an individual wants to achieve, they experience positive emotion. An appeal to raise funds to keep open a helpline that the donor too wants to see continue its operations would generate positive emotions toward the appeal. By contrast, a famine relief appeal depicting starving families may be inconsistent with donors' belief in a just world, so they would experience negative emotion.
- *Appetitive or aversive.* Appetitive situations are those that include the presence of a reward or the absence of a punishment. Aversive situations include the presence of a punishment or the absence of a reward. An environmental campaign, for example, could be promoted on the basis that actions taken today can

preserve the environment for the donors' children to enjoy (a reward), or it could talk of the dire consequences that might result from inaction (a punishment). The first appeal is appetitive, the second is aversive.

- *Agency*. The donor will appraise who is responsible for the outcomes depicted in the appeal. The situation facing the beneficiaries could have been created by impersonal circumstances (such as the weather, an accident, or freak conditions), by some other person, or by the donor himself or herself.
- *Probability*. Probability is the extent to which the donor believes that the outcome (typically the circumstances of need) depicted in the communication is certain or uncertain. If the donor doesn't give to support famine relief, is the death of the family depicted in the fundraising communication inevitable or in doubt?
- *Power*. A person may or may not believe that he or she has the power, by making a donation, to achieve a positive outcome.

So how is all this relevant to fundraising? Roseman's (1991) cognitive appraisal theory of emotion, depicted in Figure 4.4, shows how these

FIGURE 4.4. ROSEMAN'S COGNITIVE APPRAISAL THEORY OF EMOTION

Agency		Positive Emotions Motive-Consistent		Negative Emotions Motive-Inconsistent		Power
		Appetitive	Aversive	Appetitive	Aversive	
Circumstance Caused	Unexpected	Surprise				Weak
	Uncertain	Hope		Fear		
	Certain	Joy	Relief	Sadness	Distress, disgust	
	Uncertain	Hope		Frustration		Strong
	Certain	**Joy**	Relief			
Other-caused	Uncertain	Liking		Dislike		Weak
	Certain					
	Uncertain			Anger		Strong
	Certain					
Self-caused	Uncertain	Pride		Shame, guilt		Weak
	Certain					
	Uncertain			Regret		Strong
	Certain					

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five appraisals can be linked with sixteen emotions in any given situation. Fundraisers can use the model to generate more effective emotional appeals.

To illustrate, let's consider the emotion of joy. Joy is experienced when a situation is consistent with the goal the donor wants to achieve. If the donor's goal is to help one African child obtain an elementary education, he or she would give out of the joy of knowing that the donation can help achieve that goal. The stronger the joy is that the donor experiences from being able to make a difference, the more likely it will be that he or she will give. The fundraiser's task is hence to stimulate this emotion. Figure 4.4 provides additional insight into how this can be achieved.

First, the fundraiser can examine the role of power, making it clear to the donor just what a difference their individual gift can make. This may be done by spelling out what can be achieved with specific amounts of money. Because joy is also an emotion associated with certainty, it can be stimulated by building in a feedback mechanism (such as a letter from the child) so that the donor can be certain of the impact of his or her gift. The fundraiser can also use the copy in the solicitation to make it clear that the child is an entirely innocent victim of circumstances and only needs the donor's help to make life better. Finally, Figure 4.4 tells us that joy is an appetitive emotion, so any campaign should be laden with plenty of positives, that is, if you help, we can achieve this positive outcome, this positive outcome, and this positive outcome.

Let's look at another example from Figure 4.4: anger. Many donors give to Mothers Against Drunk Driving (MADD) because they are angry at the actions of drunk drivers and want to see change. Anger (a negative emotion) could arise because the donor's goal of seeing no deaths from drunk driving is inconsistent with the statistics on such deaths provided by the nonprofit. In Roseman's terms, anger is a "negative emotion motive inconsistent."

Figure 4.4 suggests ways in which MADD fundraisers could arouse this emotion effectively. We can see that it is an "other-caused" emotion, so emphasizing the activities of the selfish individuals who behave in this way would be a good strategy to adopt. Anger can also be strengthened where donors can be convinced that they have the power to make a difference and save lives in the future. The degree of anger stimulated does not vary by the outcome of the other appraisals in the model (such as certain or uncertain). Roseman's work allows us to consider how to maximize the impact of emotional appeals.

Emotion is important because it assigns additional meaning to stimuli and helps to form attitudes and behavior. The effect of emotion on donor attitudes and behavior is particularly profound under the following circumstances:

- *When donors are not very involved in a giving decision* (that is, they don't take long to think it through). In this case, the effect of their emotions may override their cognitive reasoning. When donors are very much invested in their donation decisions, both their emotions and their cognitive interpretations of the stimuli influence their decisions.
- *When the charity brand is novel*, as opposed to well-known (Brown and Stayman, 1992). In this circumstance, there are fewer facts to enter into a cognitive process. A donor's feelings about whether the organization warrants support are likely to take precedence.
- *When an advertisement has not been repeated often* (Stayman and Aaker, 1988). Individuals are more likely to appraise a novel communication.
- *When the emotional appeal matches the visual impression*. Fundraisers may enrich donors' visual perceptions by using an appropriate combination of colors. When advertising for a disaster relief, for example, one may want to couple cold colors, to depict the reality of the disaster, with warmer colors depicting the helping hand.
- *When a real victim is presented*. Real victims generate the strongest emotional response, the most positive attitude toward the communication, and the highest proclivity to donate (Shanahan and Hopkins, 2007). In many cases, a single identifiable victim generates more support than thousands of unidentified victims in aggregate (Small, Loewenstein, and Slovic, 2007).

Knowledge

Donors cannot assign meanings to what they are motivated to pay attention to without utilizing some prior knowledge, so it is important for fundraisers to understand two aspects of donors' knowledge base: knowledge content and knowledge structure (Anderson, 2000). The first concept refers to what people know, the second refers to how one piece of knowledge relates to another and to how they connect with any newly acquired information.

Knowledge Content

Facts are the basic elements of our prior knowledge. These facts are not randomly collected or stored in our memory. Rather, they are associated with *concepts*. A concept in this context is a unit of meaning, including all its elements and characteristics. The set of associations linked to a concept is called a *schema*.

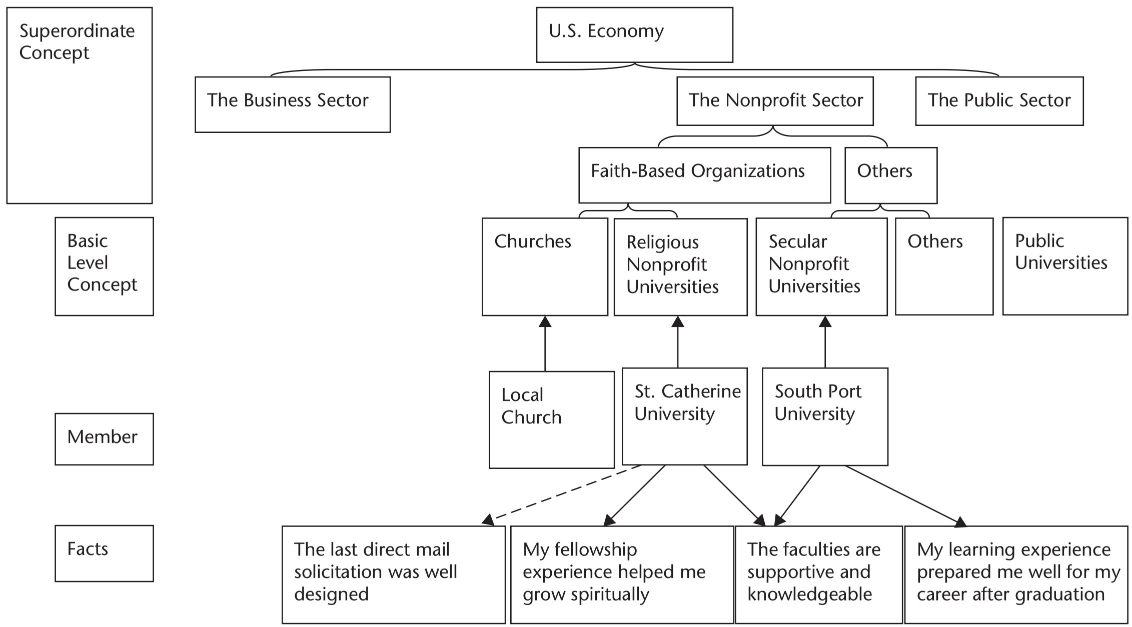
To illustrate, let's consider an example of a schema centered on the concept of secular nonprofit universities, depicted in Figure 4.5. The concept of "secular nonprofit universities" is connected to its members (for example, South Port University) and to the facts linked to these members (such as "My learning experience prepared me well for my career after graduation"). This concept has a parallel relationship to religious nonprofit universities as well as to public universities. It also belongs to the subset of all secular nonprofit organizations within the nonprofit sector. The sum of all the links connected to a particular concept is known as the schema surrounding it. Before this person attended graduate school at South Port University, this schema did not exist in her knowledge base. After she attended, this particular schema was integrated into her existing knowledge base as illustrated in Figure 4.5.

Typically, schemas are made up of images and scripts (categories). Some images may be favorable, unique, and salient (top of mind), while others may be unpleasant, common, and insignificant. Donors' schema regarding your organization, your brand, and your fundraising will be determined by their prior exposure to those elements and by any new information provided. The difference between the information stored in people's knowledge and the stimuli coming from the outside world is a significant level of abstraction. The perceptual details of the stimuli are gradually forgotten whereas the important relationships among the elements are remembered and organized. For example, how well the last direct-mail solicitation was designed won't be as memorable as the brand it reinforced. Equally, the memory of individual days spent at a university will fade, but an overall impression of how well the educational experience prepared the donor for his or her career will remain.

Knowledge Structure

One way of understanding the structure of knowledge is by its hierarchies (Bagozzi, Gurhan-Canli, and Priester, 2002). Sticking with our previous example, if we consider religious universities, secular nonprofit universities, and public universities as the basic-level concepts, then faith-based organizations would be the *superordinate-level* concept for religious universities, and secular nonprofit organizations would be the *superordinate-level* concept for secular nonprofit universities. In this way knowledge is stored in hierarchies. One concept is stored as a component of another, which is in turn stored as a component of another, and so on.

FIGURE 4.5. EXAMPLE OF KNOWLEDGE STRUCTURE



Another way to look at how knowledge is organized is on the basis of goal-derived categories. Facts or schemas that are relevant to a goal may very well come from different hierarchies. Imagine a donor who attended St. Catherine's for her undergraduate education and South Port for her graduate education and who regularly attended a local church. Now she is deciding how to allocate the pot of money she sets aside for donations at the end of each year. To carry out the comparison, different schemas may be activated. Let's imagine that her goal is to show appreciation to the faculty members who taught her in her educational institutions. In these circumstances, only the university-related associations would be activated, that is, St. Catherine's and South Port. However, if her goal is to promote a fellowship experience that aids spiritual growth, then only the local church's and St. Catherine's schemas will be activated. In a goal-oriented knowledge schema, knowledge structures are deemed important on the basis of their relevance to those goals, not whether they belong to the same basic or superordinate concepts.

So why does all this matter? Well, if a donor's knowledge structure is organized around goals, then it is important for fundraisers to understand what those goals are. They also need to understand the knowledge content and knowledge structure surrounding those goals. If the goal that Ms. Jones wants to achieve in giving to universities is to make sure that the university can continue to provide an excellent fellowship experience for future students, fundraisers at St. Catherine's need to know that Ms. Jones attended a secular university for her graduate education. They can then appeal to this motive without having to worry about competing for funds with her other (secular) educational institution. However, if the goal that Ms. Jones wants to achieve in giving to a university is to show appreciation to the high-quality faculty she encountered there, then St. Catherine's may need to make a compelling argument for why her experience with them is more significant than her experience at South Port. In this second case, suggesting that St. Catherine's is a good institution is not enough; fundraisers also need to focus on why it's better, or why it's unique.

Attitudes

In its broadest sense, attitude refers to a set of evaluations (Bagozzi, Gurhan-Canli, and Priester, 2002). These could include evaluations of people ("I like Brad Pitt"), ideas ("I am against child abuse"), objects ("I like this car"), places ("A trip to Israel appeals to me"), oneself ("I am a good person"), or actions ("I think giving to the Red Cross is good").

In the context of our individual giving model, attitudes could also be formed about our goals, our motivations, the meanings assigned to perceptions, and the facts and schemas received from our knowledge. Whatever the case, an attitude must be focused on a target; it does not exist in isolation. Thus, when fundraisers use the word *attitude*, they must also be clear about the target that is being evaluated.

Several theoretical traditions have explained how people come to determine their attitudes toward a target.

Expectancy-Value Model

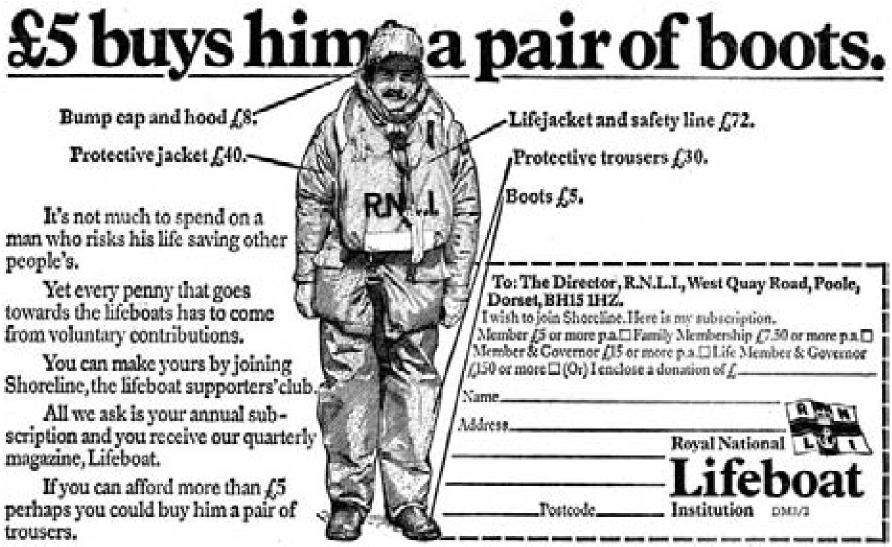
The expectancy-value model says that attitude can be calculated as the product of evaluations of behavioral outcomes (value) and how strongly people think a behavior may lead to that outcome (expectancy) (Ajzen, 1991). In other words, in a decision about whether to give to an organization that is working to secure a cure for breast cancer, donors will develop a favorable attitude toward making a donation if they believe a cure is desirable (value) and that their donation will make a difference (expectancy). Donors rely on both the charity solicitation and their existing knowledge to decide on the salient outcomes, and to decide how likely it is that their actions will lead to the attainment of those outcomes.

Figure 4.6 depicts an ad deliberately designed to emphasize the tangible difference a donation can make. It is a now-classic ad run by the Royal National Lifeboat Institution in the United Kingdom. The conditions that the organization's volunteer lifeboat crews face as they struggle to save lives at sea are often atrocious. Donors are encouraged to make a contribution to the safety of these crews by offering gifts capable of purchasing items for their kit.

Appraisal-Based Model

The appraisal-based model suggests that donors may appraise the utilitarian, experiential, and enjoyment consequences of a donation action (Davis, Bagozzi, and Warshaw, 1992). For example, they may find attractive (a utilitarian consequence) the membership discount to a gallery that results from a donation; they may find rewarding (an experiential consequence) the experience of meeting a handicapped child they have supported; or they may find pleasant (an enjoyment consequence) the handwritten thank-you note sent to them by a charity fundraiser. These appraisals are of course not the only meaningful ones in the fundraising context. Other appraisals may include the ease of making a donation, the quality of information on how funds are used, and the quality of donor care

FIGURE 4.6. ROYAL NATIONAL LIFEBOAT INSTITUTION AD



Source: Royal National Lifeboat Institution (RNLI). Reprinted with permission.

provided. All of these elements may determine donors' attitudes toward giving, and thus their likelihood of making a donation.

Means-End Chain Theory

Means-end chain theory makes explicit the reasons that people develop a particular attitude, and it measures attitudes only in the context of the goals that people want to achieve (Mort and Rose, 2004). The difference between the means-end chain theory and the expectancy-value theory of attitudes is that a behavioral outcome and its expectation is relevant in forming an attitude only if it is part of a donor's goal. For example, rebuilding New Orleans might be one potential outcome of the donations collected by the Red Cross. But if donors give primarily to provide relief during the emergency and not to the subsequent reconstruction effort, this outcome is irrelevant in their attitude formation. Sometimes such outcomes even harm donors' attitudes toward an organization. Means-end chain theory reminds us that fundraisers need to understand which outcomes or experiences are considered most important by donors, and they need to emphasize these in communication in order to aid the formation of a positive attitude on the part of donors.

Changing Attitudes

Fundraisers can develop a positive attitude toward giving by managing the following factors:

1. *Communication sources*. Fundraisers can increase the credibility of the *spokesperson* in the communication. They might therefore select a more senior individual within an organization to write an appeal. Equally, credibility might be enhanced by stressing the qualifications or experience of the individual and thus making it clear why *this person* is asking for support. The reputation of the organization itself could be emphasized, perhaps by reminding donors of its past achievements. Doing so improves not only donors' attitudes, but also the confidence that donors feel about the favorable attitudes they develop (Nan, 2009).

2. *The message*. Fundraisers can increase the quality of the argument made in their campaign advertising, direct marketing materials, and Web pages. There are two issues to consider here:

- *One- and two-sided messages*. Some promotional messages contain only one side of the argument. They convey only the positive impacts of making a gift while ignoring any drawbacks completely. Other messages may be termed two-sided in that they present a more balanced view to the audience, showing both the advantages and the disadvantages of the work an organization plans to do. In general, research indicates that one-sided messages are more effective when the recipient group already has a favorable view of the work to be done or when their level of education is low. They also work well when the decision is low-involvement, that is, these decisions require little thought on the part of donors. Conversely, two-sided messages are preferred when the recipients are either highly educated or hold a negative view of what the organization is trying to achieve. They can also be more effective in situations of high involvement on the part of donors, because the donors are likely to take time to reflect on their decision and will probably conduct additional research of their own. This would be true of most major gift contexts.
- *Framing the presentation*. In presenting appeals to a potential audience, a variety of arguments can be used in the attempt to persuade. Of course

not all of these messages will have equal impact on the target group; some will be seen as weak arguments, others will not be as easy to counter. The issue for fundraisers, then, becomes the order in which these messages should be presented. Should a promotional message begin with the stronger points or the weaker ones?

If the audience has a low level of involvement, it may be necessary to begin with a strong message to generate attention. It is also true that if the audience holds a strongly opposing view, a weak argument at the beginning of the message will serve only to raise counterarguments in the minds of recipients, and the remainder of the message may be filtered out as a result. Of course the converse of these points is also true. Messages which begin with weaker points and build up to the strongest arguments at the end tend to be more appropriate when the position adopted is not controversial or when the issue evokes a strong but positive sense of involvement.

Fundraisers can also simplify the arguments, make them relevant to donors, and present them in such a way that donors perceive there to be a significant list of them. Note that these tactics do not necessarily increase the quality of the arguments, they just make the argument *appear* to be of a higher quality. Such tactics work only if the donation decision is likely to be low involvement, as would be the case with the response to much direct mail. In the context of high-involvement donors the approach would likely backfire because donors could perceive the arguments as shallow, and develop negative attitudes as a consequence.

3. *Portrayal of beneficiaries*. The manner in which recipients of the charitable "product" are portrayed can have a considerable impact on attitudes toward support and actual giving behavior. A "product" in this context might be an elderly person whom a donor might want to sponsor or a child in the Third World. Donors will tend to support those charities that represent the needy in an acceptable way (Eayrs and Ellis, 1990). Pictures, for example, of an overtly handicapped child have actually been shown to decrease the response to fundraising solicitations. Donors can find such images distressing and ignore the communication concerned. Reactance theory (Brehm, 1966) also suggests that individuals have what they like to regard as a number of behavioral and attitudinal freedoms. A hard-hitting campaign can thus fail because it may threaten donors' ability to choose to spend their monies elsewhere. It is thus somewhat ironic that a picture of an aided beneficiary can be much more effective because donors then feel

they have the freedom not to give and are statistically much more likely to give as a consequence (Bendapudi and Singh, 1996).

Similarly, appeals for charities concerned with disability often emphasize how dependent individuals with the disability are on the organization's work. There is now considerable evidence that such appeals are very successful in engendering feelings of sympathy (Brolley and Anderson, 1986; Feldman and Feldman, 1985) as well as feelings of guilt and pity (Feldman and Feldman, 1985; Krebs and Whitten, 1972; Pieper, 1975). A key issue for fundraisers, however, is the extent to which dependency should be exhibited. Although one might assume that depicting a greater degree of dependency is desirable and that it would be best to maximize this approach, this need not necessarily be the case. It depends on whether the person's dependence on the organization is perceived as temporary or permanent. Wagner and Wheeler (1969) identified that when the need is perceived as permanent, the level of dependency has no effect on the amount likely to be given. However, if the need is only temporary, increasing the level of dependency depicted in fundraising communications will increase both the number of donors who give and the number who give at higher levels.

Interestingly, Adler, Wright, and Ulicny (1991) identify that portraying recipients as succumbing to their condition (in contrast to coping) has no impact on the pattern of donations. They also, however, identify a strong impact on the subsequent attitudes of donors toward the recipient group. This latter point is of particular interest because many authors argue that portraying people with disabilities as dependent may well harm the long-term interests of the beneficiary group by reinforcing negative stereotypes and attitudes (Elliot and Byrd, 1982; Harris and Harris, 1977). Positive portrayals, on the other hand, seem to engender positive attitudes (Shurka, Siller, and Dvonch, 1982); fundraisers thus need to ensure that they take adequate steps to preserve the best interests of the community they serve, consulting as widely as possible before running a potentially contentious campaign. The messages that are likely to raise the most funds can on occasion be entirely inappropriate given the nature of the cause and the wider needs of the beneficiary group.

Finally, other work on the portrayal of beneficiaries has suggested that attractive people are perceived as more worthy of support than unattractive people (Latane and Nida, 1981) and that female subjects are considered more worthy of support than male subjects (Feinman, 1978; Gruder and Cook, 1971). The portrayal of recipients' responsibility for their own condition can also have an impact on the willingness to support. Piliavin,

Piliavin, and Rodin (1975) identified that the extent to which an individual could be blamed for his or her needy condition has a direct impact on both the number of donations and the levels of support proffered.

Donor Decision Making

Having now reviewed the underpinning psychological processes, we can move on to examine the stage of the model at which the donor must make a decision about whether or not to give. It is perfectly possible for a donor to develop favorable attitudes toward making a donation but for that attitude not to translate into action. Here we examine why that might be and some of the key processes involved in human decision making.

Evaluation of Utility

A key factor in deciding whether and how much to give is the utility (or benefit) that the donor derives as a consequence. We have already described in the section on motivation the various ways in which donors might benefit from a donation. At the point of decision making, donors reflect on what they want to achieve from the gift and determine whether this can be accomplished by one or more of their giving options. They also evaluate the likely utility received against the costs of making the donation. In other words, does the donation constitute a fair exchange? Sargeant and Jay (2004) provide a helpful summary of our earlier discussion, suggesting five categories of utility:

1. *Emotional utility*. In the sense of the "warm glow" considered by economist Andreoni (2001) and others, donors will be more likely to give to organizations when the sense of having done the right thing, of accomplishment, or of self-worth is highest.
2. *Familial utility*. Donors may prioritize organizations from which they or their family and friends might benefit, now or in the future. They may also elect to give in memory of a loved one.
3. *Demonstrable utility*. Donors can rationally decide to which organization, among competing organizations, they believe their donation would make the greatest difference, where they would "see" the biggest impact from their donation.
4. *Practical utility*. Donors may give simply because they want the practical benefits that accrue from giving. They might thus join the Nature Conservancy to gain access to the reserves they wish to visit or to enjoy

a variety of the other membership benefits the nonprofit is able to offer. As we discussed earlier, giving can be motivated by a plethora of extrinsic rewards, particularly in the context of membership.

5. *Spiritual utility*. Donors may select a nonprofit because it has the strongest fit with their spiritual identity and needs.

Donors may thus evaluate their giving options and select those that offer them the greatest utility for the amount requested. Donors who have given previously may also factor in the quality of the previous giving experience. If the gift was banked within a reasonable time, the donor was thanked appropriately, and his or her preferences for further communication were solicited and implemented, he or she will be more likely to give again than if the process was flawed. Donor satisfaction with the quality of service provided is therefore highly significant. Indeed, so significant is this factor in driving additional gifts that we return to it in some detail in Chapter Twelve.

Mental Accounting

When people evaluate the utility they will receive for a given donation, they also have to evaluate whether that utility is worth the sacrifice and thus whether they can afford to give. People do not think of money as all the money they have at a given point in time, all the money they will have, or all the money they could have had. Instead, they put the money into different mental accounts (Thaler, 1999)—for example, this is my food account for the week, this is my clothing account for the year, and this is my vacation account for the summer. People do not need to have actual bank accounts for all these purposes, but that's how they think about it. What this means is that donations need to be drawn from one of these accounts as well. Some individuals may already have giving accounts and the organization needs only to solicit a portion of that account, but others may be new to giving and would thus have to give something up in order to offer their support. How then could fundraisers position a gift in an appropriate account? The answer here is to position giving against alternatives that the donor could most easily give up. For example, supporting the American Cancer Society (ACS) for $50 a month is less than a third of what an average family spends on liquor over the same period. For the donor, framing it this way makes giving money to the ACS not feel like having to give up anything meaningful. The likelihood of giving should thus be higher.

Feedback

Donor behavior does not end at making a single donation or even repeated donations. Any action the donor takes will feed back into the individual's physical, psychological, and spiritual well-being. Any information associated with these actions will also be stored in the donor's memory and integrated into his or her knowledge and understanding for future use.

The most straightforward consequence of making repeated donations is developing a habit of doing so (Wood and Neal, 2007). Habit is developed over a long period through extensive repetitions of the same behavior. Once established these habits are automatically triggered by an external stimulus (such as a renewal letter) and are subject to little evaluation or thought.

If donors get into the habit of supporting an organization, they can become very long-term and loyal supporters, the backbone of an annual fund. Such donors, although valuable, must be treated with care. Any new or innovative fundraising efforts need to be crafted to be consistent with their existing giving habit, otherwise donors can be prompted not only to review the solicitation they have just received but also their whole relationship with the organization. For example, if people have been giving for ten years by sending in a check every year, fundraisers need to be wary of trying to switch them to credit or debit card payments. It works against their habit. It is much less risky to switch newer donors from paying cash to paying by card, because when a habit is still being developed it can be shaped more easily.

Giving not only leads to more giving, it also enhances the quality of life for donors. Research has identified that individuals who report higher charitable giving also report themselves to be physically and mentally healthier (Schwartz, Meisenhelder, Yunsheng, and Reed, 2003). They are also happier (Brooks, 2007). Especially for women, the perception that they are providers of help to others is a strong predictor of their physical health (Väänänen and others, 2005). This appears to happen because women's self-esteem can be boosted through their experience of giving more easily than men's. Fundraisers can add to this value by sending thank-you letters deliberately designed to boost women's self-esteem—in other words, to make them feel good about themselves. This response can be achieved by telling women directly that they are being nice, kind, or generous for supporting the organization. The choice of words here is not arbitrary; these are all words that people in the United States associate with being a moral person. It is the perception of being moral that adds the value.

The impact of labels such as *nice, kind*, and *helpful* is particularly potent when there are concrete prior behaviors to be labeled and when the label stresses the uniqueness of the donor's behavior (McGuire and Padawer-Singer, 1976). Thank-you notes should therefore be personalized and refer to the exact amount of the donor's contribution and what it has been able to (or will) accomplish. To be effective, these labels should be used consistently over time.

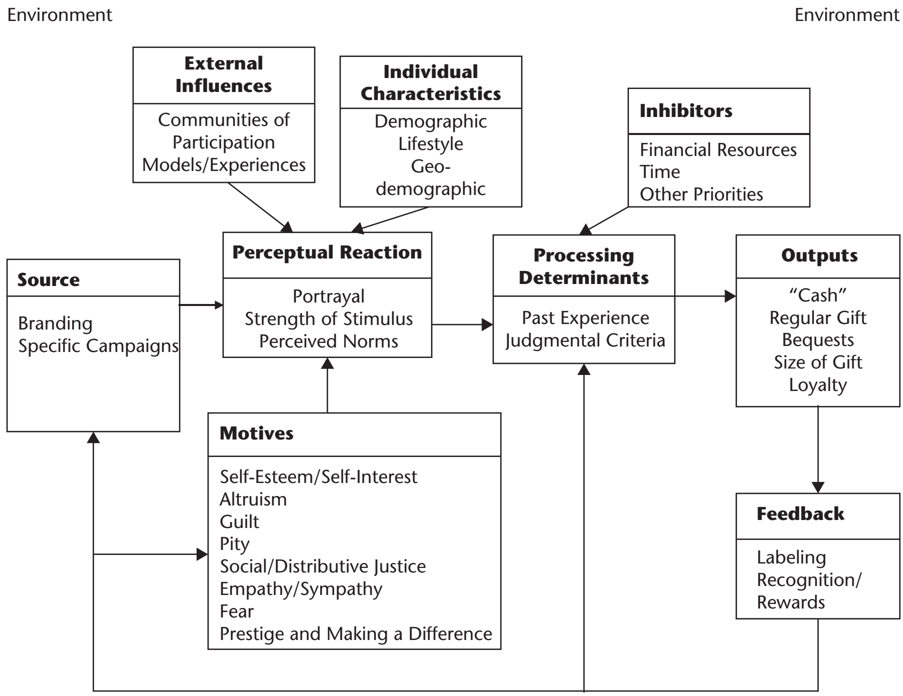
The fundraising literature is also replete with references to the need for adequate donor recognition (see, for example, Warwick and Hitchcock, 2001; Irwin-Wells, 2002). Failure to provide adequate and appropriate recognition, it has been argued, will lead to either a lowering of future support or its withdrawal. Sargeant, West, and Ford (2001) provide the first empirical support for this proposition, indicating a link between the perception of adequate recognition and the level of subsequent loyalty. Recognition may be as straightforward as the simple thank-you letter discussed in the preceding paragraph, or it may be more complex, particularly when higher value gifts are concerned. In such circumstances, the recognition should be carefully tailored to the needs of the donor.

Alternative Models

The model we presented in Figure 4.1 is an example of a *process* model of giving behavior. It outlines the stages that donors will pass through and the processes they will draw on as they progress to eventually making a decision. We have discussed each component of the model and demonstrated how each is related to the next.

There are also *content* models of giving behavior. The Sargeant and Woodliffe model depicted in Figure 4.7 is one such example. Although it presents sequentially the complex psychological processes that individuals go through in deciding whether or not to offer a donation, it makes no attempt to map them. Instead it examines giving by delineating broad categories of research and thus categories of information that fundraisers can draw on in designing their appeals. By now the reader will be familiar with most of the items included in the Sargeant and Woodliffe model. We have discussed them in relation to the processes outlined in Figure 4.2. That said, the Sargeant and Woodliffe model does make it clear that there are other social influences on giving behavior: the groups and communities in which we participate (such as clubs, associations, and schools) and any role models or individuals whom we hold in such high regard that we model our own behavior on theirs. Such social influences on behavior are the focus of the next chapter.

FIGURE 4.7. SARGEANT AND WOODLIFFE MODEL OF GIVING BEHAVIOR



Source: Sargeant and Woodliffe (2008), p.112.

TABLE 4.3 REASONS FOR NONSUPPORT

Reason	% of Sample
I cannot afford to offer my support to charity	23.3
Charities ask for inappropriate sums	22.5
The government should fund the work undertaken by charities	19.3
I find charity communications inappropriate	12.0
The quality of service provided by charities to their donors is poor	6.8
In the past charities have not acknowledged my support	4.0
I feel that charities are not deserving	2.8
Other	9.3

Source: Sargeant, A., Ford, J., and West, D. C. (2000). Widening the appeal of charity. *International Journal of Nonprofit and Voluntary Sector Marketing, 5*(4), 318–332. Reprinted with permission of John Wiley & Sons, Inc.

The Sargeant and Woodliffe model also highlights a number of inhibitors or barriers to giving. These are presented in Table 4.3. In a large scale survey of nondonors, Sargeant, Ford, and West (2000) identified that lack of money was the primary issue, although this was only marginally more significant than being asked for inappropriate sums or believing that the government should be funding the work undertaken by charities. It is interesting to note that communications and service quality issues are also significant factors in nongiving.

Summary

In this chapter we have explored the demographic and social economic characteristics of donors and introduced the individual giving model. We have also explained each of the processes in the model in some detail. This giving model constitutes the core of how donors reach a decision about making a donation. However, it does not include all the possible psychological processes that could make a difference. In particular, it is a model of individual behavior that does not take into account the social environment that surrounds individuals. We develop this topic further in Chapter Five.

Donor behavior remains one of the most researched issues in the social sciences, drawing on work conducted in the disciplines of marketing, economics, clinical psychology, social psychology, anthropology, and sociology. All have much to contribute to our knowledge of the topic, and all have much to contribute to professional practice.

A greater degree of reflection on the needs of the donor and a greater degree of understanding of why donors behave as they do is long overdue in fundraising. Lee (1998) warns fundraisers that they risk becoming the "used car salesmen" of the sector if they increasingly embrace "techniques" and lose sight of the real reason for their existence. Fundraisers must develop a sound understanding of how and why donors elect to give, and the practice of fundraising must reflect this understanding. This chapter has provided an overview of the key psychological principles that can assist in reaching this goal.

Discussion Questions

1. What is the relationship between income and giving?
2. What are the main components of the individual giving model?
3. How can fundraisers attract donors' attention?

4. How do people assign meanings to the external stimuli coming into their senses?
5. What are the perceptual errors that people commonly make? How might fundraisers minimize the influence that these errors might have on donations?
6. What is a schema and why is it important to understand when designing fundraising communications?
7. How can fundraisers change donors' attitudes?
8. What tactics might fundraisers use to help donors empathize with their beneficiaries?
9. Is it the case that the stronger a donor's giving habit is, the more he or she will give? Why?

CHAPTER FIVE

SOCIAL INFLUENCES ON GIVING

By the end of this chapter you should be able to:

1. Understand and describe the social giving model.
2. Explain what is meant by the donor's self-concept and why it is important in determining behavior.
3. Understand the effect that societal factors may have on giving.
4. Understand the following concepts and how to integrate them into the design of fundraising communication:
    a. Social influence, including informational and normative influence
    b. Social networks
    c. Social identities, including social category-based, group attraction based and organizational based social identities.

In Chapter Four we described the demographic and socioeconomic characteristics of American donors and explained through our individual giving model why and how decisions about giving were made. That chapter focused largely on how individuals make giving decisions in isolation. In this chapter we supplement this understanding by examining the social context for giving, and we explore how fundraisers can use an understanding of this context when designing their communications.

We begin by offering a social giving model and, as previously, explaining each dimension in turn.

A Social Giving Model

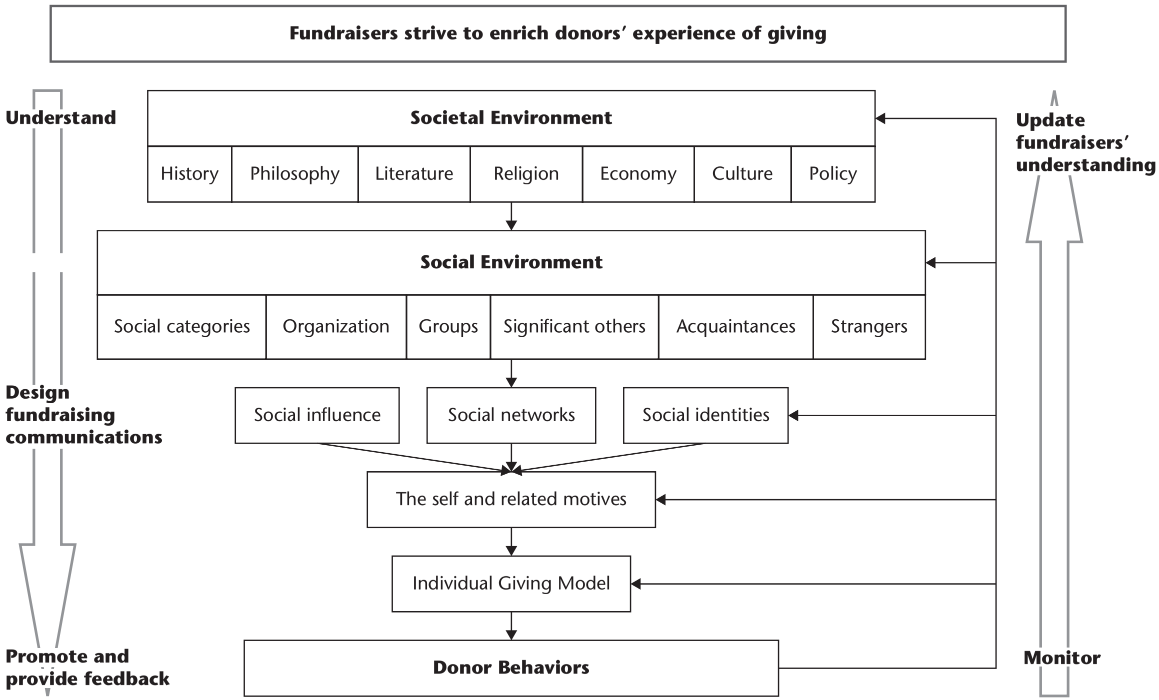
At the core of the social giving model is the individual who gives (Figure 5.1). Having previously explained the psychological processes that determine giving behavior, we now offer an additional component that can offer significantly more insight into motivations and behaviors, namely, the *self-concept*.

The self comprises donors' thoughts and beliefs about who they are. We all have a series of such beliefs and they make it easy for us to organize all the knowledge we have about ourselves and to interpret the world around us. This organized knowledge about ourselves is sometimes termed a *self-schema*. Similar to the more general knowledge schemas that we explained in the last chapter, a self-schema has both contents and structures. The only difference is that this schema is strictly focused on people's understanding of themselves rather than of the external world (Markus, 1977). This sense of who we are is important because it serves to regulate our behavior. We act in ways that we view as consistent with who we are and we avoid behaviors that are not (Baumeister and Vohs, 2003). This behavior is termed *self-regulation*, an important role of the self-concept.

There are two theoretical approaches to understanding how the process of self-regulation works. First, we are motivated to feel good about ourselves (we desire self-esteem); second, we are motivated to develop what we perceive as an accurate view of the social world (Carver and Scheier, 1998). Any external social stimuli that enter into our senses are assigned meanings so as to reinforce our sense of self-esteem or our sense of being accurate. These two self-relevant motives can have a powerful impact, driving donor behavior through the individual psychological processes we described in the previous chapter.

In turn, these motives can be greatly influenced by the societal and social environment in which an individual lives. That said, these environments cannot change motives directly. They function through the mechanisms of social influence, social networks, and social identities. These are all important mechanisms for a fundraiser to understand. They can all be addressed through appropriately tailored fundraising communications, with both giving and donor satisfaction enhanced as a consequence, as we later demonstrate.

FIGURE 5.1. SOCIAL GIVING MODEL



Societal Environment

Donations are rarely made in a vacuum. Donors are shaped, at least in part, by the traditions and norms of behavior in the society in which they live. The more understanding a fundraiser can develop of the history, economy, philosophy, literature, religion, and culture of the donors' societal environment, the more clearly they will understand who their donors are and the better able they will be to determine what might motivate them to offer their support. It is impossible in a short chapter to do justice to the impact of all these environmental factors on the shaping of the individual, but by way of example we focus on one cultural dimension that has been studied extensively by social psychologists.

The world's culture can be divided into two broad categories: individualistic culture and collectivistic culture. Individualistic culture emphasizes the attainment of self-centered goals and tends to value achievement, power, hedonism, stimulation, and self-direction. In short, this culture promotes an independent and self-contained self-concept. In such a culture, being "good" equates with being independent and self-contained. North American and some other Western cultures belong to this category. The collective culture, by contrast, emphasizes the attainment of group goals and tends to value benevolence, universalism, tradition, social conformity, and security (Schwartz, 1994). Eastern countries such as China, Japan, and Korea belong to this category. In such cultures, people derive their sense of self from the social groups to which they belong. Being "good" in such a culture means striving to achieve group goals. So how do people living in these two cultures differ in how they make donation decisions? Should the needy be depicted as victims of a flawed society or as individuals who need to be enabled to escape from their poverty? The former may be the more powerful message in a collectivist society, whereas the latter is likely to be more effective in an individualistic society.

Social Environment

The difference between an individual's societal environment and his or her social environment is the degree of closeness among individuals. In the social environment, donors are personally connected with the people around them. This does not mean they personally know everyone, but they perceive and believe that they are part of a variety of groups.

An individual might therefore be simultaneously part of his or her local community, a member of a local club or society, a member of a political party, a student at a particular university, an environmental campaigner, a responsible parent, and so on.

As individuals, we see ourselves as members of some groups and not of others. We therefore draw distinctions between our *in-group* and *out-group* memberships. Interestingly, the stronger an individual associates his or her self-concept with one group and distinguishes it from another group, the more likely this individual is to support the associated group. Thus, if I see myself as a Republican, the strength of my motivation to donate to the party would be a function of how much difference I perceive between the Republican Party and its Democratic rival. A key task for the fundraiser is thus to establish what their donors view as in-groups and out-groups, and what gives rise to the greatest differences between those groups. These factors can be emphasized in fundraising communications, and giving may be enhanced as a consequence.

Fundraisers also have the potential to change donors' perceptions of their social environment. They can do so by using the following three social psychological mechanisms: social influence, social networks, and social identity.

Social Influence

There are two types of social influence: informational social influence and normative social influence (Burnkrant and Cousineau, 1975).

Informational Social Influence

Informational social influence is the need to know what is "right." People are not born knowing everything. In many situations, we are uncertain about the meaning of social contexts and how we should behave in them. For example, making a charitable donation during a street event or fair is an ambiguous social context. Should one give to charity A or charity B? How much should one give? Should one give now or after walking around the event for a while? These questions have no easy answers. So what do people do when they cannot make up their minds? They do what other people do, because they tend to believe that others' interpretation of an ambiguous situation is more accurate than their own (Cialdini, 2000). This effect is termed informational social influence. When we have this belief, we not only conform to what others do when we are seen in public, but we also conform in private because we see it as the right thing to do.

A degree of ambiguity in a situation is a necessary condition for informational social influence to have an effect on behavior. There are also other situations in which people are more subject to this form of influence:

- *When the action is highly important in people's minds*. These are situations in which people perceive their actions to have significant consequences and so are motivated to get it right.
- *When other people are perceived as experts*. By following the experts' lead, individuals feel they are more likely to get it right. It is important to distinguish here between people who are actually experts and those who are in the default position we described earlier, in which people automatically assume that others know more than they do.

These are all psychological tendencies that could be influenced profoundly by fundraising appeals, but it is all too easy for fundraisers to get this influence wrong. For example, imagine that Bill Gates comes to visit your organization one day. He wants to make a donation but isn't sure how much he should give, so he asks how much other people have given. The immediate impulse might be to mention the highest donation your organization has ever received, say $10,000. Assuming that Bill Gates gives a similar amount, is that a cause for celebration? How can you be confident that you are using the right social information to influence your donors?

A set of studies was conducted to answer exactly that question (Shang and Croson, 2009a). The higher the dollar amount that a donor sees others give, the more he or she will give. Equally, the higher the frequency at which they see others give, the more frequently they will give (Martin and Randal, 2008). But how much is high enough and how much is too high? How frequent is frequent enough and how frequent is too frequent?

To answer some of these questions we conducted a series of experiments during public radio on-air fundraising campaigns. We amended the script that telemarketers used when listeners called in to make their donations. After being greeted by the operator, callers were told, "We had another donor who gave $X dollars. How much would you like to give today?" The amounts that callers were told another donor had given were varied so that the optimal amount to use as a specimen could be calculated.

We found that providing social information generally increased the amounts that people donated, but there was an optimal "specimen" amount that increased giving by an average (for new donors) of 29 percent. This effect is illustrated in Figure 5.2, where the average gift in the control condition (that is, where donors are given no social information) is shown alongside the cases in which the caller is told about another donor having made a gift of $75, $180, or $300. The results show that citing a prior donation of $300 was optimal.

A similar picture was obtained of donors who were calling in to renew (that is, make a second or subsequent gift). Figure 5.3 shows that donors not exposed to the social information gave pretty much the same amount as they had the previous year (up only 71 cents). Those donors exposed to social information, however, gave markedly more, and in the $300 condition, $26.47 more.

It turns out that the ideal amount to choose as a comparator is between the 90th and 95th percentiles of the value of previous gifts to the organization. In plain English, if you line up all the gifts to a previous campaign in order of value, the best approach is to take a value somewhere between the 90 and 95 percent highest gift. For example, if the

FIGURE 5.2. THE EFFECT OF SOCIAL INFORMATION ON GIVING

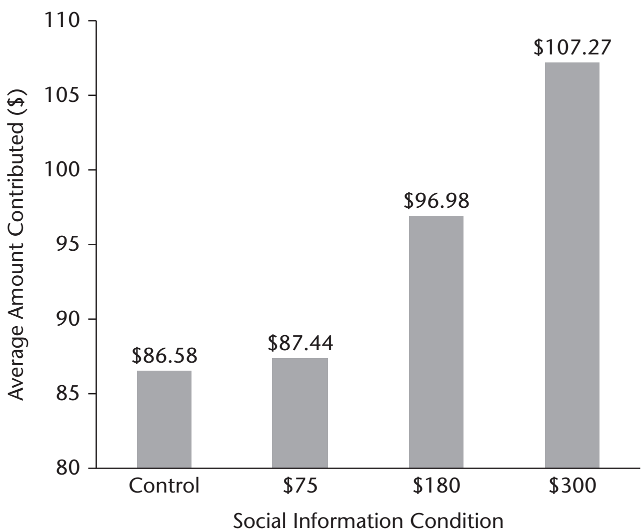
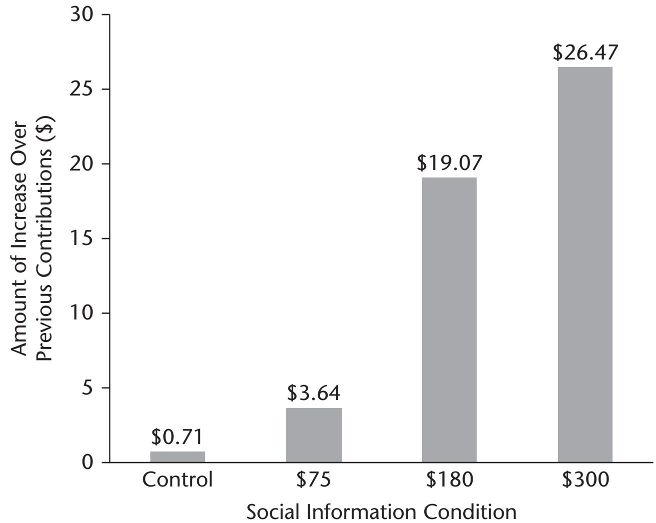


FIGURE 5.3. THE EFFECT OF SOCIAL INFORMATION ON GIVING IN THE SUBSEQUENT YEAR



average gift last year was $120, the median was $75, the 90th percentile was $240, the 95th percentile was $360, and the 99th percentile was $600, then any amount between $240 and $360 would be the right amount to suggest as another person's contribution. Move any higher than this and giving is actually decreased. Of course in all of this it is also important to be honest. The amount selected can be only that which an individual has actually given.

Now, at this point some fundraisers might be developing a bit of skepticism. Perhaps what we are seeing here isn't the impact of social information at all. Perhaps these uplifts are achieved simply because we are prompting people to think about gifts at particular levels. To address this question, the researchers went on to change the wording of the telephone script from "We had another who gave . . ." to "We had another woman/man give. . . ." When the gender of the caller was matched with the gender of the example, the value of the giving was increased by an average of 34 percent. If the comparator were only a prompt, this uplift would not have been achieved. So, what this result tells us is that individuals *do* pay attention to social information, and in particular to social information, that is linked in some way to themselves. It also tells us that this information has the capacity to increase giving dramatically.

Intuitively one might imagine that motivating someone to increase their giving one year will tend to reduce it the next. After all, donors have only a limited amount of funds in the giving pot and they might move money around to other causes next year because they remember having given more to a focal organization this year. This outcome turns out not to be the case and, in fact, quite the opposite effect occurs. Contributions one year later from donors who received information about a previous donor's contribution are approximately $20 higher than contributions from donors in a control condition who did not receive such information.

Further experiments have shown that offering donors social information works best when donors have what is termed a high social identity esteem (that is, a good feeling about being a member of a certain category—in this case, gender). Fundraising appeals should therefore remind people why a particular identity should be important to them and tell them how they will feel as a consequence of embracing it. Social information also works well when attention is deliberately focused on others. Appeals that talk about other people's behavior, about why other people value the organization, and about how other people benefit from the organization will therefore maximize this effect. Appeals that focus on the donor will not draw enough attention to others and will therefore not be as effective.

Normative Social Influence

Normative social influence is the need to be accepted. It occurs when we conform to other people in order to be liked and accepted by them (Cialdini, 2000). Such conformity influences behaviors only when others can see us act, because if we act in private, we won't be able to achieve our goal of being liked by others. Much of modern fundraising practice relies on this concept. People often give significantly larger sums at charity events and galas than they do if solicited through other media, because they want to be seen as an active participant in the goals of the group.

◆ ◆ ◆

Sometimes these two types of influence can operate in different directions. The "right" actions to take (when we are subject to informational social influence) and what we have to do to be liked (when we are subject to normative social influence) can be different. In these circumstances, would we do the "right" thing? Research has shown that the effect of informational social influence on behavior is reduced by the counteracting effect of normative social influence (Baron, Vandello, and Brunsman, 1996). The more important a group is to our personal values, needs, and motivations, the more willing we are to conform to the group in order to be liked.

We have already mentioned the topic of norms in passing. Norms are beliefs held by a society, a group, or some associations and communities as to what is correct, acceptable, and permissible. Two categories of norm can influence the degree of either informational or normative social influence: injunctive norms and descriptive norms (Cialdini, Reno, and Kallgren, 1990). Injunctive norms are what we think other people approve or disapprove of. In other words, it is what we think others think we should do. Descriptive norms are our perceptions of how others actually behave in a given situation, regardless of whether they approve or disapprove of that behavior.

In most fundraising contexts it is really possible to evoke only descriptive norms and to supply donors with information about what other donors are giving, how frequently, to what organizations, and so on. Croson, Handy, and Shang (2009a) found that people used the social information they were given about one person to infer what "average" donors do and this is why they conform to the 95th percentile of social information. They do not perceive this other donor to be a high-value donor; rather, they perceive the donor to be an average donor or a norm, and thus they conform. Interestingly enough, contrary to the common belief that females are more influenced by others' behavior and opinions than males, males are actually more subject to this influence than females (Croson, Handy, and Shang, 2009b).

Injunctive norms are more difficult for a fundraiser to manipulate. Telling people that they *should* give is rarely productive. The only circumstances in which such an approach might be fruitful appear to be in blood and organ donation.

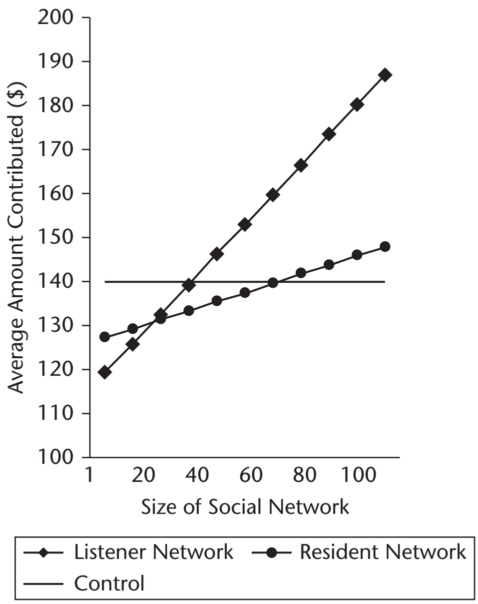
Social Networks

Individual donors typically have many social networks. They may have a network of work colleagues, a network of people who attend the same church, a network of people who support the same football team, and so on. The more people they meet who enjoy the same activity, the more likely it becomes that they will see membership in this group as an important part of their lives and that the norms of behavior for the group will become an important set of influences on their behavior. We therefore designed a further series of experiments in the context of public radio to identify the role that social networks play in driving giving.

In this case, when donors called into the station they were asked by the fundraiser how many people they knew in the station catchment area or how many people they knew who also listened to the station. These questions were posed before the individuals were asked how much they would like to give. In the control group, donors were asked neither of these questions. As Figure 5.4 clearly illustrates, donors who knew a greater number of listeners gave greater amounts than those who knew fewer listeners. Interestingly, having a large social network is not in itself enough of an influence. The key to enhanced giving lies in knowing more people who share a common interest—in this case, listening to the same radio station. Further experiments showed that donors who believed that their listener networks were bigger than those of other people tended to give more than those who believed they were smaller ($265 versus $139).

The nature of the social network also seems important. In a mail survey of several hundred public radio donors from several public radio

FIGURE 5.4. THE EFFECT OF SOCIAL NETWORK ON GIVING



stations around the country, respondents were asked about their social networks. They were asked to estimate the number of family members, friends, and acquaintances who also listened or donated to the radio station (Shang and Croson, 2009b). The more family and friend listeners the donors had, the more they gave. The same pattern does not exist for colleague or casual acquaintance listeners. As a consequence, when social networks are used to enhance fundraising solicitations, fundraisers need to focus their attention on networks of family and friends.

These results are easily applied to many other fundraising contexts. In telephone solicitations, individuals can be asked how many of their family and friends share their interest in the organization, cause, or behavior. Individuals whose social networks are larger than the average can be prompted to reflect on that fact during the course of the conversation. Their giving will be enhanced as a result. Equally, individuals can be encouraged to increase the size of this related social network. Online fundraising offers many opportunities to "tell a friend" about the work of the organization, and some automated donation-processing systems now offer this ability as a standard feature. Equally, many nonprofits offer supporters the opportunity to become part of a wider community. This networking is easy to accomplish online, but nonprofits may also achieve success through special interest groups and events (Silverman, 2008). As the social network of donors grows, so too does their support of the organization.

Social Identity

There are three theoretical traditions in the human experience of identification: social-category-based identification (Turner, 1981), group-attraction-based identification (Lott and Lott, 1965), and organization-based identification (Mael and Ashforth, 1992).

Social-Category-Based Identification

We already saw social-category effects on giving when we discussed the provision of social information earlier in this chapter. The more similar the exemplar donor is to the target donor, the stronger is the influence that social information exerts. Thus, females gave more when told about a female donor who had previously given.

We want to emphasize only one additional point here. Merely having the cognitive ability to recognize that one belongs to a certain social category does not guarantee that one will adopt that identity. For this to happen, individuals must also integrate that ability with their self-concept

(Turner, 1981). So, fundraisers need to think through the identities that could be important to donors and ultimately expressed through their support of the organization. Donors can then, over time, be taken on a journey that explains those identities, why they are important, and how they might link to a rewarding sense of self. The conservative think tank The Heritage Foundation, for example, attracts donors who share an interest in conservative politics. However, although donors may have joined the organization because, for instance, they are interested in defense and share a patriotic identity, over time they may be persuaded on the merits of other aspects of the Foundation's work and expand their sense of what it means to be a conservative to include being an economic or social conservative too. As these additional identities become part of the self, both loyalty to the organization and giving will be enhanced.

Group-Attraction-Based Identity

This identity is based on the notion of groups, with different donors identifying with different sets of groups or communities (Sargeant and Shang, 2008). In the case of a university foundation, for example, donors might identify with the city in which the university is based, with a specific campus or department, with particular university personnel (typically those they had regarded as role models), with former or present students of the university, and with fellow (or previous) donors.

This form of identification is well supported in the literature. Social cohesion theory (Lott and Lott, 1965) tells us that "individuals become a group insofar as they develop mutual and positive emotional bonds: what matters for group-belongingness is how individuals feel about each other and in particular whether they like each other" (Turner, 1981, p. 16). The identification based on such affiliations is mostly determined by the interpersonal relationships that donors have with the other group members or, perhaps more important, believe they have with these individuals. Facilitating such relationships is therefore the first step toward building a favorable sense of group identity.

The level of distinctiveness of the group is an issue too. In other words, how different might the group be from other groups with which the individual has had contact. In the context of public radio, distinctiveness might originate in the values that the individual feels are shared with other listeners, donors, staff, presenters, volunteers, and listening friends and families (Brewer, 1991). The greater the degree of differentiation, the easier it is for group attraction to develop. The task for the fundraiser is therefore to think through not only the nature of the donor group or what it means to be a donor; they must also think through how that identity is distinctive from the identity offered by other nonprofits. Are donors to the Red Cross different from those who donate to other international aid organizations? And how can such a sense of camaraderie and distinctiveness be fostered?

Organizational Identity

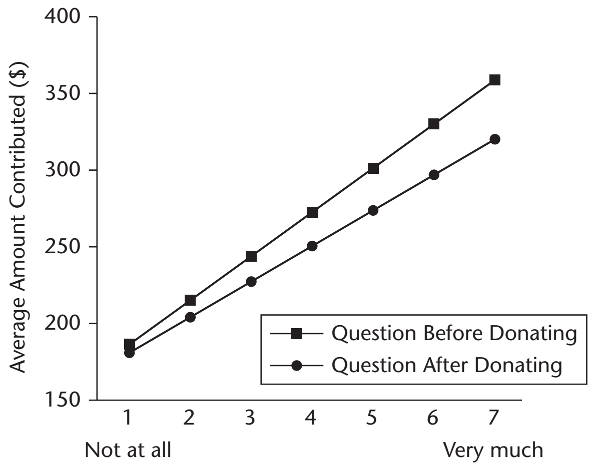
Organizational identity is based on identification with the nonprofit itself. Here giving is prompted by a belief in the values of the organization and a desire to see them continue. This is particularly the case when donors believe there is a high degree of fit between their own values and the values of the institution (Stride and Lee, 2007).

A number of factors drive the creation of identification. First, a degree of identification develops naturally over time (Bhattacharya, Rao, and Glynn, 1995). Donors to a university foundation, for example, may be unlikely to give immediately after they move to the city in which the university is located, but over time, as they become acquainted with the institution and are socialized into its various communities, the bond of identification develops. The process of socialization can be facilitated by frequent contact, but also by the quality of the interaction. As friendships develop, or contact is initiated with people the donor respects or admires, the degree of identification increases.

Identification will also develop when a person's self-concept contains the same attributes as those that characterize the focal organization (Dutton, Dukerich, and Harquail, 1994). Close matches equate to a greater likelihood that a bond of identification will evolve. In the context of university foundation giving, for example, if older donors can see part of their own identity in current incoming students—perhaps, for example, they empathize with the new students' hopes and aspirations—they are more likely to give in order to help the university provide the current students with the best possible experience.

Cultivating identification is only one step toward the goal of changing donors' behavior (Sargeant and Shang, 2009). Fundraisers also have to understand how and when to evoke that identification. In an additional study we conducted in the public radio domain, listeners who called into a radio station to make a donation during an on-air fundraising drive were asked how much they identified with the station. We found that the more donors identified with the station, the more likely they were to give. Interestingly, priming that identification, by asking people about it directly before they offered their gift, significantly increased the amount they were willing to donate. Figure 5.5 shows the detail of our analysis.

FIGURE 5.5. HOW MUCH DO YOU IDENTIFY WITH BEING A PUBLIC RADIO MEMBER?



Many charities routinely attempt to build up donors' feelings of identification with the organization. They want donors to see their support of the organization as a critical part of who they are, so they attempt to foster this deliberately over time. As we can see from the graph in Figure 5.5, this is a smart strategy. Donors with high levels of identification give more—a lot more. Not surprisingly, high levels of loyalty are also engendered in individuals who develop this perspective. What this research also suggests is that to be most effective, identification needs to be primed in a structured way, with adequate consideration given to both salience and relevance. Donors need to be *reminded* why identification is important to them and how it is relevant to who they are. This understanding needs to be in the front of donors' minds as they read the solicitation and, ideally, right before they select the amount of their donation.

Summary

In the previous chapter we presented an individual giving model and in the current chapter we have provided its social context. As we have illustrated throughout these two chapters, no societal or social factors can influence donor behavior without utilizing the psychological processes outlined in the individual giving model. Therefore, fundraising communication and donor relationship cultivation need to be designed with these psychological principles in mind. Throughout these two chapters we have provided many examples to illustrate how fundraisers can achieve this result.

As we conclude our work on the psychology underpinning donor behavior, it is important to stress that none of the steps that we have suggested fundraisers should take are designed to exploit the individual donor. The goal of much of the work presented in this chapter is actually for fundraisers to create meaningful two-way relationships with donors that add value for both parties. Yes, we can stimulate more giving by priming particular identifications in the ways we have suggested, but if these identifications are a significant part of an individual's self-concept, then giving in expression of that identification adds genuine utility. Donors give more, but they also feel better about offering that support. Fundraisers should always strive to create such mutually fulfilling relationships, and this chapter has suggested several mechanisms by which this can be accomplished.

Discussion Questions

1. What is the relationship between the individual giving model and the social giving model?
2. How can fundraisers use an understanding of cultural differences to design fundraising communication?
3. What are the two main processes of self-regulation? Why are these of interest to a fundraiser?
4. What are the main factors that fundraisers need to pay attention to in a donor's social environment? Explain why.
5. What errors might donors make when forming their worldviews under informational social influence?
6. Think back to the Bill Gates example provided in this chapter; what should the response of the fundraiser have been?
7. Is it necessary for fundraisers to cultivate donors' sense of identification with a nonprofit organization? If so, how? Is identification sufficient to increase giving?
8. What type of social networks should fundraisers cultivate for donors? Why?
9. "Increasing giving is not the same as exploiting donors." Explain your position on this statement.

PART TWO

Fundraising Planning

CHAPTER SIX

FUNDRAISING PLANNING

The Fundraising Audit

By the end of this chapter you should be able to:

1. Outline a process for developing a fundraising plan.
2. Explain the purpose of a fundraising audit as the first part of such a process.
3. Discuss the key information requirements of a fundraising audit.
4. Understand the categories of information gathered in the audit, why this data is important, and how it can be used in planning.
5. Utilize key tools commonly employed in the audit process such as PEST, SWOT, and portfolio analyses.

In this chapter we outline a process that may be employed by nonprofits in planning the fundraising activities they will undertake. Although the format may differ slightly from one organization to another, at its core a fundraising plan has three common dimensions.

1. *Where are we now?* The process begins with a complete review of the organization's external and internal environment and the past performance of the fundraising function. Only when the development office has a detailed understanding of the organization's current strategic position in each of the donor markets it serves can the organization hope to develop meaningful objectives for the future.

2. *Where do we want to be?* In this section of the plan the organization maps out what the development office is expected to achieve over the duration of the plan. Typically there will be income-generation targets for the department as a whole and a series of "subobjectives" for each category of fundraising (such as individual, foundation, and corporate.)
3. *How are we going to get there?* This stage of the plan contains the strategy and tactics that the organization will adopt to achieve its targets. The strategy, as we shall see in Chapter Seven, specifies in general terms what the broad approach to fundraising will be; the tactics supply the minutia of exactly how each form of fundraising will be undertaken.

This chapter provides a generic framework for fundraising planning and concentrates on the first of these three components of a fundraising plan. We consider the information requirements an organization will have when it commences the planning process, the sources from which this information can be gathered, and the analytical tools that fundraisers can use to interpret this information.

A Planning Framework

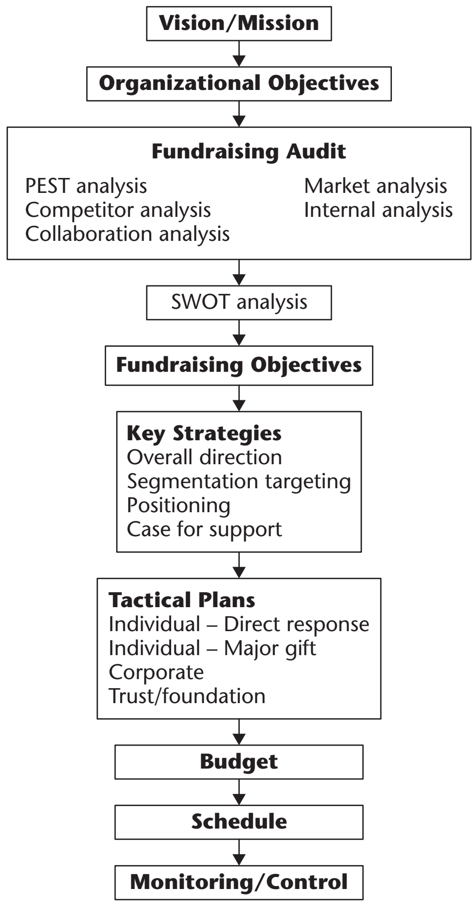
Figure 6.1 contains a generic fundraising planning framework.

Many organizations find it helpful to begin the development of the fundraising plan by restating their vision, their mission, and the objectives that the organization as a whole has set. A vision is a clear statement of the world the nonprofit wants to see; a mission statement maps out how the nonprofit intend to make that world a reality. Bryson (2004) therefore argues that a vision is more important as a guide to implementing strategy than as a guide to formulating it. A vision provides a clear picture of what success will look like, but not the mechanics of how this success will be achieved. A mission statement provides this detail. Why does our organization exist? What business are we in? What values will guide us? All of these questions can be addressed by the mission. Following are some examples of the distinction between mission and vision:

American Society for the Prevention of Cruelty to Animals (ASPCA)

> *Vision:* The vision of the ASPCA is that the United States is a humane community in which all animals are treated with respect and kindness.
>
> *Mission:* The mission of the ASPCA is to provide effective means for the prevention of cruelty to animals throughout the United States. [Copyright © 2009. The American Society for the Prevention of Cruelty to Animals. All Rights Reserved.]

FIGURE 6.1. GENERIC PLANNING FRAMEWORK



Planned Parenthood of Utah

Vision: The world we envision is one in which all people possess and pursue their own dreams. We see a world in which people will be free to make life's most profound choices about childbearing and relationships in harmony with those dreams. We have hope that humanity will someday live in peace and harmony with our fragile environment so that future generations will thrive.

Mission: To promote responsible sexual behavior and to reduce the physical, emotional, and social costs of unplanned and unwanted pregnancy, the Planned Parenthood Association of Utah is committed to

Providing accurate information and education to individuals of all ages concerning the emotional and physical aspects of human sexual behavior and reproduction

Providing affordable, high-quality reproductive health care services

Protecting and advocating for the rights of individuals to understand and manage their reproductive lives [Used with permission of Planned Parenthood Association of Utah (www.plannedparenthood.org/utah/).]

American Association of Retired Persons (AARP)

Vision: We envision a society in which everyone ages with dignity and purpose, and in which AARP helps people fulfill their goals and dreams.

Mission: AARP's mission is to enhance the quality of life for all as we age, leading positive social change and delivering value to members through information, advocacy, and service. [Used with permission of AARP (www.aarp.org).]

Restating the vision and mission serves to focus the minds of fundraisers on what income is likely to be required and why it is necessary. In short, it reminds the fundraising team of the reason for their existence and the impact that will be achieved if they are successful in raising the requisite funds. Although it may sound a little trite to say this, the nature of the cause can be a powerful motivating factor for all staff members, and fundraisers are no exception. Understanding why funds are needed is thus the fundamental starting point in fundraising planning.

A glance through a selection of nonprofit publicity materials reveals that many nonprofits have been intuitively writing vision and mission statements for years, even if they prefer to use alternative terminology such as *aims, purpose,* or *philosophy*. In truth, the terminology is unimportant. What matters is that the organization can summarize in a few words its *raison d'être*.

Not only does this summary aid planners in the manner already described, but it can also become a remarkably useful reference point for potential donors. Supporters can see at a glance what the organization is trying to achieve and can confidently initiate some form of relationship if they feel it will be appropriate.

The specific details of what an organization seeks to accomplish within each planning period would normally form part of the content of the organizational objectives. Drucker (1955) isolated what he believed to be eight aspects of operations for which organizational objectives could be developed and maintained. We have modified these elements slightly to relate them specifically to the context of nonprofit organizations:

1. Market standing
2. Innovation
3. Productivity
4. Financial and physical resources
5. Manager performance and development
6. Employee and volunteer performance and attitude
7. Societal needs to be served
8. Public and social responsibility

Clearly each of these areas has some relevance for fundraisers, even if many of them do not relate specifically to the fundraising function. It is important to realize that these objectives are stated for the benefit of the organization as a whole. Their achievement will require a coordinated effort across all divisions and departments within the organization. Managers with responsibility for finance, human resources, service delivery, and so on will all have their part to play in ensuring that the organization delivers what it says it is going to deliver. It is for this reason that it is usual to restate at least the key organizational objectives at the beginning of the fundraising plan. Fundraisers should then be able to isolate what they as individuals need to be able to achieve over the planning period to facilitate the achievement of these wider objectives. There would be little point, for example, in the development office concentrating on raising funds for aspects of the organization's work that are not perceived as congruent with the organization's current goals, and failing to raise money for those that are.

The Fundraising Audit

As we have noted, the fundraising planning process can be conceptualized as having three key components:

1. Where are we now?
2. Where do we want to be?
3. How are we going to get there?

The fundraising audit specifically addresses the first of these elements. As such, it is arguably the most crucial stage of the whole planning process, because without a thorough understanding of the organization's current position it will be impossible for planners to develop any sense of what they can expect to accomplish in the future. The fundraising audit is essentially a detailed review of any factors that are likely to impinge on the organization's ability to raise funds, taking into account both those generated internally and those emanating from the external environment. The fundraising audit is thus a systematic attempt to gather as much information as possible about the fundraising function and its environment and, importantly, about how both function and environment might be expected to change and develop over the duration of the plan.

Macro Factors

It is usual to begin the process by examining the wider or "macro" environmental influences that might affect the organization. Often these are factors over which the organization itself has little control but that nevertheless will affect the organization at some stage during the period of the plan. The framework utilized for this analysis is typically referred to as a PEST (political, economic, sociocultural, and technological) analysis and comprises the following elements:

- *Political factors*. Political factors that have impacts on fundraising might include government attitudes toward the nonprofit sector and recent or forthcoming legislative or regulatory changes that might affect the fundraising environment or fundraising performance, such as privacy legislation, changes in the estate tax, or additional fiscal incentives to increase giving. They may also include consideration of the activities of government agencies—most notably in the context of fundraising, the United States Postal Service.
- *Economic factors*. Economic trends are relevant primarily as predictors of future donor behavior. Trends in wealth, employment, tax, consumption, and disposable income affect all categories of funders, from corporate givers and foundations to individuals. The Center on Philanthropy's Web site (http://www.philanthropy.iupui.edu/Research/fundraising-climate.aspx) contains a number of briefings on the fundraising climate.
- *Sociocultural factors*. Key data here will include data on demographics and social attitudes, plus evidence of likely behavioral changes or significant shifts in societal values that might occur over the duration of the plan. Considered here would be, for example, trends in levels of civic participation as well as changes in the formation of

families, in levels of trust and confidence in the nonprofit sector, and in patterns of work.

- *Technological factors.* Critical here will be factors such as the likely impact of developments in technology on the nonprofit sector and on fundraising techniques. Developments in Web communications, mobile phone technology, automated bank payments, and interactive TV, for example, would all fall into this category.

In each case the aim is to accumulate a list of all the pertinent factors and indicate what impact these might have on fundraising. It is best at this point in the process not to spend much time deliberating over how to respond to each factor, but rather to note them, detail how they might change, and move on. The danger of precipitating a discussion at this stage is that other clues as to how best to respond will emerge as the audit process progresses. It is therefore better to consider potential responses "en masse" when the audit itself is complete. A sample PEST analysis for a charity aiding the homeless is provided in Figure 6.2.

There are a couple of points to note from this analysis. First, a small local charity may need to take account of only a small number of PEST factors. This is fine. It isn't necessary to go shopping for a deliberately long list of factors. What matters is taking the time to see whether there *are* any factors that could affect the organization and noting those that might. Second, in researching these "macro" trends the main challenge lies in the selection of relevant information. Because we are concerned here with writing a fundraising plan, all the points listed in Figure 6.2 should have the potential to affect the organization's ability to fundraise. If we were writing our plan for just one form of fundraising (such as corporate fundraising), the audit should be tightly focused around that. Only information relevant to the focus of the plan should be included. Third, it is always important to distinguish the views of the author of the analysis from the views of others. Equally, some sources, such as the *Wall Street Journal*, are likely to be more authoritative than other sources. Adopting a standard referencing convention to acknowledge the sources of the ideas presented is therefore essential. By referencing in this way, managers and board members reading the document can decide for themselves how much trust they want to place in each source or idea.

Data for PEST analyses are typically gathered through secondary sources via secondary research, that is, information is found through existing publications rather than through the commissioning of new (or primary) research. In gathering information for a PEST

FIGURE 6.2. PEST ANALYSIS FOR A NONPROFIT SERVING THE HOMELESS (CONDUCTED EARLY 2008)

Political and Regulatory

- Incoming administration may make dealing with a social issue more of a priority, raising awareness among the potential supporter base.
- The U.S. Postal Service has proposed new postage rates for nonprofit mailers to take effect on May 12. Under the proposal, postage for nonprofit mail, mostly letter-size pieces, will increase by an average of 0.7 percent, and nonprofit periodical mail will rise by an average of 2.7 percent (Hall, 2008b).

Economic

- The United States may be entering an economic recession. At the end of 2008 acceleration was reported in the decline in U.S. home prices. Lower home prices threaten economic growth by making consumers feel less wealthy and thus less willing to spend (Evans and others, 2008). As a result, individuals may be less willing to give to nonprofits.
- In fall 2007, 63 percent of nonprofits surveyed in the northwest United States by the Collins Group (2007), a fundraising consultant, reported that annual giving had grown or held steady during the year. Also, 71 percent of organizations reported that major giving had grown or held steady in 2007. Relatively strong support of nonprofits in 2007 signals that the potential recession did not hit the region early. Although it is unclear whether support of nonprofits will continue in 2008, this region may not be hit as hard as others.
- Soup kitchens and other organizations that provide food to people in need are experiencing a reduction in the amount of government-provided surplus items as commodity prices have increased (Maher, 2008).
- The economic downturn is likely to be more acute for charities that aid the poor (Hall and Kean, 2008).
- Homelessness can be exacerbated by an uncertain economy. Low-income housing can help to alleviate homelessness; however, the underlying needs of the homeless must be met to help prevent homelessness in the first place. A key component of aiding the homeless is to link them with strong local services while they are in housing (Iwasaki, 2008).

Sociocultural

- The conflicts in Iraq and Afghanistan have created more military veterans who will experience a variety of issues such as drug and alcohol abuse, homelessness, and post-traumatic stress disorder when they return home and for years to come (Wills, 2008).
- Direct mail is losing ground in development of new donors. In 2007 the number of new donors who responded to charity mailings dropped by a median of

6.2 percent in a study of seventy-two of the nation's biggest charities, on top of another 10.4 percent median drop in 2006 (Hall, 2008a).

- Public confidence in charities has slipped since 2006 and only a quarter of Americans say that nonprofits do a "very good" job of helping people, according to a poll conducted by New York University's Organizational Performance Initiative (Perry, 2008).

TECHNOLOGICAL

- Affluent people (that is, those who give $1,000 or more) are increasingly likely to use the Internet to make charitable donations, according to a survey conducted by Sea Change Strategies, a fundraising consultancy (Schwinn, 2008).
- There has been rapid growth in fundraising through the use of Web 2.0 (Hart and others, 2007).

Collins Group. (2007). Northwest Nonprofit Group fundraising survey executive summary. Retrieve February 24, 2008, from http://www.collinsgroup.com/index.php?option5 com_content&task=view&id=118&Itemid=132.

Evans, J., Samuel, R., & Ross, B. (2008). *Consumer confidence and real economic growth*. London: Tandem Publishing.

Hall, H. (2008a, April 3). New rules of attraction: As traditional fund-raising methods falter, charities look for new ways to appeal to online donors. *Chronicle of Philanthropy, 20*(12), 33.

Hall, H. (2008b, March 6). Postal-rate increase proposed for nonprofit mail. *Chronicle of Philanthropy, 20*(10), 28.

Hall, H., & Kean, S. (2008, February 7). Bracing for tough times. *Chronicle of Philanthropy, 20*(8), 6.

Hart, T., Greenfield, J. M., & Haji, S. D. (2007). *People to people fundraising: Social networking and Web 2.0 for charities*. Hoboken, NJ: Wiley.

Perry, S. (2008, April 3). Public confidence in nonprofit groups slides back, new survey finds. *Chronicle of Philanthropy, 20*(12), 12.

Schwinn, E. (2008, April 3). Online giving appeals to the wealthy, study finds. *Chronicle of Philanthropy, 20*(12), 35.

Wills, D. K. (2008, March 20). The battle on the home front. *Chronicle of Philanthropy, 20*(11), 7.

analysis, it can be helpful to look at practitioner and academic journals, recently published books, sector reports, and of course key Web sites. Some suggestions of where to get started are provided in Figure 6.3. The Australian Centre for Philanthropy and Nonprofit Studies at Queensland University of Technology provides an excellent and regularly updated list of what is available; their site acts as a hub for information on many aspects of nonprofit management. The links are helpfully divided into links to periodicals, statistics, research bodies, and online discussions. This resource can be found at http://www.bus.qut.edu.au/research/cpns/links. Other good sources are the Center for Association Leadership (http://www.asaecenter.org), United Way organizations, and professional associations. Talking with a reference librarian at a local library can also help.

FIGURE 6.3. SOURCES OF FUNDRAISING INFORMATION

Association of Fundraising Professionals (AFP)—www.afpnet.org

AFP represents the fundraising profession in the United States and in many other countries worldwide. It provides training, a major annual conference, and fundraising publications and sponsors research. Local chapters organize their own networking and training events. Recent activities have included the Fundraising Effectiveness Project (a benchmarking initiative accessible through their Web site) and the development of a formal academic qualification for professional fundraisers.

Association for Healthcare Philanthropy (AHP)—www.ahp.org

AHP is the professional body for fundraisers working in the domain of healthcare. It offers a wide range of conferences and events, and a helpful set of reports, including an annual look at trends in giving in the United State and Canada. It also provides an excellent benchmarking study that allows participants to compare the costs of their fundraising with those of other organizations in the sector.

Council for Advancement and Support of Education (CASE)—www.case.org

CASE is the professional body for fundraisers working in the field of education. It serves the needs of professionals all over the world with local chapters established in many countries. It provides training, conferences, news and information, and a range of publications.

Partnership for Philanthropic Planning (NCPG)—www.pppnet.org

The Partnership for Philanthropic Planning is the professional association for individuals whose work includes developing, marketing, and administering planned giving. Its activities include fundraisers, consultants, and donor advisors working in a variety of nonprofit settings. The organization provides a range of services and publications, including research reports.

The Giving Institute (http://www.givingusa.org)

The Institute provides many excellent research publications that scope out the nonprofit sector and its activities. Giving USA, the leading study of giving in North America, is produced by the Institute, as is the Annual Yearbook of American Philanthropy.

Guidestar—www.guidestar.org

This site allows users to access information about Form 990 (Return of Organization Exempt from Income Tax) relative to U.S. nonprofits. Users of Guidestar wishing to access a detailed financial analysis of nonprofits may also obtain this service from Guidestar.

CENTER ON PHILANTHROPY AT INDIANA UNIVERSITY—HTTP://WWW.PHILANTHROPY.IUPUI.EDU

The Center on Philanthropy offers a range of research data and publications, along with an annual conference that allows practitioners to access this material. The Center now includes the Lake Institute on Faith and Giving (http://www.philanthropy.iupui.edu/LakeFamilyInstitute) and the Women's Philanthropy Institute (http://www.philanthropy.iupui.edu/PhilanthropicServices/WPI) and their associated resources.

CENTER ON WEALTH AND PHILANTHROPY (CWP) AT BOSTON COLLEGE—WWW.BC.EDU/RESEARCH/CWP

The CWP publishes a range of research papers and reports of interest to the fundraising profession. It has tended to focus (although not exclusively) on wealth transfers and major gift fundraising. Many resources can be downloaded free of charge, and Director Paul Schervish produces a helpful e-mail newsletter to keep subscribers abreast of the Center's work.

CHRONICLE OF PHILANTHROPY—HTTP://PHILANTHROPY.COM

The *Chronicle of Philanthropy* describes itself as the newspaper of the nonprofit world and provides information for nonprofit organizations on grant seeking, foundations, fundraising, managing nonprofit groups, technology, and nonprofit jobs. The site allows users to search for material in past editions of the *Chronicle*—an excellent resource.

NONPROFIT TIMES—HTTP://WWW.NPTIMES.COM

Targeted at nonprofit managers, the *Nonprofit Times* provides detailed analyses of topical management and governance issues. It generally carries a good deal of material that is relevant to fundraisers, including new thinking, case studies, and research.

Many nonprofits find that much of the information necessary for the production of PEST analyses is already held internally in the form of publications and reports, or that staff have knowledge of where such information can be sourced. The role of the "auditor" can thus be to interview staff, to find out what information they have on file or can help with, and to manage the gathering of the data. It is always wise to start with information that is already available internally. Any remaining gaps in knowledge can then be plugged by using the external sources listed in Figure 6.3.

Analysis of Competitors

Accurate and full information on the activities, size, and market position of other organizations is of vital importance to any nonprofit putting together a fundraising plan. The nonprofit marketplace is complex and crowded, with many organizations competing for a limited pool of support. Gathering this information can therefore help an organization respond to the activities of other organizations, but more frequently and particularly, for smaller organizations, its value lies in identifying what can be *learned* from the activities of others. Good ideas can always be borrowed!

Of course the starting point in conducting an analysis of the competition is to decide which competitors the organization should analyze. There are a number of options:

1. *Industry leaders*. The fundraising team will undoubtedly be aware of those competitor organizations that they regard as particularly outstanding in their fundraising activity. From these industry leaders it may be possible to learn a great deal about successful fundraising practice and to borrow exciting new and innovative ideas on the best ways to solicit funds. These nonprofits may be working in the same field, but they could equally be working elsewhere in the sector, serving entirely different needs. They are thus selected purely on the basis of the quality and originality of the fundraising they undertake.

2. *Other nonprofits serving the same cause*. Some nonprofits will assess the strategy and performance of those charities they perceive to be in direct competition with them because they serve the same broad category of need (such as children, animal welfare, or environmental defense). The goal here is to gather sufficient data to benchmark the activities of the focal nonprofit against those of similar organizations. The nature of the activities undertaken, the quality of the promotional materials produced, and the estimated or actual cost-effectiveness of the fundraising undertaken will all be of interest.

3. *Nonprofits of a similar size*. A further strategy employed by some nonprofits is to look at organizations of a similar size to themselves, irrespective of the category of cause they serve. The problem with the previous option is that other organizations working in the same field might be a good deal larger or smaller than the focal organization, leading to inappropriate comparisons. A better approach might be to examine what is being achieved by organizations of a similar size. Once again, the auditor will want to look at the forms of fundraising undertaken, the promotional materials produced, and the performance achieved. All of this

information can be used to assist in benchmarking the performance of the focal organization and in highlighting areas of weakness.

Irrespective of the approach adopted, there are a number of common categories of information that are typically gathered:

1. *Financial performance*. It will generally be instructive to look at how key competitors are performing. This examination might include looking at the levels of various categories of income they are able to generate and the investment they have made to secure this income. Doing so will give the auditor a sense of the returns that might be expected from various forms of fundraising and how the performance of the focal nonprofit might compare. It will also be useful to scrutinize those organizations that seem to be achieving significant growth or doing particularly well at certain forms of fundraising. The reasons for this performance can be ascertained and the data used to inform an organization's own fundraising strategy. If only a few competitors are to be scrutinized it may be possible to obtain copies of their annual reports or 990s. If a larger number are to be analyzed, it would probably be preferable to use an online information source such as Guidestar.

2. *Competitor objectives and ambitions*. Unfortunately, although published accounts provide a reasonably reliable picture of the past performance of nonprofit competitors, what is typically of greater interest is how these competitors might behave in the future. It is thus of immense value to research what the objectives and ambitions of those key competitors might be. Clearly, if a nonprofit involved in related work has plans for greatly expanding its work, it could prove to be a particularly aggressive competitor for funds in the months and years ahead. It is essential to be aware of changes such as these and to prepare a strategic response.

3. *Past, present, and future strategies*. Finally, it will also be useful to obtain data about the fundraising strategies and tactics of key competitors. The fundraiser will want to ask questions such as these: In what kinds of fundraising have they engaged in the past? How successful were these efforts? Why was this performance achieved? Which audiences were addressed? What fundraising is being conducted now? How might this change in the future? What is unusual or distinctive about this fundraising? How does it differ from our own? The answers to these questions have the capacity to inform how an organization defends itself against competition and what it can learn from the answers to improve the quality of its own fundraising activity. Of course tracking down this kind of information is not easy, but the sector press or local and national media can often contain a lot of information about aspects of fundraising strategy.

One of the most useful ways to gather information on the fundraising activity of competitor organizations is through "mystery shopping," that is, sending in a donation to the organization and then monitoring the subsequent communications received. Many nonprofits run an ongoing program of mystery shopping across a range of competitors to track strategies, tactics, and creative approaches. Equally, the nonprofit sector has a proud history of collaboration and sharing, and many professional groups such as the AFP, AHP, and CASE run local networking events where fundraisers meet to discuss what is working and what isn't and to share ideas. Participating in at least one of these networks can thus be very instructive.

When information has been gathered, the auditor will need to summarize it and present it in a suitable format. This might take the form of a tabulated comparison of the approaches and performance of each nonprofit, or it might take the form of an analysis of the strengths and weaknesses of each organization, perhaps a list of relevant factors presented in order of importance. A summary may also be provided of the learning that has emerged from the competitor analysis as a whole.

Potential Collaborators

Of course there may be many instances where, instead of viewing other nonprofits as competitors, it makes more sense to partner with them, to the advantage of all concerned. Such partnerships may open up access to new sources of funds or new markets, or simply allow the partner organizations to take advantage of economies of scale and thus lower their costs of fundraising. It may not be economical, for example, for smaller nonprofits to undertake corporate fundraising on their own. Forging an alliance with "complementary" or related nonprofits can create a pool of shared resources that would facilitate fundraising from a potential new audience.

Some forms of community fundraising are also conducted collaboratively. In this approach, smaller nonprofits get together to run a joint campaign for the benefit of a local community and to share the costs associated with promoting the campaign and associated events. Nonprofits can also collaborate by sharing lists of donors (if donors have consented). This is common practice, although it tends to be limited to lower value supporters. Nonprofits tend not to share the details of their highest value givers. It should be noted, however, that in some jurisdictions the regulations governing list swaps are harsher than in others.

Thus, in conducting a fundraising audit it will be instructive to consider examples of organizations that have collaborated successfully in the past, and the factors that led to their success. The nonprofit should look for what it could learn from these collaborations and consider whether there might be a way to work in partnership with others itself. If such collaboration is felt to be desirable, it will be instructive to conduct background research into potential partners and to explore how such relationships might develop. An approach to one or more partners could then be included in the fundraising strategy and tactics.

We have been talking throughout this section about collaboration with other nonprofits, but collaborations with for-profit organizations are also common. All opportunities for collaboration in fundraising should be explored.

Market Factors

The next stage of the audit concerns the gathering of data about the various donor markets the organization is addressing. It may be sensible to structure the gathering of these data by considering each donor market (individuals, corporations, foundations) in turn. Each of these markets should then be further subdivided into identifiable segments or groups of donors, with information presented on each.

Typically, a nonprofit needs to understand the following:

1. *Who donates to their organization.* Are there certain types of people, corporations, or foundations that have elected to offer their support? In the case of individuals, do they have distinctive demographic or lifestyle characteristics that help the organization to understand more about their target audience?
2. *Donor motivations.* Why does each group of donors elect to support the organization? What, if anything, do they expect to gain in return for their gift? How can the organization best reflect these motives in their fundraising communications?
3. *Donor needs, preferences, and interests.* What kinds of communications do donors find appropriate? How do they view the communications they currently receive? Could these be improved in some way?
4. *Donor behavior.* Organizations need to understand how donors behave when they give to the organization. How much does each group or segment of donors give? Do higher value donors have any distinctive characteristics or needs? Are certain types of donor more likely to terminate their support than others? What are the primary reasons that

donors terminate their support? Is there anything that can be done to address this?

All of this information is essential if an organization is to develop what is variously termed a customer-orientation or donor-centered approach. As we shall see in Chapter Twelve, however, gathering the data is only half the story. The nonprofit also needs to ensure that is the data are used meaningfully to drive an approach to fundraising that adds genuine value for supporters and enhances relationships.

In gathering this information it would again be wise to start with the material that is already available within the organization. Many nonprofits have helpful documents such as profiles of their supporter base, additional market research reports, and copies of relevant trade reports. These data should then be supplemented through secondary research that looks for any additional information that might shed light on the needs and behaviors of each key segment. Many of the sources listed in Figure 6.3 will offer value here too. Fundraisers writing a plan to develop major giving, for example, can research what we know about the needs of this category of donor, what motivates them to give, and the media and approaches they find most accessible. All of this information will be helpful in designing the plan that will follow.

The Internal Environment

Having now summarized the key external influences on the organization, it is possible to move on to consider an audit of the organization's own fundraising activity. The aim here is to scrutinize past fundraising performance and to appraise carefully what has worked well in the past and what has not. Current fundraising activities, trends in performance, and the current structure and support systems that underpin fundraising activity will all be considered.

It is impossible to be prescriptive about the exact information requirements, but it is likely that the auditor will wish to research the following:

1. The past performance of each form of fundraising undertaken, trends in this performance, and whether this might vary by donor segment (see Chapter Seven). The auditor will wish to examine the revenues generated, the costs incurred, and the returns generated.

2. How performance varies by the groups or segments of donors addressed. What success has the organization had in addressing discrete donor segments? Have some segments proved more responsive than others? If so, why has this been the case? All of these data can be valuable in selecting future donors for contact and suggest the optimal ways in which funds could be solicited.
3. *Organizational processes that support fundraising.* In particular, the auditor will want to examine whether these processes are optimal and whether any problems have arisen in caring for donors over the period of the previous plan. These processes will include donation processing and handling; mechanisms for dealing with donor communications and queries; internal coordination of strategy with departments such as press, public relations, and campaigning; and mechanisms for dealing with data and privacy issues. Where these activities exist, the teams that carry them out can affect the quality of donor relationships.
4. *Organizational structure.* The auditor will want to look at how the fundraising function is organized and explore whether this structure is optimal. Should the fundraising team be structured according to the form of fundraising undertaken (such as direct marketing, events, or corporate); by the key segments of donors addressed; by region, county, or state; or by some combination of these? The split between the use of paid staff and volunteers might also warrant investigation. So too might the roles undertaken by both categories of individuals. Volunteers form the core of a lot of fundraising activity and providing them with the optimal levels of support and encouragement is essential.

Data for the internal audit are usually gathered through a mixture of secondary research and meetings and interviews with board members, staff, and volunteers. These sources can paint a picture of the current fundraising work undertaken, what has happened in the past, and how the organization has come to have a particular fundraising mix. They can also provide information on perceived opportunities and barriers to their development. The auditor undertaking the interviews should also prompt the interviewee for records and supporting data to illustrate, add to, and verify the information provided by the interviewee. If external consultants are retained, especially if they give strategic or planning support, it will also be necessary to interview their staff to get a full picture of the fundraising effort. As with the external audit, the internal data gathering should be an iterative process, with checks being performed throughout to ensure that full and accurate information is being provided.

Analytical Tools

The audit of internal factors allows the auditor to capture a wealth of data on the performance of existing fundraising products and services. In essence, each form of fundraising that the organization undertakes can be scrutinized to see whether it is worth continuing, what future performance might look like, and how it compares with other, similar forms of fundraising undertaken by other organizations. Although it may be perfectly plausible to draw a series of conclusions from raw audit data, it may be preferable for the auditor to use one of a number of analytical models to interpret the mass of data accumulated.

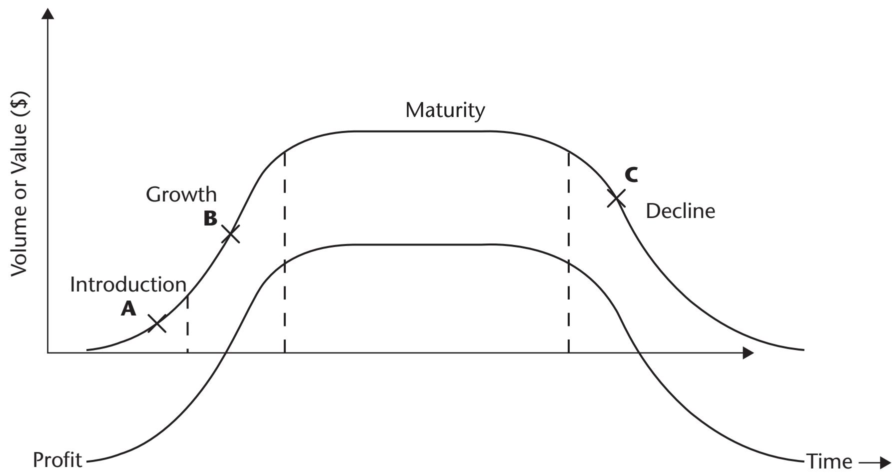
Product and Service Life Cycle

One of the most fundamental concepts in marketing is the idea that a product or service will pass through several distinctive stages from the moment it is introduced until it is ultimately withdrawn from the market. An understanding of these stages can greatly aid a fundraiser because the appropriate tactics for the successful management of each activity will often vary between each stage of its life cycle. Wilson, Gilligan, and Pearson (1994) summarize the implications of the life cycle concept thus:

1. Products and services have a finite life.
2. During this life they pass through a series of stages, each of which poses different challenges to the organization.
3. Virtually all elements of an organization's strategy and tactics need to change as the product or service moves from one stage to another.
4. The profit potential of products and service varies considerably from one stage to another.
5. The demands on management and the appropriateness of managerial styles will also vary from stage to stage.

This concept is illustrated in Figure 6.4. In the context of fundraising it is probably more helpful to think about "activities" rather than about products and services, although some organizations do have distinct fundraising products, such as child sponsorship. During the introductory stage of the life cycle, it will take time for the fundraising activity to gain acceptability in the market; response will hence be relatively low. At this stage it is unlikely that the organization will have recouped its initial setup and development costs, and profitability will remain negative. Over time, as

FIGURE 6.4. LIFE CYCLE CONCEPT



the activity begins to gain acceptability in the market, donations will experience a period of sustained growth, and at this stage fundraising should become profitable. With the passage of time the volume and value of donations will eventually level off as the market becomes saturated, until ultimately this form of fundraising becomes obsolete and donations begin to decline. At this stage the organization may wish to consider discontinuing the activity, because the lower volume of transactions may make the costs of provision prohibitive. In employing this model, the organization can examine either the volume of fundraising transactions generated or the value of such transactions. Either approach is acceptable.

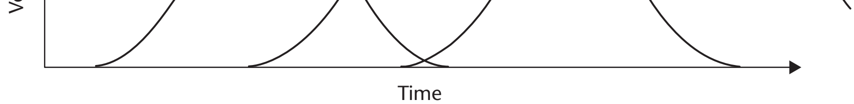
Of course to use this model the fundraiser has to define what he or she means by *activity*. This is trickier than it would be in for-profit organizations, where products and services are typically well defined. In fundraising it may make sense to examine the sources of gifts (that is, individuals, corporations, and trusts or foundations), or it may make more sense to examine specific programs such as feeding children, feeding the elderly, and feeding pets, as might be the case for a Food Bank. It might even be preferable to examine ways in which each category of donor might give (such as adopt a dog, charity of the year, challenge events, payroll giving, or badger conservation). There is no one right way to use the life cycle model; it simply depends on which way is best for looking at the fundraising activities the organization undertakes.

The life cycle concept has been much criticized over the years but it can still offer fundraisers considerable utility in that it can help shape the fundraising mix that can be adopted at each stage. As an illustration of this point, consider the role of promotion in supporting a fundraising activity. At point A in Figure 6.4 the role of promotional support would almost certainly be to inform the potential market that the activity exists and to educate them on the potential benefits it might offer. Raising awareness would be a key task at this stage. As the activity moves to point B in the life cycle, however, the nature of the market has changed. If the activity was new and innovative, other nonprofits will have started to copy it and the focus of promotion will need to change. A continual emphasis on awareness would be inappropriate because it would serve only to increase the overall level of demand in the market and thus benefit all competitor nonprofits too. Instead, a more useful strategy would be to differentiate the activity from that provided by the competition. The emphasis would change to clearly positioning the activity in the minds of target consumers and donors. By the time it moves to point C in its life cycle, promotional support may be withdrawn altogether to reduce costs, or additional monies may be spent in an attempt to "prop up" ailing demand in the market.

The life cycle model can also be used to plan the introduction of new fundraising activities. When an organization realizes that one activity is soon to decline, it can plan the introduction of new activities. This idea is illustrated in Figure 6.5. In this case the organization is attempting to time new introductions to ensure that the volume and value of donations from this particular source remain relatively constant, or ideally increase, over time.

It should be noted that nonprofits normally have more than one fundraising activity available at a time and the life cycle concept has the

FIGURE 6.5. USING THE LIFE CYCLE FOR PLANNING



significant drawback that it tends to focus management attention on each activity individually without viewing the organization's portfolio as a coherent whole. Indeed, a development office may be viewed as a set of activities or projects to which new ones are intermittently added and from which older ones may be withdrawn. These activities and projects will make differential demands on, and contributions to, the organization as a whole. Hence some form of "portfolio" analysis might prove to be a useful tool in deciding how the activity mix might be improved given the resource constraints that are valid at a particular time.

Portfolio Analysis

Although a variety of portfolio models have been employed over the years, they have largely been developed in the business context and are thus difficult to apply to the context of fundraising. In particular, fundraisers should studiously avoid any portfolio model that has as its base the concept of market share, because this concept cannot be meaningfully applied to the realm of fundraising, for two reasons:

1. The sheer scale of the nonprofit sector and the fact that fundraising performance is reported in aggregate terms means that it would be impossible to quantify market share meaningfully for particular products or activities.
2. Portfolio models employing market share assume that the performance of a product or activity is related to market share (that is, that there are economies of scale). This is simply not the case with many forms of fundraising.

However, the model depicted in Figure 6.6 can offer considerable help to fundraisers in appraising the current health of their portfolio of activities. To utilize the model it is necessary to begin by examining in detail the components of the two axes, namely, external attractiveness and internal appropriateness.

External attractiveness. Not all of an organization's fundraising activities will be equally attractive to potential funders. Some fundraising activities will be more appealing than others and thus more worthy of donors' investment. Although the specific factors that drive how attractive an activity might be to funders will vary from one organization to another, external attractiveness might typically depend on the following:

1. The level of general public concern about the beneficiaries of the activity
2. The number of potential donors, that is, the potential or actual size of the market

3. The perceived impact that the monies raised will have on the beneficiary group
4. The uniqueness of or novelty offered by the activity
5. The ease of participation in the activity.

It is important to recognize that this list is not exhaustive and that the beauty of the model is that organizations can utilize whatever factors they perceive as relevant to their own environment and circumstances.

Internal appropriateness. This is the extent to which the activity fits the profile of the organization providing it. In other words, is it appropriate to provide this activity given the skills, expertise, organizational structure, and resources available? Relevant factors here might include the following:

1. The extent to which the organization has relevant staff and volunteer expertise
2. The extent to which the organization has experience with this activity
3. The fundraising returns generated by the activity
4. The availability of volunteers to implement the activity

Again, this list can be expected to vary from context to context, and an organization should identify those factors that are most pertinent to its particular circumstances.

◆ ◆ ◆

Now that we have defined the components of both internal appropriateness and external attractiveness, the reader will appreciate that not all

FIGURE 6.6. PORTFOLIO ANALYSIS

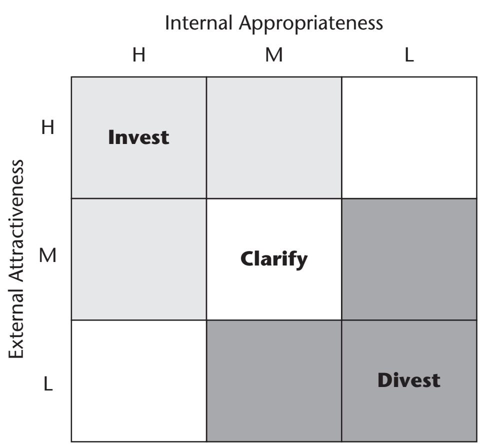


TABLE 6.1 EXTERNAL ATTRACTIVENESS OF ACTIVITY A (CHILD SPONSORSHIP PRODUCT)

Factor	Weighting	Rating	Value
The level of general public concern about the beneficiaries of the activity	0.2	8	1.6
The number of potential donors, that is, the potential or actual size of the market	0.2	5	1.0
The perceived impact that the monies raised will have on the beneficiary group	0.4	10	4.0
The uniqueness of or novelty offered by the activity	0.1	2	0.2
Ease of participation in the activity	0.1	5	0.5
TOTAL	1.0		7.3

of the factors identified will be equally important to a given organization. The returns generated by the activity, for example, would be a key factor for most nonprofits. For this reason it is important to weight the factors according to their relative importance.

The weighting of external attractiveness is illustrated in Table 6.1 using a fictional example (Activity A, a child sponsorship product). The weightings for each factor should add up to 1. In the example given, the key factor driving external attractiveness is the perceived impact that the monies raised will have on the beneficiary group. This factor has therefore received a relatively high weighting. The issues of novelty and ease of participation are less important and therefore have warranted lower weightings.

The next step is to rate each activity in which the organization is engaged with a score from 1 (very poor) to 10 (excellent) in terms of how it measures up to each of the factors listed. Table 6.1 gives Activity A a rating of 10 on the third dimension, making it clear that Activity A offers a very clear benefit to the beneficiary group. The activity also scores highly on the first factor, that is, public concern. Unfortunately, the activity is also available from many other nonprofits and cannot be considered unique. The rating for this factor is thus only 2. The activity offers only average performance in terms of the size of the market and ease of participation. It is thus rated only 5 on these factors.

Multiplying the weightings by the ratings assigned produces a value for each factor. Summing these values gives an overall score for the external attractiveness of Activity A of 7.3.

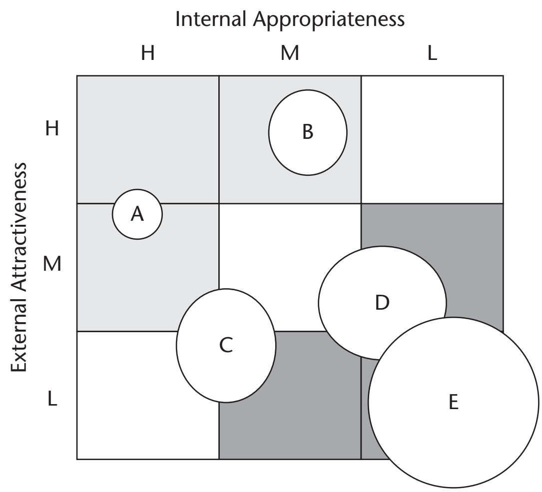
TABLE 6.2 INTERNAL APPROPRIATENESS OF ACTIVITY A (CHILD SPONSORSHIP PRODUCT)

Factor	Weighting	Rating	Value
The extent to which the organization has relevant staff and volunteer expertise	0.4	8	3.2
The extent to which the organization has experience with this activity	0.1	5	0.5
The fundraising returns generated by the activity	0.4	10	4.0
The availability of volunteers to implement the activity	0.1	7	0.7
TOTAL	1.0		8.4

The process is identical for internal appropriateness. Each pertinent factor is assigned a weighting and each activity in which the organization engages is given a rating from 1 (very poor) to 10 (excellent) according to its performance in respect to each factor. Returning to our analysis of Activity A, we can see in Table 6.2 that internal appropriateness for this organization is largely driven by staff and volunteer expertise and by the returns generated by the activity. These factors have relatively high weightings. The returns from the child sponsorship product are obviously excellent, and the level of staff and volunteer expertise is also good. Multiplying the weightings by the ratings gives us a value for each item, and summing these values generates an overall score for Activity A of 8.4.

These figures can then be plotted, as shown in the matrix in Figure 6.7. The position of Activity A is clearly indicated. If it is conceptually useful, some organizations choose to take the analysis one stage further and draw a circle around the plotted position. The diameter of the circle is directly proportional to the percentage of fundraising income the activity generates. In this way managers can see at a glance the relative significance and position of each of the products in their portfolio. Of course for this to happen all of the products that a particular organization provides would have to be plotted in this way. Only then could an analysis be undertaken of the health and balance of the portfolio as a whole. Depending on the location of each activity within the matrix, the organization can then either look to invest further in its development, divest itself of the activity

FIGURE 6.7. SAMPLE PORTFOLIO ANALYSIS



and use the resources elsewhere, or subject the activity to further evaluation if its position remains unclear.

Activities that fall in the top left-hand corner of the matrix are clearly those that are highly attractive to their respective market and that the organization is well placed to deliver. These activities are clear candidates for continuing development.

Activities falling in the bottom right-hand corner, however, could clearly be causing unnecessary drains on resources. They are not seen as attractive by the target funders, and the organization has no particular skill in delivering them. Activities in this area of the matrix should be scrutinized with a view to termination or divestment. After all, if these activities are not attractive and the organization is not good at providing them, what could be the possible rationale for continuing them? Of course this is only a model and the activity would have to be scrutinized very carefully before a divestment decision was made, but the analysis has at least yielded considerable insight into the potential for valuable resources to be conserved and perhaps put to other, more appropriate uses.

This leaves the question of activities that fall within the central diagonal. These should be carefully evaluated because they are only moderately appropriate for the organization to provide and they have only limited external attractiveness.

Drawbacks of Portfolio Models

In electing to employ a portfolio model, it is essential that the user be aware of some of the disadvantages of such models:

1. *Definition of market.* It is not always clear how the market should be defined when drawing conclusions about the position of an activity on a given axis. When examining corporate fundraising activities, for example, is the market the whole corporate marketplace, only those corporations that presently give to nonprofits, only those companies in particular sectors, or only those companies of a particular size? It is essential in using a portfolio model that the market be clearly defined and that the implications of this definition be fully understood.
2. *Innovation.* The difficulty with some models is that they can understate the significance of a new, innovative activity. When such activities first appear on a matrix, they are characterized by low profitability and revenues and a weak market position as they fight to get established. Thus a cursory glance at a portfolio model might suggest that such activities are struggling and that divestment is warranted. This is clearly not the case and care is required in interpretation.
3. *Divestment of unwanted activities.* It should be recognized that although a number of fundraising activities may be highlighted as candidates for divestment, doing so may frequently not be desirable. Although it makes little financial sense to continue with such an activity, there may be a number of good human reasons that it should be continued. Perhaps volunteers have a long and proud tradition of managing the activity and have strong emotional attachments to its continuation. It may also be the case that some activities gain the organization welcome publicity that assists in the fulfillment of the mission, even though the performance of the activity itself is poor. Nonprofits thus need to subject the recommendations that emerge from a portfolio analysis to greater scrutiny before divestment decisions are actually made.
4. *The desirability of growth.* Finally, most portfolio models assume that an organization is looking to achieve growth in fundraising income. The prescriptions offered by such models may therefore not be appropriate to the circumstances facing every organization.

Fundraising Metrics

As we have already noted, a key component of the audit is the analysis of historic performance. Fundraisers should look back over the organization's fundraising performance in the previous year and compare the effectiveness and efficiency of each solicitation activity. In other words, they should look back at how much was raised and at what cost. An example is provided in Table 6.3. The results can assist fundraisers in developing the coming year's budget, but they can also be compared to sector benchmarks for each activity (or even to the performance of specific competitors) to highlight areas of good or poor performance. In this case, as you will learn from later chapters, the overall cost of fundraising at 43 cents on the dollar is quite

TABLE 6.3 REPORT OF SOLICITATION ACTIVITIES, WITH GIFT INCOME MEASURED AGAINST APPROVED BUDGET AND ACTUAL EXPENSES (BY PROGRAM)

Activities	Gift Income ($)	Approved Budget ($)	Actual Expenses ($)	Cost per $ Raised
Annual Giving Programs				
Direct mail (recruitment)	16,060	21,000	19,710	1.23
Direct mail (development)	36,020	7,500	7,780	0.22
Membership dues	0	0	0	0
Donor clubs	0	0	0	0
Support groups	0	0	0	0
Events and benefits	5,700	3,600	2,700	0.47
Volunteer-led solicitations	7,350	1,000	970	0.13
Unsolicited gifts	5,900	0		0
Other gifts received	43,000	0		0
Subtotal	114,030	33,100	31,160	0.27
Major Giving Programs				
Corporations	17,000	40,430	36,500	2.15
Foundations	77,600	69,050	67,110	0.86
Individuals	57,050	6,420	6,500	0.11
Bequests received	63,000	1,000	1,100	0.02
Subtotal	214,650	116,900	111,210	0.52
TOTAL	328,680	150,000	142,370	0.43

Source: Adapted from Greenfield (1996).

high and seems to be due to the very poor returns accruing from corporate fundraising activity and foundation (grant) solicitations. For an organization new to these activities, investing in new staff, and nurturing donor relationships, these returns may be acceptable; but for more established programs, these figures would be genuine cause for concern.

Of course this is a very "broad brush" approach to the analysis of fundraising performance, and in many ways it can raise more questions for the auditor than it answers. Why is the overall performance of direct mail (acquisition) as reported here? Why aren't we doing as well as some other organizations? Could the organization be doing better? A more detailed analysis of each activity is required to answer these questions. As we shall see in later chapters, each form of fundraising can be subjected to a wide range of metrics for the purposes of diagnosis and evaluation. Rather than study the issue of metrics out of context, we will return to it many times in subsequent chapters. Here it is important only to remember that a number of these metrics would typically be included as part of the internal audit.

Conducting an Audit in a Small Nonprofit

The framework we have offered in this chapter is of equal relevance to all organizations, irrespective of their size. Even small organizations will be affected by changes in the macro environment and face the challenges posed by competitors for funds. Small charities will also have an equal if not greater need to exploit opportunities for collaboration, and they will certainly need to audit their own internal strengths and weaknesses before they will be in a position to fundraise effectively. All that said, there will of course be differences in the approach that will be adopted.

Although a PEST will still be worth considering, there are likely, for example, to be fewer macro environmental factors affecting a small day care center in Southern Indiana than a major national charity such as the American Cancer Society. Fundraisers should still take the time to look around at the wider environment to ensure that they don't miss any significant changes, but the auditor should not allocate too much time to this section of the audit or worry that only a few points have been identified.

It is also true that smaller organizations will find it less useful to look at broad trends in individual or corporate giving that are taking place at the national level. Published sources will therefore be less helpful than conversations with fellow fundraisers or with the local branches of employer organizations or bodies such as arts organizations and businesses. Talking with professional colleagues already working in the area will likely give the auditor more of a sense of the local picture and offer a regional perspective on the reported national statistics.

The SWOT Analysis

Clearly, at this stage the output from the fundraising audit may be regarded as little more than a collection of data, and in this format it is as yet of limited value for planning purposes. What is required is a form of analysis that allows the fundraiser to examine the opportunities and threats presented by the environment in a relatively structured way. Indeed, it should at this point be recognized that opportunities and threats are seldom absolute. An opportunity may be regarded as an opportunity, for example, only if the organization has the necessary strengths to support its development. For this reason it is usual to conduct a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis on the data gathered during the fundraising audit. This analysis is simply a matter of selecting key information from the audit, analyzing its implications, and presenting it under one of the four headings. The important word here is *key*. It is important that some filtering of the data gathered at this stage be undertaken so that the analysis is ultimately limited to the factors of most relevance for the subsequent development of strategy. The SWOT addresses the following issues:

1. What are the strengths of the organization? What is the organization good at? Is it at the forefront of particular fundraising developments? Does it have access to a donor segment that is not reached by competitors? Does it have a strong database system, great support agencies, and high local awareness?
2. What are the organization's weaknesses? In what ways do competitors typically outperform the organization? Are there weaknesses in terms of internal support or structures? Are there barriers to future development in some areas?
3. What are the main opportunities facing the organization over the duration of the plan? Are there new fundraising techniques to test, new audiences to attract? Are new developments within the organization likely to present extra opportunities for fundraising?

4. What are the major threats facing the organization? Is a major competitor likely to launch a new capital appeal? Will economic changes have an impact on certain core funders and leave them with less to give? Are planned changes to legislation likely to curtail fundraising activity?

Good SWOT analyses have a number of distinctive characteristics:

1. They are relatively concise summaries of the audit data and are typically no more than four to five pages of commentary focusing on key factors only.
2. They recognize that strengths and weaknesses are differential in nature. This means that a strength is a strength only if the organization is better at this particular activity or dimension than its competitors. Similarly, weaknesses should be examined from the perspective of where the organization lags behind the competition.
3. They are clear and easy to read. Quality suffers if items are overabbreviated and the writer concentrates on micro rather than macro issues. As MacDonald (1995, p. 406) notes, "If a SWOT analysis is well done, someone else should be able to draft the objectives which logically flow from it. The SWOT should contain clear indicators as to the key determinants of success in the department."
4. A separate SWOT should be completed for each segment of donor critical to the organization's future. What may be perceived as a strength in relation to approaching individual donors may well be a weakness when approaching corporate donors. Taking a controversial stance on a social issue, for example, can fire up a donor base to offer its support, but this stance may be less attractive to potential corporate supporters who fear alienating part of their client base. Thus the global SWOT analyses that are so frequently conducted by development offices can tend toward the meaningless. For all but the smallest organizations, a series of highly focused SWOTs will be warranted.
5. Finally, a good SWOT analysis will comprise more than just a list of points. It will highlight and prioritize those factors of greatest significance to the organization. At its most simple level this may involve the auditor in ranking the factors presented.

Summary

In this chapter we have introduced the fundraising audit as the first key component of the fundraising plan. We have established that it provides an organization with the "Where are we now?" component of a plan. We have also outlined the information requirements that a nonprofit will need to have at the commencement of the planning process, and suggested why this information is important. We have also examined a number of models that can be used to assist in the manipulation and interpretation of audit data. The use of such models can greatly enhance the quality of insight gained through the audit process, although it is important for the auditor to understand the underlying assumptions made by these models, and the implications for the derivation of a subsequent fundraising strategy.

Finally, we have introduced the SWOT analysis as a tool to summarize audit data. This is also essential because it draws out the key factors driving, or likely to drive, fundraising performance in the future. A good SWOT analysis should not only summarize the audit data, but also suggest to planners what might be realistic objectives to achieve over the planning period. The SWOT analysis will also suggest the strategy and tactics that can best be employed to achieve these objectives. These are subjects that we return to in Chapter Seven, where we examine the final two components of the fundraising plan, namely *Where do we want to be?* and *How are we going to get there?*

Discussion Questions

1. Fundraising audits can be undertaken by external suppliers (agency staff or consultants) or the task can be allocated to internal staff. What do you think would be the advantages and drawbacks associated with each of these approaches?
2. Conduct a portfolio analysis of the fundraising activities undertaken by your own nonprofit (or one with which you are familiar). What does the analysis tell you? Should any changes to the mix of activities be made as a result?
3. In your role as a director of development, draft a memo to your board explaining the benefits (and drawbacks) of conducting a portfolio analysis of your fundraising activity. Under what circumstances might you want to secure their involvement in the process? Why?
4. Describe the product life cycle model. What benefits might such an analysis offer fundraisers? What difficulties or drawbacks might there be in attempting to use the model in the context of fundraising?
5. "We don't have the time to bother conducting a fundraising audit. We're too busy actually doing the fundraising." How might you counter this argument?

CHAPTER SEVEN

FUNDRAISING PLANNING

By the end of this chapter you should be able to:

1. Develop SMART fundraising objectives.
2. Develop an appropriate strategic direction.
3. Segment a range of individual and organizational markets.
4. Develop a positioning strategy.
5. Explain why an organization's brand must be considered in fundraising planning.
6. Integrate plans for specific forms of fundraising into the aggregate fundraising plan for the organization.
7. Schedule, monitor, and control your fundraising activity.

In Chapter Six we presented a generic format for a fundraising plan (see Figure 6.1). We dealt with the early stages of the plan, highlighting the fundraising audit and suggesting categories of data that the fundraising department should assemble before writing the operational sections of the plan. These materials are important in developing a detailed picture of where the organization presently stands in relation to its donor markets, its competitors, and so on. We also reviewed the role and contribution of the SWOT analysis in summarizing these data, and we suggested that in most cases it would be appropriate to conduct a SWOT analysis of the organization from the perspective of each major category of donors. These analyses, we argued, provide a good working summary of "where the organization is now."

In this chapter we consider the remaining two components of the plan: *Where do we want to be?* and *How will we get there?* We consider the role and derivation of fundraising objectives, the characteristics of good objectives, and the role they play in control. We also consider aspects of fundraising strategy, including overall direction, segmentation, and positioning.

As you read this chapter, bear in mind that nonprofits vary widely in terms of size, available resources, and structure. There is therefore not one "correct" structure for a fundraising plan and not one "right way" of organizing fundraising activity. The outline we presented in Figure 6.1 is an aggregate fundraising plan. It contains the details of all the fundraising the organization will conduct over the period of the plan (one year, three years, five years, and so on). It contains objectives, generic fundraising strategies, and an overview of the tactics the organization will adopt in relation to each form of fundraising undertaken. Although this is a common format, some larger organizations prefer to generate separate documents for each form of fundraising; thus specific plans are generated for corporate fundraising, foundation fundraising, and individual fundraising. Other organizations prefer to create a hybrid plan in which an aggregate fundraising document is used by senior management and the board of trustees and more detailed subplans for each form of fundraising are used at the departmental level.

In order to provide an overview of fundraising planning, we have chosen to structure our discussion around only one of these alternatives: the holistic fundraising plan. The details of planning for distinct forms of fundraising, such as corporate, trust and foundation, individual, major gift, and so on, are all dealt with in subsequent chapters.

Setting Fundraising Objectives

Once an organization has identified its current position in the donor market and reviewed what it has accomplished to date, it is in a position to decide what might realistically be achieved in the future. As Drucker (1990, p. 107) notes, objectives have a particular significance for nonprofit organizations:

> In a nonprofit organization there is no such [thing as a] bottom line. But there is also a temptation to downplay results. There is the temptation to say: We are serving a good cause. We are doing the Lord's work.

> Or we are doing something to make life a little better for people and that's a result in itself. That is not enough. If a business wastes its resources on non-results, by and large it loses its own money. In a non-profit institution, though, it's somebody else's money—the donor's money. Service organizations are accountable to donors, accountable for putting the money where the results are and for performance. So, this is an area that needs special emphasis for non-profit executives. Good intentions only pave the way to hell!

In Drucker's view, nonprofits should thus be accountable for how they choose to spend their income, and that includes what they spend on fundraising. Fundraising objectives ensure that the organization gives adequate consideration to exactly what will be achieved and at exactly what cost.

Objectives are also an important part of the plan because they are the only mechanism by which success can be measured. If a plan achieves its stated objectives, we might reasonably conclude that it has been a success. Without objectives, we can only speculate as to the planner's original intent and the effectiveness of the activities undertaken. Valuable resources (donated by donors!) could be wasted, but the organization would have no mechanism for identifying that this was in fact the case.

At a minimum, therefore, fundraising objectives should address the following three issues:

1. The amount of funds that will be raised
2. The categories of donors who will supply these funds (that is, individuals, corporations, and foundations and trusts)
3. The acceptable costs of raising these funds

Fundraisers writing plans for particular forms of fundraising may also write objectives specific to those forms of fundraising; for example, fundraisers working in direct response might craft objectives in terms of renewal rates, changes in the lifetime value of donors, average gift levels, response rates, return on investment, and so on. A fundraiser working in major gifts might set objectives in terms of number of solicitations made and dollars raised, and how many significant interactions a fundraiser should have with donors (Hall, 2008).

For many organizations it may be appropriate to consider writing separate objectives for restricted and unrestricted funds, for annual donors and sustainers, and by category of campaign, such as capital campaign or annual fund, because these forms of fundraising differ greatly.

Restricted or unrestricted funds. Donors can offer two distinct types of funds to an organization. Restricted funds are donated for a specific purpose and may not be used for general purposes. Thus, if a donor donates one million dollars to support the extension of a university library, the university may not use these restricted funds to support teaching costs or management overhead. Unrestricted funds, by contrast, are donated to support the work of the charity in general and are not designated to be spent on a particular project or program. Because many nonprofits desire the maximum possible financial flexibility, the emphasis within fundraising appeals is frequently on unrestricted funds. As the reader will appreciate, it makes sense to write objectives for both categories of funds, because each category is associated with a different degree of flexibility.

Capital campaign or annual fund. The capital campaign is designed, as its name suggests, to raise capital for a specific and often major project. Thus, if a nonprofit needs a new building in which to house its operations, a resource center for adults with disabilities, or a sensory garden for visually impaired children, it will run a capital campaign to raise the requisite funds. The annual fund, by contrast, is designed to fund the ongoing costs of the organization. Nonprofits typically write a separate plan for each of these forms of fundraising, but in some cases the two plans are merged to ensure the maximum possible synergy between the two appeals; in that case, it is standard practice to specify distinct objectives for each set of activities.

Annual givers and sustainers or monthly givers. Many nonprofits in the United States have thriving annual giving programs in which donors are prompted each year to consider renewing their support of the organization by either sending a check or authorizing a one-time payment directly from a bank account or credit card. Historically such gifts have been prompted through a direct-mail program or by a face-to-face volunteer. Today, e-mail and telephone prompts for renewal are just as common. Sustainers or monthly givers, by contrast, are donors who give a regular sum of money each month (or year) through their credit card or bank account by setting up a regular electronic funds transfers. This regular payment continues until the individual cancels it. Consequently, these donors don't need to be renewed annually; rather, the fundraiser's task is to maintain and enhance the passion of these donors for the work of the organization. Because these two categories of donor are very different from each other, separate objectives are typically written for each.

The style in which the objectives are written is also a significant issue. Objectives are of value only if they can be used as aids to managing the organization's resources. The problem with vague or ambiguous objectives is that every action a fundraiser takes could potentially look viable. To paraphrase Charles Handy (1993), if you don't know where you are going, all roads lead there! "Vague objectives, however emotionally appealing, are counter-productive to sensible planning and are usually the result of the human propensity for wishful thinking, which often smacks more of cheerleading than serious marketing leadership. What this means is that while it is arguable whether directional terms such as decrease, optimize, minimize should be used as objectives, it seems logical that unless there is some measure, or yardstick, against which to measure a sense of locomotion towards achieving them, they do not serve any useful purpose" (MacDonald, 1984, p. 88). Hence, to be managerially useful, good objectives should be

Specific. They should relate to a concrete fundraising activity (or set of activities) that will be undertaken.

Measurable. They should include dollar targets for funds raised, number of donors who will be approached, allowable expenditures, and so on—the yardsticks referred to by MacDonald.

Achievable. Employees, volunteers, and board members should be able to focus genuinely on their achievement. Unrealistic targets tend either to be ignored or, worse, to demotivate the fundraising team.

Relevant. That is, they should be relevant to the corporate objectives of the nonprofit. Fundraisers need to ensure that there is adequate correspondence between what they intend to raise from fundraising (and for what) and the organization's overall need for funds.

Timescaled. Fundraisers should know by when they will be expected to hit each target. The deadline may be the end of a specific campaign, the end of the financial year, or another particular date.

Thus good fundraising objectives should be SMART (that is, specific, measurable, achievable, relevant, and timescaled).

Now that we have outlined the rules, here is what typical fundraising objectives might look like:

- To attract $300,000 in income from individual donors by the end of the financial year
- To attract $150,000 of (cash) corporate support by the end of November 2010
- To attract 100,000 new sustained and monthly givers by the end of December 2010
- To increase the renewal rate of annual fund donors to 85 percent in 2011.

Key Strategies

Once the objectives that the plan intends to achieve have been specified, it is now possible to address the means by which these objectives will be accomplished. The broad approach to doing this is known as *fundraising strategy* and comprises the following six elements:

1. Overall direction
2. Segmentation strategy
3. Targeting strategy
4. Positioning strategy
5. Branding
6. Case for support

These are elements of the general approach to meeting objectives. The details of, for example, how volunteer training will be undertaken, how many potential corporate supporters will be approached, where the nonprofit will advertise, and to which social networking sites donors will be encouraged to link are all presented later, in the relevant tactical or "action" plans.

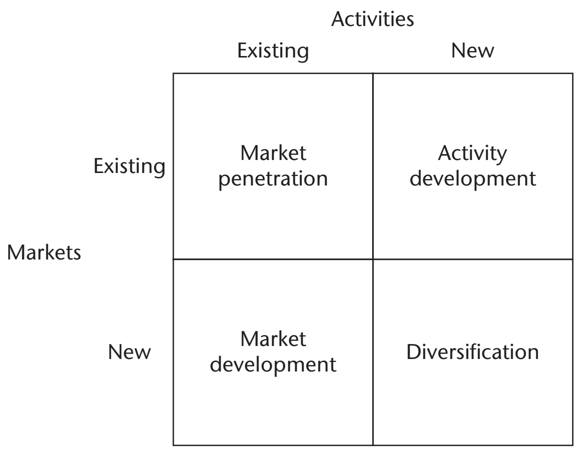
Overall Direction

Overall direction pertains to the selection of fundraising methods that will be used to raise funds. If an organization needs to raise more funds this year than it did in the previous year, it can choose from among four key strategic directions in which to achieve this growth (Ansoff, 1968). All of these options (illustrated in Figure 7.1) involve making decisions about the range of fundraising activities that will be conducted and about the markets to which those activities will be delivered:

1. *Market penetration*. This is considered the least risky of the four growth options. It involves trying to get a greater number of people in existing donor segments to respond to existing fundraising activities. A nonprofit seeking to increase the number of bequests from members of its existing donor base would be engaging in market penetration. So too would a nonprofit seeking to expand the level of corporate support in its hometown.

2. *Activity development*. This option carries more risk than market penetration. In this approach the nonprofit sticks with its existing

FIGURE 7.1. ANSOFF MATRIX



Source: Adapted from Ansoff (1968).

segments of donors but seeks to find additional ways of engaging their support. The fact that the nonprofit may have no experience with these other methods is what drives the enhanced level of risk. A nonprofit, for example, that decides to host, for the first time, an annual dinner for its major donors is engaging in activity development. So too is a nonprofit deciding to promote planned giving for the first time to its existing supporters.

3. *Market development.* In this approach the nonprofit sticks with its existing activities but tries to find new segments of donors to whom to address those activities. When a corporate fundraising team decides to expand the number of counties or even states in which it is operating, it is engaging in market development. When a nonprofit seeks to focus on female donors for the first time, or on donors from a particular minority group, it is also engaging in market development. What drives the risk in these cases is that the nonprofit has no experience in dealing with the new category of donors and therefore can't be sure how they will respond.

4. *Diversification.* This is the riskiest growth strategy of all because the nonprofit has no experience with either the new fundraising activity or the new group of donors who will be approached. Nonprofits that are seeking to raise funds from major donors for the first time and are therefore creating a new fundraising team and designing the systems and processes

necessary to engage this category of giver are engaging in diversification. Similarly, an organization using face-to-face or direct dialogue fundraising for the first time (see Chapter Ten) is diversifying if it has not previously targeted a youthful audience. (Direct dialogue targets individuals in their twenties and thirties.)

All attempts to raise additional funds can be classified under one of these four headings, and although in itself this classification may not appear to be a useful exercise, the real utility of the model lies in providing a structured way for organizations to consider *all* of the alternatives available to them before they decide which ones they will actually pursue. In using this model, nonprofits should be prepared to brainstorm every possible strategic alternative and then to decide which of the available alternatives is the most appealing and balances the degree of financial risk to which the organization is exposed. In practice, nonprofits therefore tend to opt for a mix of the four available options.

Table 7.1 summarizes the key fundraising activities that are presently conducted in the United States. Fundraisers can employ the Ansoff Matrix to help them decide which of these activities could be employed and site them appropriately in the matrix. A more detailed analysis of the appropriateness of each activity can then be undertaken and decisions can be made about the activities that will be carried forward. Organizations often make these decisions by looking at which activities will be adopted in the short, medium, and long terms, taking into account the fact that a completely new form of fundraising will take time to establish.

Market Segmentation: Segmenting Individual Donor Markets

Once it has decided on the broad approach it will take to achieve its fundraising objectives, the organization can turn its attention to *whom* it intends to address with these activities. Should the organization attempt to target all potential charity donors with its fundraising, or should it focus on specific groups of donors, particular types of people, particular types of foundations, or particular types of corporations? This is a strategic choice that was first recognized by Wendell Smith (1956), who drew a distinction between product differentiation and market segmentation.

In Smith's view, in product differentiation an organization makes a conscious decision to target the whole market and compete on the basis of being different. A nonprofit following this strategy might thus buy a list of known charity donors and write to them, emphasizing the unique

TABLE 7.1 FUNDRAISING ACTIVITIES AND PRODUCTS

Individual Fundraising	Corporate Fundraising
Challenge events	Cause-related marketing
Direct mail	Challenge events
Direct response press advertising	Charity of the year
Direct response television advertising	Matching gift programs
Door-to-door (soliciting gifts on the doorstep)	Personal solicitation
E-mail	Special events, dinners, galas
Special events, dinners, galas	Special events, dinners, galas
Face-to-face or direct dialogue	Staff time and loan of key staff
Internet fundraising	Workplace giving
Personal solicitation	
Press and magazine inserts	
Radio advertising	
SMS text messaging	
Sponsored events (such as walks, runs, marathons)	
Street collections	
Telephone fundraising	
Trading (such as charity shops and mail order catalogues)	
Yard sales	

benefits it will deliver—perhaps the fact that it is a better steward of its resources than other organizations, that it has unique expertise to offer, or that it can supply a distinctive set of benefits to members. It thus focuses on the differences between itself and other organizations.

In market segmentation, by contrast, an organization identifies a particular group of supporters whose needs it is well placed to meet and then gears up its fundraising activity to maximize the satisfaction of this group or, in marketing terms, *segment*. The organization might thus focus on high-value donors; on individuals with passion for the environment, for wildlife, for medical research, and so on; or perhaps on firms of a certain size or type.

Smith illustrates well the differences between these two approaches. In his view, "the differentiator seeks to secure a layer of the market cake, whereas one who employs market segmentation strives to secure one or more wedge-shaped pieces" (p. 5). How best to slice the cake is thus a critical decision in fundraising.

The rationale for segmentation is as follows:

1. By segmenting markets, organizations develop a better understanding of the needs of their donors. They understand what motivates them to give, how they like to be approached, the messages they prefer, the outcomes they want to see, how they like to have their gifts acknowledged, and so on. This understanding can then be used to enhance the quality of fundraising activity.
2. All nonprofits have limited resources. To target the whole market is therefore unrealistic for all but the largest organizations. The effectiveness of fundraising can be greatly improved when it is more narrowly focused on a specific group of donors.
3. Segmentation allows a nonprofit to tailor its approach to reflect the needs of the individuals or organizations it is addressing. This is not only a more respectful approach (treating donors as individuals), but it also makes good economic sense, because donors approached with a tailored solicitation that reflects their genuine concerns and interests are significantly more likely to respond, to derive satisfaction from their giving, and to give loyally over time.

There are a number of ways to segment individual donor markets.

Geographic Location

Some nonprofits can segment their donor market on the basis of geographic location. They may find more support for their work within a radius of their office, or they may find that particular states, regions, counties, cities, or neighborhoods are more responsive to what they are trying to achieve.

Demographics

Demographic segmentation involves segmenting the market on the basis of variables such as age, generation, gender, family life cycle, income, religion, and race or ethnicity. These key variables that characterize our society are popular bases for segmentation because they are easy to measure and because giving preferences are often strongly associated with these variables.

Age A huge proportion of giving to nonprofits comes from the older sections of the population. An analysis of the Family Expenditure Survey in the United Kingdom, for example, indicates that for every increase of ten years in the age of the head of the household there is an increase of 3 percent in the likelihood of giving, and an increase of 30 percent in the value of the donation (Banks and Tanner, 1997). There is also evidence that the pattern of causes that people find of interest varies by age (Sargeant and Jay, 2004). Young people give to charities that tackle the big environmental and social issues of the day and may thus support organizations such as Greenpeace and Amnesty International or the Campaign for Nuclear Disarmament. As they get older their lives are touched by a variety of medical conditions and their priorities may change as a consequence. They may lose loved ones to diseases such as cancer, heart disease, and stroke, and may thus switch to giving to nonprofits that are tackling these issues. As they enter old age, they may rely increasingly on the services of nonprofits as they suffer sight or hearing loss, develop mobility issues, and ultimately, perhaps, require nursing or hospice care. At this point, giving may reflect a desire to "pay back" in gratitude for the services received.

Generation Interest in the concept of generation as the basis for segmentation has increased (Ritchie, 2008). It is argued that each generation is profoundly influenced by the times in which its members grew up (see Figure 7.2). They listen to the same music; are exposed to the same media; experience the same major cultural, social, and political developments; and have similar outlooks and values. Nonprofits can thus use the icons, imagery, and language appropriate to each generation when soliciting gifts from or trying to grab the attention of a specific audience. To illustrate, an Australian bank recently advertised a student account to Generation Y with the slogan, "You'll be on to a winner." Unfortunately, for many in Generation Y, the word *winner* often means the opposite of what it means in this sentence. So, if the youngsters in your office refer to something as a "winner," it probably isn't good. On the other hand, if something is referred to as "sick," "wicked," or "warped," it probably is.

More seriously, work by Rooney, Tempel, and Wilhelm (2003) has determined that levels of generosity in giving do appear to vary by generation. Controlling for factors that typically affect giving, such as family

FIGURE 7.2. AMERICAN GENERATIONS

GI Generation: 16 Million People, Born 1901–1924

Shaped by hard times and the Great Depression, financial security is one of the core values of this generation. Conservative spenders and civic minded, they are team oriented and patriotic.

Silent Generation: 35 Million People, Born 1925–1945

Trusting conformists who, much like the GIs before them, lived with the specter of the Depression. Grandparents of the Millennials, they are now involved in civic life and extended families in a bid to recapture lost youth. They value stability.

Baby Boomers: 78 Million People, Born 1946–1964

Great acquisitors and unapologetic consumers, they are now often newly liberated parents with high amounts of disposable income. They are value-driven despite their indulgences, and fearful of words related to aging.

Generation X: 57 Million People, Born 1965–1977

Cynical and media-savvy, they were once rebellious but now are a big economic force. They are alienated, alternative, and distrust their elders, especially Baby Boomers. They also don't respect people just because of their positions.

Generation Y: 60 Million People, Born 1978–1994

A subset of Generation X, they are edgy, and focused on urban style. They move toward a more positive, retro style (swing dancing, big bands, outdoor life).

Millennials: 42 Million People, Born 1995–20021

Tech-savvy, educated, and multicultural, they have been bombarded by media messages and thus have become accustomed to sex and violence. Growing up in affluent society with potentially big spending power, they have been trained to be doers and achievers.

Ritchie, K. (2008). *Marketing to Generation X*. Boston: The Free Press.

income, wealth, gender of the family head, marital status, number of children, and so on, their study finds that prewar families really do seem to be more generous. Predicted giving if everyone in their sample was a prewar family was $1,764 per year compared to $1,254 if everyone was a boomer, or $1,100 if everyone was Generation X.

Gender Many studies of giving have demonstrated that women and men give differently. It appears that women tend to spread their giving across a greater number of charities than men do, and so tend to give smaller amounts to each one (Sargeant, 2004). Most nonprofit donor databases contain markedly more women than men, although there are of course exceptions. Studies in for-profit marketing have also shown that the manner in which women respond to information is different from how men respond, and that the sexes respond differently to different forms of communication. Consequently, some nonprofits develop “male” and “female” copy for their recruitment appeals and address donors accordingly.

Family Life Cycle Wells and Gubar (1966) identified nine distinct *life cycle stages*, ranging from bachelor to retired solitary survivor. These stages are illustrated in Table 7.2. As we have already established, different causes may appeal at different ages, but other variations rather than just age are also associated with the family life cycle. At certain points, giving decisions may be made jointly with a spouse or other family members, and levels of disposable income will vary substantially across categories. That said, there are difficulties with this classification, most notably the fact that it takes no account of modern family units, such as single-parent households and childless and same-sex couples. In addition, the cycles are distorted because many women postpone having children until later in their lives, and family size has declined. Despite these criticisms, the model remains widely used and is a helpful indicator of propensity to give.

Income and Occupation Income has also been proved to be a useful base for segmentation and, despite difficulties in identifying a true picture of income for any particular group, has been shown to be a powerful indicator of both patterns in giving and likely donation levels. The Center on Philanthropy’s Panel Study (2007), which studied the behavior of more than eight thousand U.S. households, found in 2005 that

- Donor households with incomes of $100,000 or more give, on average, to 3.5 types of charities (median 3).
- Donor households with incomes of $50,000 or less give, on average, to 2.3 types of charities (median 2).
- Medium-income donor households give, on average, to 2.7 types of charities (median 2).

TABLE 7.2 FAMILY LIFE CYCLE

Stages in the Family Life Cycle	Buying Patterns
Bachelor: young single people living at home	Few financial commitments—recreation and fashion oriented.
Newly married couples: young, no children	High purchase rate of consumer durables—buy white goods, cars, furniture.
Full nest 1: youngest child under 6	House buying at peak. Liquid assets low—buy medicines, toys, baby food, white goods.
Full nest 2: youngest child 6 or older	Financial position improving—buy a wider variety of foods, bicycles, and pianos.
Full nest 3: older married couples with dependent children	Financial position improving even further. Some children now have jobs, and wives are working. Increasing purchase of desirables—furniture and luxury goods.
Empty nest 1: older married couples, no children living at home, head of household still in workforce	Home ownership at peak. Savings increased and financial position improved. Interested in travel, recreation, self-education. Not interested in new products—buy luxuries and home improvements.
Empty nest 2: older married couples, no children living at home, head of household retired	Substantial reduction in income. Buy medical products and appliances that aid health, sleep, and digestion.
Solitary survivor in the workforce	Income still high, but may sell home.
Solitary survivor retired	Same medical and product needs as empty nest 2. Substantial cut in income. Need for attention and security.

Source: Wilson et al. (1992).

- Higher income donor households with incomes of $100,000 or more give, on average, 2.2 percent of their income (median 1.3 percent).
- Lower income households with incomes below $50,000 give, on average, 4.2 percent of their income (median 1.6 percent).
- Middle income households give an average of 2.7 percent of their income to charity (median 1.2 percent).

There is also evidence that income may drive the charitable causes that an individual will support (Lloyd, 2004). As Ostrower (1997, p. 133) notes, the wealthy carve out a separate and exclusive arena for themselves that is quite distinct from the "philanthropic arena of the economically disadvantaged," by supporting causes such as the arts, education, and health care.

Race and Ethnicity Race and ethnicity are used in demographic segmentation by some nonprofits, particularly those serving a minority community but not exclusively so. Giving patterns and the rationale for support can vary significantly by racial and ethnic group. In the United States, for example, there are long and quite distinctive traditions of philanthropy in communities of color (see, for example, Hall-Russell and Kasberg, 1997). This variation can be due to historical traditions and experiences, to differences in religious belief, or to the disproportionate impact of a societal issue. Creative images and messages can be tailored to appeal to these communities and then communicated through a wide array of highly targeted media.

Geodemographics In geodemographics, information on geographical location is combined with demographic and lifestyle information to provide descriptions of neighborhoods. In the United States, this approach is typified by the Tapestry™ Segmentation system (produced by ESRI Inc.), which, like other systems of this type, is based on the core notion that people who live near each other are likely to have similar interests and behaviors. The Tapestry Segmentation system analyzes U.S. neighborhoods in terms of more than sixty attributes, including income, employment, home value, housing type, education, household composition, age, and other key determinants of consumer behavior. This information has been subjected to statistical analysis to identify neighborhoods that look and behave similarly. Consequently, the system classifies all U.S. neighborhoods into sixty-five types. Neighborhoods with the most similar characteristics are grouped together, while neighborhoods showing divergent characteristics are separated.

Thus a rich picture has been painted of the characteristics of particular neighborhoods, which fundraisers can use to aim their communications at those most likely to respond. Fundraisers can either decide a priori which segments to target, or have their existing donor base profiled to see which of the sixty-five market segments currently tend to support the organization. Other individuals who match the profile can then be approached. Profiles of two of the sixty-five market segments produced by Tapestry Segmentation are provided in Figure 7.3.

Psychographic Segmentation

Psychographic segmentation is, as the name suggests, an attempt to blend psychology and demographics to develop a richer understanding of consumer behavior. Psychographics segments are created on the basis of personality traits, values, lifestyles, or a combination of these elements.

FIGURE 7.3. Sample Segments from the Tapestry Segmentation System

Segment Code 14
Segment Name Prosperous Empty Nesters
LifeMode Summary Group L5 Senior Styles
Urbanization Summary Group U7 Suburban Periphery I

Demographic

Approximately 6 in 10 householders in *Prosperous Empty Nesters* neighborhoods are aged 55 years or older. Forty percent of the households are composed of married couples with no children living at home. Residents are enjoying the move from child-rearing to retirement. The median age is 48.6 years. Population in this segment is increasing slowly, at 0.7 percent annually; however, the pace will probably accelerate as the Baby Boomers mature. *Prosperous Empty Nesters* residents are not ethnically diverse; approximately 90 percent are white.

Socioeconomic

With a median net worth of $275,233, *Prosperous Empty Nesters* invest prudently for the future. The median household income is $69,227. Although 71 percent of the households earn income from wages and salaries, 59 percent receive investment income, 30 percent collect Social Security benefits, and 28 percent receive retirement income. Forty one percent of residents aged 25 years and older hold bachelor's or graduate degrees; nearly 70 percent have attended college. Many residents who are still working have solid professional and management careers, especially in the education and health care industry sectors.

Residential

These residents live in established neighborhoods located throughout the United States; approximately one-third of these households are found on the East Coast. These neighborhoods experience little turnover from year to year. Seventy-seven percent of the housing was built before 1980. Most of the housing is single-family, with a median home value of $197,617.

(Continued)

Preferences

Prosperous Empty Nesters residents value their health and financial well-being. Their investments include annuities, certificates of deposit held longer than six months, mutual funds, money market funds, tax-exempt funds, and common stock. They hold universal life insurance policies. Residents exercise regularly and take a multitude of vitamins. They refinish furniture and play golf. They also attend golf tournaments and sports events, particularly baseball games and college football games. They order by phone from catalogs and use coupons. Households are likely to own or lease a luxury car. *Prosperous Empty Nesters* residents take pride in their homes and communities, so home remodeling, improvements, and lawn care are priorities. Residents will join a civic club or charitable organization, help with fund-raising, write to a radio station or newspaper editor, and volunteer. They travel extensively in the U.S. and abroad. They read biographies, mysteries, and history books; two or more daily newspapers; and business or fitness magazines. They watch golf, news, and talk programs on TV.

◆ ◆ ◆

Segment Code 55
Segment Name College Towns
LifeMode Summary Group L6 Scholars and Patriots
Urbanization Summary Group U6 Urban Outskirts II

Demographic

With a median age of 24.4 years, *College Towns* is the third youngest of all the Tapestry segments. Most residents are aged between 18 and 34 years and live in single-person or shared households. One-fourth of households are occupied by married-couple families. The race profile of this market is somewhat similar to the U.S. profile. Approximately three fourths of the residents are white.

Socioeconomic

College Towns residents are focused on their education; 59 percent are enrolled in college or graduate school. After graduation, other residents stayed on to teach or do research. Because many students only work part-time, the median household income of $30,727 ranks near the low end. The median net worth is $12,135. Fifty-two percent of the employed residents work part-time. This segment ranks second to the *Dorms to Diplomas* segment for the highest proportion of part-time employment. Most of the employed residents work in the service industry, holding on- and off-campus jobs in educational services, health care, and food preparation.

Residential

One in seven *College Towns* residents lives in a dorm on campus. Students in off-campus housing live in low-income apartment rentals. Thirty percent of housing is owner occupied, typically by town residents, who live with their families in single-family dwellings. The median home value is $139,028. One-third of the housing is single-family structures.

Preferences

Convenience dictates food choices; they usually buy readymade, easy-to-prepare, or frozen meals, frozen pasta, pizza crusts, and peanut butter and jelly at the closest grocery store. With their busy lifestyles, they frequently eat out or order in from fast-food restaurants, particularly McDonald's, Wendy's, and pizza outlets during the week; however, many cook at home over the weekend. They buy books online and in stores. They have student loans and bank online or by ATM. These computer-savvy students own laptop computers or expensive desktop personal computers and the peripherals to match. Connecting to the Internet is essential; they go online to research assignments, look for jobs, check e-mail, and download music. Keeping in touch is also important; they buy and use cell phones and accessories. New to living on their own, many *College Towns* residents purchase bedding, bath, and cooking products. They own few appliances but, at a minimum, have a microwave oven, a toaster, and an upright vacuum cleaner. Their lifestyle is very casual. They rank high for participating in nearly every outdoor sport and athletic activity. *College Towns* residents attend country music and rock concerts and college basketball and football games, play pool, and go to movies and bars. They also participate in public activities including fund-raising and volunteer work. They usually listen to alternative music on their MP3 players, tune in to public radio, and watch MTV and Comedy Central on cable TV. They shop at discount stores but prefer to buy branded clothes from Old Navy, Gap, and Target.

Source: ESRI® Tapestry™ Segmentation descriptions and graphic icons provided courtesy of ESRI.

Kotler (1991, p. 171) defines *lifestyle* as a "person's pattern of living in the world as expressed in the person's activities, interests and opinions." Lifestyle therefore portrays the whole individual interacting with his or her environment. It is therefore distinct from *personality*. Personality variables make up the pattern of psychological characteristics that an individual possesses, but they say nothing of that individual's hobbies, interests, opinions, or activities. Lifestyle data can supply these missing variables.

A number of commercially available systems focus on psychographics. One of the most popular is Strategic Business Insights (SBI) VALS™ framework. VALS classifies all U.S. adults into eight primary groups on the basis of personality traits and key demographics. VALS is kept up-to-date, with more than eighty thousand additional surveys being distributed each year (Kotler and Keller, 2006). The framework is depicted in Figure 7.4.

The four groups with the most resources are as follows:

Innovators: successful, sophisticated, active, take-charge people with high self-esteem. Their purchases often reflect cultivated tastes for relatively upscale, niche-oriented products and services.

Thinkers: mature, satisfied, and reflective people who are motivated by ideals and who value order, knowledge, and responsibility. They favor durability, functionality, and value in products.

Achievers: successful goal-oriented people who focus on career and family. They favor premium products that demonstrate success to their peers.

Experiencers: young, enthusiastic, impulsive people who seek variety and excitement. They spend a high proportion of their income on fashion, entertainment, and socializing.

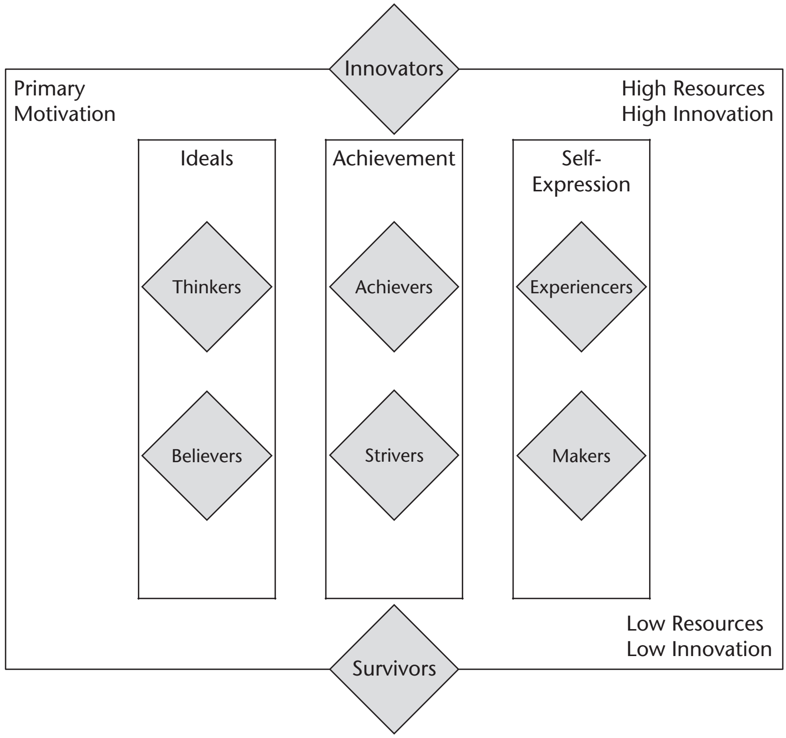
The groups with fewer resources are as follows:

Believers: conservative, conventional, traditional people with concrete beliefs. They favor familiar products and are loyal to established brands.

Strivers: trendy and fun-loving people who are resource constrained. They favor stylish products that emulate the purchases of those with greater material wealth.

Makers: Practical, down-to-earth, self-sufficient people who like to work with their hands. They favor American-made products with practical or functional purposes.

FIGURE 7.4. VALS FRAMEWORK



Source: © Strategic Business Insights. All rights reserved. http://www.strategicbusinessinsights.com/VALS. Reproduced with permission.

Survivors: elderly passive people who are concerned about change. They are loyal to their favorite brands.

It is possible to purchase lists of individuals who can be categorized as belonging to one or another of these segments, so targeting can now be greatly enhanced.

Many other systems are available commercially, including Young and Rubicam's 4Cs (Cross Cultural Consumer Characterisation) and the Taylor Nelson Monitor. Most of these systems work on a similar principle, although the variables tested in each case are slightly different. It would therefore be advantageous prior to utilizing one of these systems to have carried out some initial market research to identify specifically which psychographic variables are significant in a given market.

Behavioral Segmentation

In the commercial arena, individuals are also segmented according to their knowledge of, attitude toward, use of, or response to a product (Kotler and Armstrong, 2007). This is a particularly helpful approach in the domain of donor retention. The Audubon Society, for example, segments donors according to their level of interest in and knowledge about birds and other wildlife. Organizations also target donors with specific campaigns based on the donors' value (that is, how much they have given in the past), and their strategy for dealing with major givers (that is, personal contact) is separate from how they deal with the remainder of the fundraising database. Responding to donors' needs and preferences, as we explain in Chapter Twelve, is essential in building loyalty.

As we noted earlier, the fundraiser using behavioral segmentation can look for donors who exhibit certain behaviors and then explore whether these donors tend to be certain kinds of people in either geographic, demographic, or psychographic terms. This knowledge can then be used, for example, to help the organization refine its recruitment communications to avoid waste by not targeting individuals who are less likely to be interested in the organization's work or with whom a relationship would never be profitable. Many nonprofits therefore examine the characteristics of profitable supporters and compare these with the characteristics of those who will offer only low-value gifts or who are highly unlikely to renew. The approach to donor recruitment can then be amended to focus effort on creating only profitable donor relationships.

Segmenting Business Markets

Of course nonprofits don't only raise funds from individuals. Fundraisers commonly need to segment the market for corporate donations too. To illustrate the variety of criteria that are available, it is worth briefly reviewing the work of Bonoma and Shapiro (1983), who developed one of the most comprehensive reviews of industrial segmentation currently available. The criteria the authors have identified are summarized in Figure 7.5. The authors have suggested that these criteria are arranged in descending order of importance. In the context of fundraising, however, many of the criteria placed toward the bottom of the list can actually offer considerably more utility than those appearing toward the top. For example, companies whose customer profile would likely match the profile of a nonprofit's typical donors would clearly warrant consideration, with an appropriately tailored approach.

FIGURE 7.5. Criteria for Segmentation of Industrial Markets

Demographic Elements

- *Industry type:* Which industries should be targeted?
- *Company size:* What size of company should be targeted?
- *Location:* In what geographical regions should firms be targeted?
- Operating Variables
- *Technology:* What kinds of technology do potential customers employ?
- *User status:* Would they be heavy, medium, or light users of the service?
- *Customer capabilities:* Should the nonprofit concentrate on customers who have many needs or on those who have few?

Purchasing Approaches

- *Buying criteria:* What would the donor be looking for: media profile, staff involvement, convenience, service?
- *Buying policies:* Are decisions made locally or centrally, and what duration of relationship would be desirable?
- *Current relationships:* Should the nonprofit focus only on those organizations that have a track record of support?

Situational Factors

- *Urgency:* Should donors with immediate needs be targeted?
- *Size of order:* Should the nonprofit target donors who require high-value relationships or those who require low-value relationships?
- *Applications:* Should donors be targeted who are looking to use their association with the nonprofit for a variety of different purposes.

Personal Characteristics

- *Loyalty:* Should only companies that exhibit high degrees of loyalty to their suppliers be targeted?
- *Attitude toward risk:* Should risk-taking or risk-avoiding donors be targeted?
- *Buyer-seller familiarity:* Should companies with characteristics similar to those of the nonprofit be targeted?

Source: Adapted from Bonoma and Shapiro (1983).

Similarly, the purchasing approaches adopted by fundraisers will have considerable relevance. Those organizations that would be likely to make a genuinely philanthropic gift would have to be treated differently from those who would measure the "success" of their donation by its impact on the bottom line.

Because criteria such as company size, profitability, and location clearly determine the likelihood and amounts of funding to be supplied, it would seem that charities should give the greatest consideration to a mix of demographic, purchasing approach, and personal characteristic variables when considering how best to segment the corporate donor market.

Targeting

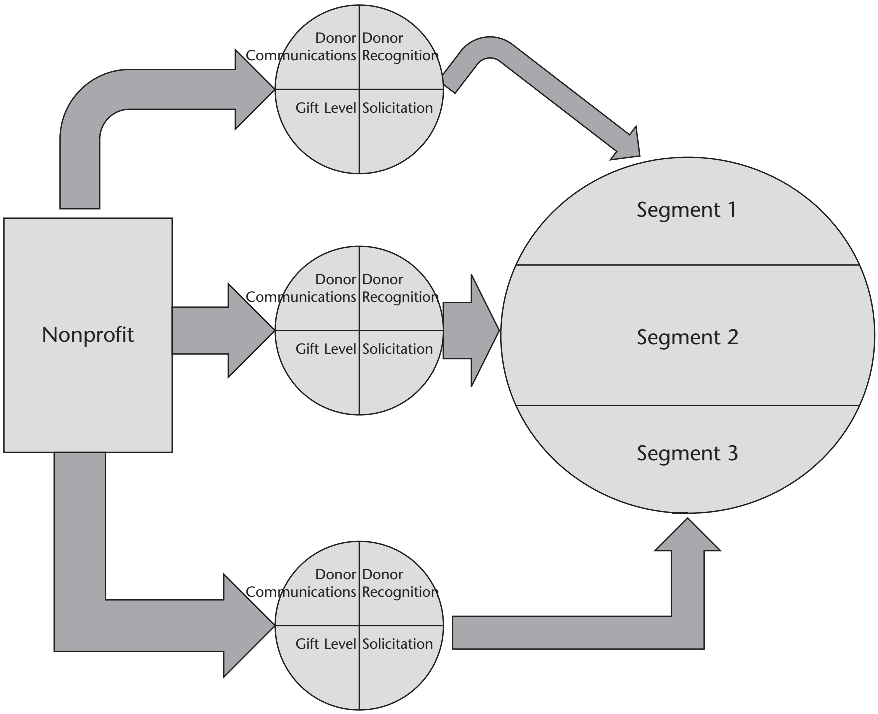
By now the reader will appreciate that a variety of bases can be used for market segmentation. The fundraiser is typically faced by a range of options and must decide which of these to prioritize. Decisions about targeting center on two major segmentation strategies: the concentration strategy and the multisegment strategy. A nonprofit's decision to adopt one or the other approach should be based on a detailed understanding of the organization's capabilities and resources, together with a firm understanding of the competition and the needs of each potential target audience.

Concentration strategy. Here the nonprofit focuses its efforts on a single market segment and concentrates on the potential donors in that segment. It may engage with other categories of supporters, but its energy and resources are highly targeted. The key advantage that this focus confers is that it allows the fundraising team to specialize, to enhance their understanding of the needs and behaviors of this group and use this information to deliver added value. A charity that focuses on major donors, for example, will become adept at creating opportunities for reward and recognition, will leverage the whole organization to excel at donor stewardship, and may focus the entire fundraising effort on personal solicitation and an elite series of events.

The key disadvantage of this approach is risk. If an organization is overly dependent, for example, on corporate donations from one sector, on grants from a small number of specialist foundations, or on federal or state government funding, its survival is then highly dependent on the fortunes and attitudes of these groups. An economic recession can hit corporate and foundation giving hard, and government funding can be a function of the prevailing political ideology and therefore subject to change. Relying primarily on these sources could hence prove problematic.

Multisegment strategy. In using a multisegment strategy (see Figure 7.6), an organization spreads its efforts across a number of segments and develops a fundraising mix appropriate for each segment. This approach is absolutely key. The whole point of conducting market segmentation is to

FIGURE 7.6. MULTISEGMENT APPROACH



facilitate the design of a particular mix of activities and communications for each group. On the plus side, a multisegment strategy reduces the organization's reliance on one source of funding; on the minus side, targeting additional segments will undoubtedly require additional expenditure and increase the organization's cost of raising a dollar.

Whatever the approach, the targeted segment or segments must be carefully appraised to ensure that they meet a number of criteria. Kotler and Keller (2006, p. 262) argue that, to be useful, segments must rate favorably on five key criteria, that is, they must be

1. *Measurable.* The size, ability to give, and characteristics of the segments must be measurable. Otherwise, there is no way to know whether the fundraising resources are being appropriately applied.
2. *Substantial.* The segments must be large enough or profitable enough for the nonprofit to serve it. A segment should be the largest possible

homogeneous group worth serving with a tailored fundraising program. Chasing small segments for potentially lower returns can push up the cost of raising a dollar to unacceptably high levels.

3. *Accessible.* It must be possible to reach the segments cost-effectively through appropriate fundraising media or organizational networks.
4. *Differentiable.* The segments must be conceptually distinguishable from one another and each must respond differently to fundraising programs. If, for example, all corporate supporters are interested in the same bundle of benefits from the nonprofit and respond similarly to communication, there is no basis for segmentation. Equally, if communities of color respond to fundraising solicitations similarly to how white Americans respond, segmenting on the basis of race is unnecessary and potentially wasteful of funds.
5. *Actionable.* Effective fundraising programs must be formulated for attracting and serving the segments.

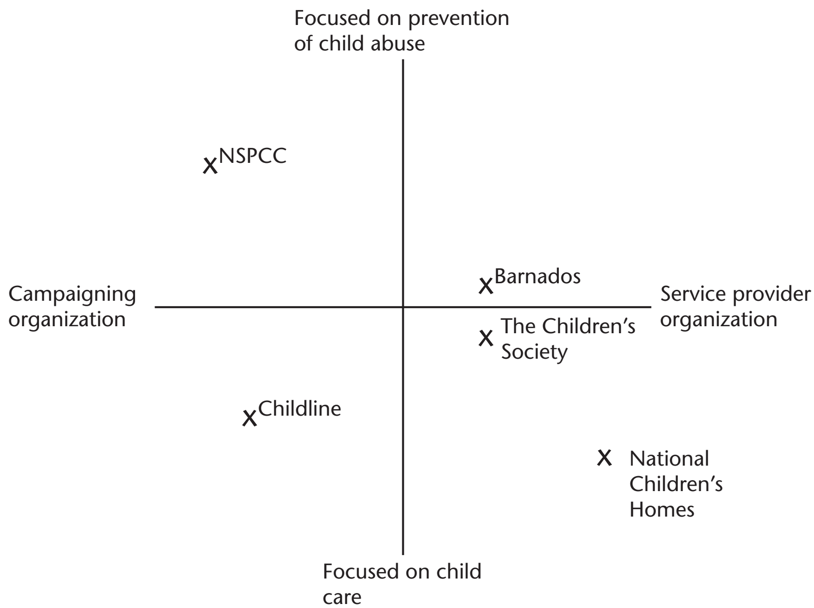
Positioning Strategy

Now that the target segments have been selected, the next issue for fundraisers to consider is what they want to convey to these groups about the organization's image or position.

Wind (1980, p. 4) defines *positioning* as "the place a product occupies in a given market, as perceived by the . . . target segment." Similarly, Harrison (1987, p. 46) describes it as "the sum of those attributes normally ascribed to it by the consumers—its standing, its quality, the type of people who use it, its strengths, its weaknesses, any other unusual or memorable characteristics it may possess, its price and the value it represents." Positioning is thus not something done to the product but a perception created in the minds of the target audience (Hooley and others, 2008). Of course in our context we are less concerned with products than with the position of the organization as a whole or perhaps with the programs for which the product is intended to raise funds. Both can be positioned in the market, although it is important to remember that the process is only partly under the control of management. Fundraisers can strive to get their message across, but it will ultimately be up to the donor to actually see the positioned organization.

Positioning is also a relative concept. A nonprofit is positioned with respect to other nonprofits. A useful tool for shedding light on this idea is the perceptual map, an example of which is provided in Figure 7.7. Here Sargeant and Jay (2004) illustrate how children's charities in the United

FIGURE 7.7. POSITIONING OF CHILDREN'S CHARITIES



Source: Sargeant, A., and Jay, E. (2004). *Fundraising management* (p. 84). London: Routledge. Reproduced with permission.

Kingdom are positioned on two key criteria. When such a map is based on supporter perceptions, management needs to assess the results to see whether the perceptions are favorable and, if they are not, take action to correct any misunderstandings or perceived deficiencies.

Effective positioning requires a nonprofit to be clear about its identity and about how it differs from the plethora of other organizations seeking to raise funds. The nonprofit's managers need to consider how it stands out. In what ways is it distinctive? Nonprofits are often value-based propositions, and organizational values can be a very powerful basis for positioning, particularly for faith-based groups. When donors give to Habitat for Humanity, for example, they know they are supporting communities across the world, but they also know they are supporting an inclusive, respectful organization founded on principles espoused in the Bible. "Habitat's ministry is based on the conviction that to follow the teachings of Jesus Christ we must reflect Christ's love in our own lives by loving and caring for one another. Our love must not be words only—it must be true love, which shows itself in action. Habitat provides an opportunity for people to put their faith and love into action, bringing diverse groups of people together to make affordable housing and better communities a reality for everyone" (Habitat for Humanity, 2009).

Wymer and others (2006) suggest additional options for positioning, including the following:

Positioning by benefits or needs addressed. This alternative is illustrated well by Figure 7.7. These organizations have all been differentiated by the extent to which they either campaign for children or actually provide services. Equally, they have been differentiated by whether they concern themselves with the prevention of abuse or with tackling its effects.

Positioning by place. Some nonprofits position themselves by virtue of their physical location and the range of their geographical coverage: state, county, township, and so on. Others may choose to position themselves in terms of the "place" in which their services are provided. The Smithsonian Institution's Museum of Natural History, for example, now provides a network of interactive Web sites and is transforming itself into a hub for national and international electronic education accessible to anyone with access to the Internet (National Museum of Natural History, 2009).

Positioning by user group. Some nonprofits address the needs of specific segments of society and make this information clear in their positioning. The National Council of La Raza, for example, focuses on reducing poverty and discrimination and on improving opportunities for Hispanic Americans.

Positioning by price and quality. Many United Way organizations across the United States position themselves in part on the basis of the value that donors get for their money. They communicate to donors how little the organization spends on administrative overhead and how much of its donated funds are applied directly to programs in the community. They also stress the vetting that is undertaken to ensure that only high-quality and necessary programs are funded.

This list of options is obviously not exhaustive, but Sprinkel-Grace (2005) advises nonprofits that, regardless of which route is taken, they should position themselves as organizations that meet needs, not as organizations that have needs; and as organizations that focus on program results, not just on financial goals. This seems to us to be good, practical advice. Donors aren't interested in organizations as much as in what they can accomplish.

Branding

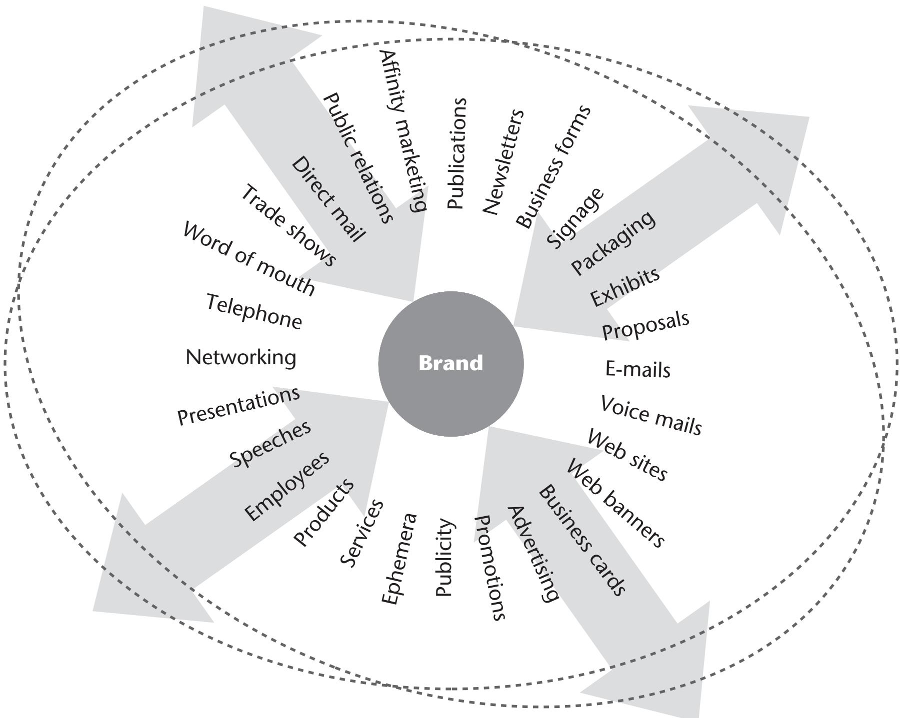
The American Marketing Association defines *brand* as follows: "A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (see www.ama.org). Although current, this definition of *brand* is limited and less relevant to the nonprofit domain than to the for-profit world because few nonprofits have concrete products or services that may be branded in the same way as candy bars or soap. Branding in the nonprofit domain is usually conducted at the level of the organization. In effect, organizations *are* the brand and they create their brand identity by everything they stand for, by the way they communicate, and by the actions they take. We therefore prefer a shorter definition: branding as *is says does.*

With this definition in mind it will become clear why branding is a strategic issue for fundraisers. Although a brand may be coordinated at the board level and, in larger organizations, shaped by a dedicated communications team, in reality a brand is everyone's responsibility. Everyone, whether they realize it or not, has the capacity to shape how an organization and its brand are perceived. Every time a volunteer fundraiser answers the phone, writes a letter, makes a presentation, and so on, he or she is providing someone with an experience of the brand. The potentially complex web of brand "touchpoints" is illustrated in Figure 7.8. From a fundraising perspective, it is therefore essential for everyone who has contact with supporters to be familiar with the desired branding and to act in ways that are consistent with what the organization is trying to achieve.

But what actually is a brand? What facets of it need to be managed? Figure 7.9 provides a helpful summary of the components of a brand. We have already discussed many of these components in the context of fundraising planning. The mission, vision, and purpose of the nonprofit shape its fundraising practice, but they shape the brand too. These components also drive what is distinctive about the organization, or its *unique selling proposition*. What makes an organization distinctive may be a function of its values (as discussed earlier), of the actions it will take, or of the manner in which these actions will be undertaken (that is, the organization's guiding principles). Indeed, it may be some combination of these three elements.

Once the values, actions, and principles that define the organization have been delineated, it is then possible to construct the brand personality or attributes that the organization wishes to convey. It may be helpful

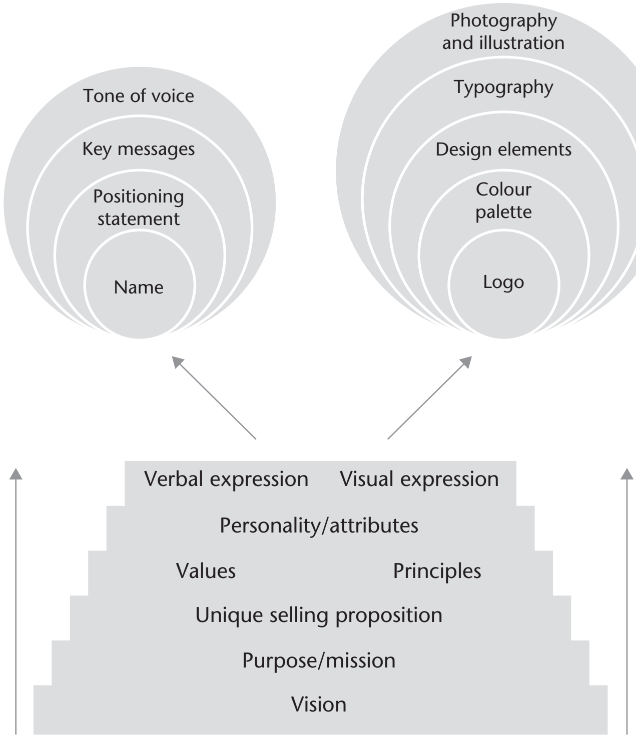
FIGURE 7.8. BRAND TOUCHPOINTS



here to think in anthropomorphic terms and to pose the question, If the brand were a person, what characteristics would that person have? It is absolutely critical for fundraisers to be clear about the personality of the brand they will project, because the clarity with which that personality is projected will drive, at least in part, their fundraising performance. Organizations that are regarded as having a distinctive personality will gain a significantly larger share of a donor's charitable wallet than those that are not.

To elaborate, recent research by Sargeant and Ford (2006) and by Sargeant, Ford, and Hudson (2008) shows that a large part of the personality of a brand is actually shared with other nonprofits (see Figure 7.10). The public imbues organizations that are charitable with a wealth of benevolent characteristics, such as *fair, honest, ethical*, and *trustworthy*. In the initial focus groups conducted by Sargeant and colleagues, comments such as "Well, it's a charity, so it must be caring, mustn't it?" and

FIGURE 7.9. A BRAND FRAMEWORK

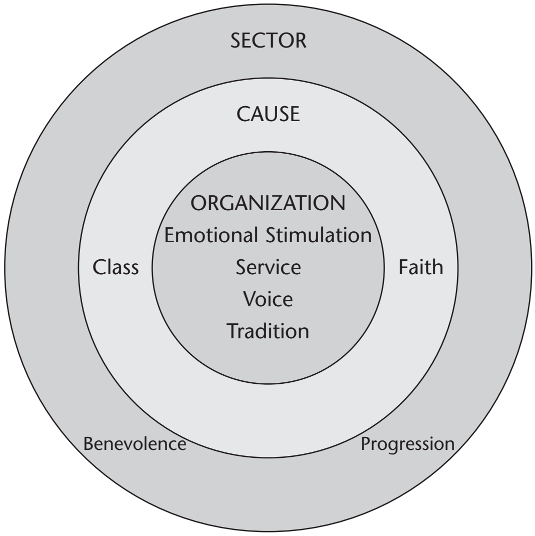


Source: National Society for the Prevention of Cruelty to Children (2008). Reproduced with permission.

"Compassionate—goes without saying" were typical. Nonprofits didn't need to earn these characteristics; rather, individuals started from the assumption that they applied, until evidence appeared to the contrary. Similarly, participants saw nonprofits as agents of change and imbued organizations with traits that reflected this progressive engagement with society. Characteristics such as *transforming*, *pioneering*, *responsive*, and *engaging* were viewed by participants as charitable traits.

Sargeant and colleagues also identified a causal dimension to organizational personality. Faith-based organizations were identified by participants as having a personality distinct from the personality of the balance of the sector. Traits such as *spiritual*, *devout*, *holy*, and *religious*, for example, were applied to church and parachurch organizations. Catholic, Methodist, Jewish, and Muslim charities were all viewed as

FIGURE 7.10. DIMENSIONS OF A NONPROFIT BRAND



Source: Sargeant, A., and Ford J. B. (2006, Winter). The power of brands. *Stanford Social Innovation Review*, pp. 41–47.

having distinctive identities that reflected the nature of each faith and the various behaviors and ideas emphasized and expressed in that faith. The Mission Aviation Fellowship, for example, strives to provide aid to Third World communities by investing in projects such as sanitation and the provision of fresh water while simultaneously raising awareness of the gospel in the communities in which they work. Donors are therefore supporting both practical and spiritual aid. The Christian values that the organization embodies therefore differentiate the organization from many other international relief agencies, such as Oxfam or the Red Cross, but not from other faith-based agencies, such as Samaritan's Purse. Such values distinguish the faith-based agency sector, not the organization.

Similarly, these authors found evidence that some causes were perceived as "upper class," "intellectual," or "sophisticated." Education- and arts-based charities were frequently referred to in these terms and regarded as "elite." For some organizations, these were terms of derision, while for others they were desirable personality traits that would draw in donors and foster engagement with the organization. Thus many museums, galleries, opera houses, concert halls, colleges, and universities may find it difficult to carve out a unique identity on the basis of class-based attributes. Donors will tend to imbue such organizations with these characteristics on the basis of the organizations' connection with a particular cause rather than build up their understanding of the organization's identity through communication.

It is important to delineate the aspects of branding that organizations share because both the shared and unique aspects of organizational personality have various impacts on giving. For example, an individual's belief that nonprofits are progressive and benevolent is a necessary prerequisite for becoming a donor in the first place. To understand that an organization is faith based may be a necessary prerequisite for followers of that faith to consider including that organization in what marketers refer to as their "consideration set" (that is, the range of brands they will consider supporting). The research of Sargeant and colleagues indicates that such beliefs and understandings have no impact at all on the actual amounts that people give, or on the levels of loyalty they show to a charity. What does affect both of these aspects of the donor-nonprofit relationship are the facets of organizational personality that are genuinely distinctive. An organization that projects a unique or differentiated brand personality is more likely to attract donors who will give at a high level and for extended periods.

Sargeant and colleagues found that nonprofit brand personalities are currently differentiated in one of four ways:

1. *Emotional stimulation.* Traits such as *exciting, heroic, innovative*, and *inspiring* all have the capacity to evoke an emotional response in the donor and drive giving as a consequence.
2. *Voice.* Brands can be differentiated on the basis of their media presence or the tone of "voice" they adopt. Some nonprofits might therefore be viewed as distinctive because they are *ambitious, authoritative*, or *bold*.
3. *Service.* The style of and philosophy behind service provision can be effective routes to differentiation. Human service charities in particular might carve out a unique identity on the basis of whether they are seen as *inclusive, approachable, dedicated*, or *compassionate* in their dealings with their beneficiaries or service users.
4. *Tradition.* Some nonprofits are seen by donors as traditional. Giving to these organizations is regarded by donors as a duty, or the personality of the brand is tied to a particular event or to a season when giving is specifically encouraged. In the United States, who can deny the power of the Salvation Army kettles positioned outside shopping malls during the holidays?

It is important to stress that other avenues that were not tested in the Sargeant studies may be open for nonprofits to use as bases for differentiation. The key lesson, however, is that it is the distinctive facets of personality that appear to drive behavior. Nonprofits therefore need to clarify what these facets are and to prioritize their efforts accordingly.

The next step in developing a brand strategy is to decide how these aspects of personality will be expressed to the target stakeholder groups, both verbally and nonverbally. If an organizational brand is being developed, it is important to begin by deciding on an appropriate name. The story of Mothers Against Drunk Driving (MADD) is a particularly effective case study of how a name can convey a variety of meanings while simultaneously being an effective aid to recall.

Verbal expression can also be guided by an effective positioning statement. As we discussed earlier, the statement maps out exactly how the organization is different from its competitors. The organization should consider the key messages that will be conveyed. The British National Society for the Prevention of Cruelty to Children (NSPCC), for example, has decided on the following key messages (www.nspcc.org.uk):

- The NSPCC exists to end cruelty to children.
- Together we can end cruelty to children.
- Cruelty to children must stop—FULL STOP.
- The safety of children is everyone's responsibility.
- The NSPCC believes that we all have a responsibility to take action to help end cruelty to children.
- The NSPCC needs money to carry out its activities on behalf of children.
- 85 per cent of the work we do is made possible by voluntary donations.

Finally, the tone of voice that a nonprofit chooses to use in its communications also conveys dimensions of the organization's brand. All written communications have the potential to influence how an organization is regarded, and it is all too easy for an organization that wishes to be seen as "confident" to be perceived instead, because of a poor choice of language, as "arrogant" or "smug." It is important to note that all communications that an organization sends out, not just those that are deliberately created by the marketing or fundraising department, have the potential to influence donor perceptions. All external (and internal, ideally) communications must reflect the organization's brand.

The visual expression of the brand in communications is similarly important. The most obvious facet of visual expression is an organization's logo, which, as we noted earlier, should be designed to convey as much meaning as possible to the target audience. It is interesting to note how much time and effort are applied to the design of a logo. Once they have made a decision, organizations tend to retain their logo for a considerable period. Doing so reflects the obvious investment of resources in the design and in the subsequent promotion of the logo, but it also reflects the need for continuity. Where a symbol or image has been successfully linked to a brand, or where it successfully evokes it, change can seriously impede an organization's ability to communicate, because individuals become confused as to whether they are still being addressed by the same organization.

Colors can also convey meaning, even at a subconscious level. Some colors are rich and welcoming, others are stark and cold. Organizations thus expend great amounts of energy deciding what color palette will be right, both for the logo and for all the brand-building communications the organization will produce. This palette is then adopted consistently across all electronic and print communications.

Finally, typography, photography, layout, and illustration can all convey messages about the brand. Consider the following:

Environmental Defense

Environmental Defense

Environmental Defense

If you were passionate about putting an end to air pollution and greenhouse warming, which of these three typefaces would make you feel most confident about supporting this organization?

A Salvation Army ad is shown in Figure 7.11. Notice how the bleak imagery is effective in conjuring up the despair felt by the mother and child that the Salvation Army is there to relieve. Notice too the typography employed at the top of the ad and compare it with the typography for the message shown under the logo. The former is stark and consistent with the despairing tone of the ad. The latter conveys the hope that things can change, and affirms that a gift to the Salvation Army can bring this about.

Before we end this section on branding, it is important that we be clear that we are not suggesting that fundraisers should design a nonprofit's brand as part of their planning process. What we *are* suggesting is that

FIGURE 7.11. SALVATION ARMY AD

Source: Courtesy of The Governing Council of The Salvation Army in Canada.

fundraisers need to reflect the organization's brand in their behavior and communications, and that in fundraising activities appropriate emphasis should be placed on the brand positioning and on the key messages that the brand is intended to convey. These dimensions should pervade the whole fundraising action plan.

Case for Support

The final aspect of strategy that we consider here is the case for support. A nonprofit's positioning statement makes it clear how this particular nonprofit is distinct from others. This distinctiveness forms the foundation of the case for support, but the case itself is much broader than this. It is a detailed rationale expressed to donors of why their support is needed. It should engender a sense of immediacy, excitement, and purpose. Because the case for support is often presented in a public document, in that it may appear on the nonprofit's Web site or be included in an annual report, it must also be well articulated, convincing, and capable of being thoroughly understood by all of the nonprofit's supporters.

Fundraisers can employ this organizational case for support to design the content of specific campaigns and appeals. All fundraising should reflect the agreed-upon case for support so that a consistent message is delivered to donors over time. That said, the case conveyed in each campaign must obviously be tailored to focus on one need or group of needs and, critically, to *match* these needs to the likely interests of donors. Later it will be helpful to write a case expression for each segment of donors and, in the case of significant funders such as corporations and major donors, to develop one for each individual or organizational donor. The same process will also be necessary for trusts and foundations, but the form that the case expression must take is often defined by the grantmaker in its application literature.

The case for support is such a key concept in fundraising that we return to it in detail in Chapter Eight.

Tactical Plans

The strategy, or overall approach, that will be adopted has now been defined. The next section of the plan will contain the fine details of the fundraising that will be undertaken. Separate plans will be provided for direct marketing, major gift fundraising and planned giving, corporate fundraising, trust and foundation fundraising, and community and local group fundraising. In smaller nonprofits, or those conducting only a limited range of fundraising activities, these plans may consist of a simple list of actions to be taken (that is, an action plan). In larger organizations, or those involved in a range of fundraising techniques, a separate subplan may be created for each form of fundraising, with only the key points reported in the aggregate fundraising plan. If subplans are used, each will typically be structured in a way very similar to the aggregate plan and will have its own objectives, action plans, budget, schedule, and series of controls.

Later chapters consider each form of fundraising in detail.

Budget

Now that the steps necessary to achieve the fundraising objectives have been detailed, the writer of the plan should be in a position to cost the various proposals and derive an overall marketing budget for the planning period. Of course life really is just not that neat. Cost will undoubtedly have been in the minds of the fundraising planners even before they commenced the fundraising audit. At the very least, the development of a suitable budget is likely, in practice, to have been an iterative process, with proposals reevaluated in the light of budgetary constraints.

There are a variety of ways to determine the fundraising budget. The ideal way would be to specify clearly the strategy and tactics that are felt necessary to achieve the fundraising objectives, and then to cost these to arrive at an overall budget. This approach is usually referred to as the *task method* of setting a fundraising budget.

For an organization with many years of fundraising experience, costing proposals is likely to be a much more straightforward task than for an organization approaching fundraising, or some aspect of it, for the first time. Through experience, fundraisers develop a sense of the returns that can accrue from each form of fundraising and can work back from these to identify, at least in ballpark terms, how much must be invested to achieve the desired fundraising goals. For organizations that lack such experience, the derivation of an appropriate budget is a more complex process. How exactly do we determine how much to invest in direct response to raise $20,000 net? How many years will it take for us to see a return from our major gift activity? Thankfully there are numerous academic studies and many years of professional experience to draw on to illuminate this process, and we provide some rules of thumb and industry data in Chapter Nine.

In reality, the task method isn't employed as often as it should be; financial pressures from senior management, the budgeting and accounting practices of the organization, and uncertainty about investments all hamper the derivation of an appropriate budget. In practice, therefore, many budgets are set using the following methods:

1. *Percentage of previous year's income and donations*. There is a danger with this method in that if the organization has recently been suffering from poor performance, reducing the fundraising budget in line with previous levels of income could actually serve to worsen the situation. Clearly, when fundraising income falls there is a strong case for enhancing, not reducing, the fundraising budget.
2. *Percentage of budgeted year's income and donations*.
3. *Competitor matching*. The amounts spent on fundraising by key competitors are estimated and their allocations are matched.
4. *What can be afforded*. In this method, perhaps the least rational of all the methods of budget allocation, the senior managers of the organization decides what they believe they can afford to allocate to the fundraising function in a particular year. Little or no reference is made to the fundraising objectives or to the activities of other nonprofits.

Irrespective of the method actually employed, it is usual for the planning document to specify how the budget will eventually be allocated. It is also normal for allowance to be made for contingencies in the event that monitoring by the organization suggests that the objectives will not be met. Sufficient resources should then exist for some form of corrective action to be taken.

Scheduling

It is then necessary to specify when each activity listed in the plan will take place and, in larger organizations, who will be responsible for implementation. The schedule might be as simple as a list of activities, or they may be presented in a Gantt chart. The latter option visually displays when the activity will be conducted, how long it will be conducted, and by whom. An example is provided in Table 7.3.

TABLE 7.3 SAMPLE GANTT CHART

Activity	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Direct mail		X	X						X	X		
Press advertising	X			X		X			X		X	
Display advertising (posters)											X	X
Telemarketing		X			X			X			X	X

Other techniques can be used for planning activities that are complex and interrelated. These techniques that allow managers to allocate time more precisely include the Program Evaluation and Review Technique (PERT) and the critical path method (CPM). (See, for example, Grunig and Hunt, 1984.)

Monitoring and Control

Finally, it is necessary to specify how progress toward the specified objectives will be monitored and controlled. This process may involve establishing systems to check the following:

1. The actual donations achieved compared to the budget
2. The actual costs incurred relative to those budgeted
3. The performance of specific forms of fundraising
4. The appropriateness of the strategy and tactics adopted

In the case of financial objectives, such as the two just listed, it would be usual to break down the aggregate target for a given year into monthly targets, perhaps for each form of fundraising undertaken, for each donor segment, and so on. The plan should also stipulate how much variation from these monthly subtargets the organization is prepared to tolerate before the alarm is raised. The organization can then monitor actual performance relative to monthly targets, and when performance falls outside the band of what is permissible, the matter can be brought to the attention of the fundraising managers, who will then have the opportunity to instigate some form of corrective action.

Monitoring and controlling fundraising performance and the appropriateness of strategy and tactics are more complex processes. We turn to the appraisal of fundraising performance in detail in Chapter Nine.

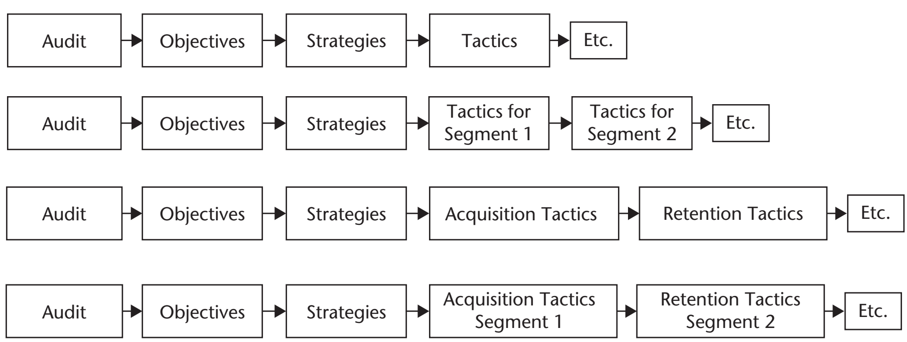
Selection of an Appropriate Planning Framework

Before closing this chapter it is important to say a word or two about the formats that can be used for writing up a fundraising plan. We introduced one such format in Figure 6.1, which consisted of an audit followed by objectives, strategies, and tactics. There are other variants that might be more appropriate in particular situations.

In some cases it might make more sense first to map out the audit, objectives, and strategy and then to specify the tactics that will be adopted with each segment of donors—perhaps separate lists of tactics for use with major donors, with lower-value givers, and with corporate givers, if these are the selected segments.

For organizations that do a lot of work with direct response, it can be helpful to structure the plan by first presenting the audit, objectives, and strategy, and then the tactics for recruiting donors to the organization and, separately, the tactics for developing the value of existing donors over time. It may even be helpful to develop a hybrid of the latter two approaches by considering how the first segment of donors will be recruited and retained, then how the second segment of donors will be recruited and retained, and so on. These approaches are illustrated in Figure 7.12.

FIGURE 7.12. FUNDRAISING PLAN STRUCTURES



Summary

In this chapter, we have provided a framework for fundraising planning by outlining the key dimensions of fundraising strategy: overall direction, segmentation, positioning, branding, and the case for support. We discussed strategy as the "general" approach to achieving fundraising objectives, making clear that the fine detail of exactly how the activity will be conducted is supplied in the accompanying action plan or tactical section of the fundraising plan. We then outlined the remaining components of the plan: budget, schedule, and monitoring and control. This is one framework that may be used to present an organization's aggregate approach to fundraising. A number of additional formats are possible, particularly if the plan is just for one aspect of fundraising, such as events, corporate fundraising, or direct response. At their core, however, all of these formats address the three key components: *Where are we now? Where do we want to be?* and *How are we going to get there?*

As we close this chapter it is also important to be clear that we have deliberately focused on the development of the planning document itself. It is important to recognize that a fundraising plan isn't developed by a development office in a vacuum. In many nonprofits it is developed in collaboration with the board, or by the board, with the fundraising team responsible for the subsequent implementation. The nonprofit sector is so diverse that it is impossible to offer a meaningful generalization. Thus, the process that underpins the development of the fundraising plan will vary from one organization to another, as will the need to consult with different stakeholder groups. In organizations that rely strongly on fundraising volunteers, the plan would be developed in close consultation with this group; but even where the volunteer presence is limited, it is essential that the views and ideas of volunteers be reflected both in the fundraising audit and in decisions about the strategy and tactical details of the plan. Consultation with all relevant stakeholders is essential if a plan is to be successful. Stakeholders consulted on the plan are more likely to engage with it, to feel ownership of it, and to work hard to see it succeed. Joyaux (2001), for example, explains that a thoughtful approach to the planning process can facilitate the building of more profitable relationships with donors.

Discussion Questions

1. "Our objective is to enter the corporate fundraising market." What do you think of this as a fundraising objective? In what ways might it be improved?
2. Distinguish between market segmentation and product differentiation. When are these approaches typically appropriate?
3. How might a small animal shelter in Bloomington, Indiana, segment the individual donor market? Which segments of individuals would you suggest they target? Why?
4. What criteria should be applied to determine whether or not a segment is worth targeting?
5. What is meant by the term *positioning*? Identify two criteria that might be used to position a nonprofit with which you are familiar. Create a perceptual map and place the organization and four key competitors at appropriate points on the matrix. What does your analysis tell you? Is the positioning of your organization genuinely distinctive? If not, how might it be improved?
6. Why is branding relevant in the fundraising context? Again, describe the brand personality, brand values, or both for an organization with which you are familiar. On the basis of what you've read, how distinctive do you believe this organization is? Does it matter how distinctive it is? Could its distinctiveness be improved?
7. In a fundraising plan, why is it necessary to include a section outlining monitoring and control? What benefit do these practices provide for management? What form might the controls take?

CHAPTER EIGHT

THE CASE FOR SUPPORT

Timothy L. Seiler and Eva E. Aldrich

By the end of this chapter, you should be able to:

1. Explain the case for support as the foundation for the development of philanthropic support.
2. Understand the internal role of the case for the support.
3. Explain how case resources translate into a case statement.
4. Identify the specific components of a nonprofit organization's case.
5. Develop a case for support for a local nonprofit.
6. Describe the process of case development, validation, and revalidation.

In the previous chapter, we introduced a framework for fundraising planning and highlighted the *case for support* as a critical component of the fundraising process. Given the significance of the case for support, we elaborate on it in this chapter, explaining the components of a case, how it is typically developed, and its role both internally and externally in securing support. We begin, however, by defining our terminology.

Nonprofit organizations know intuitively that their work merits philanthropic gift support, but if they assume that their supporters share this intuitive knowledge, they are likely to be mistaken. The *case for support* is a sine qua non for nonprofits. It is the rationale that underlies fundraising;

it is what Williams (1993, p. 295) refers to as the "basic argument for philanthropic support." Without a case for support, a nonprofit does not have the right or ability to seek financial support, to fundraise.

The case is the general argument for why a nonprofit deserves gift support. The case is bigger than the organization and relates to the cause being served. Howe (1991, p. 14), for example, argues that the case stems from a societal problem, that is, "What is out there in the community that needs doing? Then the case can address what the organization does or will do to meet that focus problem." To illustrate, legendary fundraiser Maurice Gurin (1985) recalls in his autobiography the *case statement* he wrote in 1958 for Princeton University's $53 million capital campaign. The statement, which was drafted at the height of the Cold War with the Soviet Union, is titled "Not for Princeton Alone" and begins, "It is now conceivable, technologically, to annihilate a continent or to rid mankind of disease. How we respond to this challenge (and to others of equal urgency) will determine how we live—and whether we live" (Gurin, 1985, p. 109). Similarly, Kay Sprinkel-Grace (1991, p. 190) cites Yale University School of Medicine's capital campaign in the mid-1980s as an example of a case that instilled a sense of purpose beyond that of the organization itself: "We are in the midst of one of the most profound intellectual revolutions of all time, the revolution in the biological sciences. Its implications for understanding life processes and combating disease are boundless. . . . Yale is in the forefront of the revolution." The case statement is a particular expression of the case. Although the overall case or *institutional case for support* is made up of numerous reasons for why the organization deserves gift support, not every reason is included in the case statement. The case statement focuses on or highlights factors that are critical in arguing for gift support and is typically tailored to reflect the needs and interests of the supporter being addressed (Seiler, 2001; The Fund Raising School, 2009).

Preparing the Case

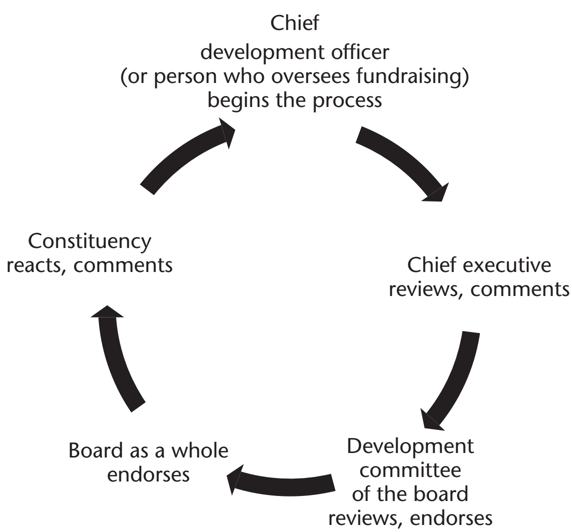
As we highlighted in the preceding paragraphs, the preparation of the case begins with the understanding that nonprofit organizations raise money to meet large community needs. Unmet social needs lead to the creation of nonprofit organizations, and the case for support flows from defining those needs and how (and how well) the organization will meet them. The effectiveness of the case will depend on all of these issues and how well they are ultimately communicated to the supporter.

Preparation, development, and validation of the case begin with the development staff. If the organization has a development director, he or she should be the catalyst in the preparation and development of the case. The development professional typically serves as an interpreter of the concerns, interests, and needs of the external constituencies while also articulating the needs of the organization. The development staff not only know the organization internally but also interact regularly with external constituencies. These people must routinely capture and report back to the team on perceptions of the organization that are held by the constituencies from whom gift support will be sought.

Inevitably, not all of these perceptions will be favorable. Development staff sometimes discover that supporters are misinformed or uninformed. There may even be perceptions that the organization is not effective or is not delivering the promised value to the beneficiary group. Constituents might also lack confidence that their gifts are needed or that they will really make a difference to the cause. Identifying how to address these concerns will strengthen the case for support.

As Figure 8.1 shows, development of the case begins with the development director but includes the organization's key constituents, most notably the CEO and members of the board. Getting others involved in

FIGURE 8.1. DEVELOPING THE CASE



the development of the case is important too. Seeking the ideas of key constituents—board members, volunteers, donors, and potential donors—can be particularly effective in later securing volunteer leadership and involvement in the articulation of the case. Having a role in developing and validating the case increases the enthusiasm of those who will later articulate it in their own words. They will question what puzzles them or challenge what disturbs them. If they represent others from whom gifts will be sought, encouraging their questions and challenges can serve only to strengthen the case for support.

In developing the case it will be necessary to compile a wealth of background information on everything a potential donor might want to know about the organization. These case resources will serve as a database or information bank from which the case can be developed.

Case resources typically document the following aspects of the organization:

- Mission statement
- Goals
- Objectives
- Programs and services
- Finances
- Governance
- Staffing
- Facilities and service delivery
- Planning and evaluation
- History and development of the organization

Information about all of these aspects must be on hand in the development office and must be available and accessible when needed in connection with fundraising. It can also be helpful for an organization to summarize the content of these documents, to map out an internal case for support that articulates in some detail the needs that will be addressed, the organization's approach to addressing those needs, the resources that will be required, and the impacts that could be achieved. Indeed, Dove (2001, p. 50) suggests that a good institutional case for support should do the following:

1. Describe the organization's mission in terms of the human and social issues that are of central importance to the organization.
2. State the organization's objectives in specific, quantifiable terms.

3. Describe a set of tasks or strategies for reaching the objectives within a given period.
4. Report on the facilities, staff assignments, and budget required to carry out the tasks and strategies, which will include control procedures for continuing evaluation.
5. Identify who will benefit from the services offered by the organization.
6. Set forth the reasons that someone might make a contribution to support the organization and thus the cause it serves.
7. Stress the strengths of the organization.

Dove also recommends including a detailed analysis of the service the organization provides and the needs that will be met. This analysis might include the following elements:

1. An analysis of the organization's market or target need that examines any significant changes that have occurred or that are forecast to occur in the future
2. Demographic and psychographic data that define the need in addition to socioeconomic indicators
3. An outline of the institution's immediate, short-range, and long-range plans, and a description of its expected future capabilities
4. A list of the organization's current and anticipated long-range needs as well as its annual, special capital, and endowment requirements, all drawn from the institutional plan
5. A list of the organization's personnel, including brief biographies of key staff and members of the governing board
6. An analysis of the organization's recent gift history
7. The financial history of the organization, including recent financial statements and audits
8. A general history of the organization

This is a wealth of information that will take considerable time to assemble, but the resulting document will be immensely valuable for fundraising. Pendel (1981), for example, identifies six ways in which the resulting case statement can be used:

1. It can be used as the basis for interpreting the institution to others.
2. An abbreviated version can be used to test the market for fundraising activity (such as to test the feasibility of a capital campaign).

3. It can rally staff and volunteer leaders around the policy, planning, and fundraising story.
4. It can serve as a campaigning tool for campaign leaders, making it easier to enlist new volunteers and board members.
5. It can be used as a supporting tool in the solicitation of major gifts, allowing tailored approaches to be made to specific donors.
6. It can serve as a basic reference guide for proposed publications and communications of all kinds (see later section on case expressions).

The internal case support statement is thus a critical document, because it will drive much of what the organization will say externally. Often this document is made available only internally, but some organizations also publish it, including much of the detail listed earlier. The published version, however, is tailored to reflect the needs of the audience and is a highly polished document, ideally put together by specialist copywriters, designers, and printers.

Pendel (1981) believes that when the case statement appears as a public document, its style should be motivational. In his view it should do the following:

- Justify and explain the institution, its program, and its needs so as to lead to advocacy and financial support.
- Result in the reader's endorsement of the vision that characterizes the leadership of the institution, and reassure the reader of the wisdom and responsible nature of the institution's management.
- Make the organization distinctive (though not necessarily unique) in the reader's eyes.
- Be positive, forward looking, and confident, conveying all the facts and projections reasonably, clearly, vitally, and accurately.
- Carefully set forth the fundraising plans in terms of policies, priorities, and enduring benefits. The following questions must be anticipated from the reader: Why this institution? Why now? Why me? How? The case statement must be clear and concise, even though it may be lengthy.
- Be a substantial plan for the future, not a burdensome revisiting of the past, no matter how honored or glorious that past may be. In a real sense, the case statement is a prospectus. It invites investment.

Finally, it is important to recognize that the case for support should be regarded as organic. Organizations need to conduct periodic reviews of their case as part of a comprehensive fundraising audit to ensure that it remains timely, relevant, and compelling. Asking key staff, board members, and other volunteers to reflect periodically on the following questions is an essential part of achieving this goal:

1. Who are we and why do we exist? (This question revisits the mission: Are we still meeting community needs?)
2. What distinguishes us from others who do similar work?
3. What are we trying to accomplish through our programs and services?
4. How do we expect to accomplish these things?
5. What evaluation and accountability measures do we use to demonstrate that we make a difference?

Case Expressions

The organization can draw on its internal case for support to develop expressions known as *external case statements* or *case expressions*. Whereas the internal case statement is a collection of information and knowledge, the case expression tells the story to the nonprofit's various constituencies and should therefore focus on the aspects of the organizations work that each constituent is likely to find of most interest, drawing them closer to the organization as a consequence. As Dove (2001) notes, the case-stating process is "the process of making insiders out of outsiders."

Case expressions take the form of brochures, foundation (and corporation) proposals, direct mail letters, Web site pages, DVDs, campaign prospectuses, news releases, newsletters, speeches, and personal solicitations. In each expression the fundraiser has thought through the needs and interests of the audience and focused on the most relevant aspects of the institutional case for support. Case expressions are thus the case in action, persuading a supporter to take action.

In writing case statements it is helpful to remember that their purpose is to stimulate a potential donor to take a series of steps ending in the decision to make a gift. The qualities that must exist in the writing and be present in the case statement to stimulate this sequence of reactions on the part of potential donors are *excitement, proximity, immediacy, a sense of the future, meaning*, and *relevance*. This idea is illustrated in Table 8.1.

Relevance grabs the attention of the donor and focuses it on the importance of the problem or need that the nonprofit addresses. A sense

TABLE 8.1 QUALITIES AND RESPONSES

Case Expression Qualities	Sequence of Response
Relevance	Attention
Proximity	Interest
Sense of the future	Confidence
Immediacy	Conviction
Excitement	Desire
Importance	Action

Source: The Fund Raising School (2009).

of proximity, perhaps due to the organization's activity in the donor's community or its engagement in work that the donor believes is important, will generate donor interest in the organization and what it is trying to achieve. The immediacy of the problem and a sense of what the future might look like if support is forthcoming instills in the donor the confidence that the nonprofit has defined the problem accurately and offers a compelling solution. Excitement about what can be achieved will lead to the donor's desire to be a part of the program because of the utility it will deliver. Finally, the critical importance of the project or program will move the donor to take action and thus become a participant by making a gift to the organization.

Effective Case Expressions for Fundraising

Fundraisers express the case for support in many forms. These might include direct mail (further broken down into donor acquisition, donor renewal, and perhaps donor upgrade), grant proposals, special seasonal appeals or honor gifts, talking points for personal solicitation of a gift, and many others. In compiling the materials for these efforts, the fundraiser will draw heavily on the internal case statement, highlighting the most appropriate aspects for that particular appeal or approach.

In reviewing the case expressions that result, it is important to assess them against the following criteria:

1. Does this case expression clearly demonstrate how our organization meets a need in the community?

2. Does this case expression position us as a problem solver or "opportunity" in the community?
3. Does this piece demonstrate how the community benefits from our work?
4. Does this piece demonstrate our organization's distinctiveness?
5. Is the money needed to make the change, fix the problem, or pursue the opportunity clearly stated?
6. Does the piece give clear instructions on how to make a charitable contribution?
7. Does the piece persuasively show the benefits that donors receive from making contributions?

The more effectively these questions are answered in specific case expressions, and the more tailored the case expressions are to specific donor groups or even to specific individuals, the more successful the fundraising effort will be.

Writing a compelling case statement (one that truly engages the donor's heart and mind in support of the organization) is one of the most difficult yet rewarding challenges that fundraisers face. Too often case expressions are written from the perspective of the organization, containing jargon and reasons that make perfect sense to those working inside the organization but that have little relevance for donors or others viewing the organization from an outsider's perspective.

In writing case expressions it is essential to keep the primary audience (that is, the donors) constantly in mind. How much do they already know about the cause and about your organization? What do they know about your organization's values and approach? What don't they know about your cause and about the challenges your organization faces in fulfilling its mission? Who is the fundraiser trying to reach, and what stories or information will they find most appealing and compelling?

As a writer of case expressions, the fundraiser has a huge amount of information available in the case resources file. Depending on the purpose of the expression, some of the information will be vital to include and other information will not be so important. It is up to the fundraiser to make careful and strategic choices regarding what to include and what to exclude in order to create the most effective case expression possible. Generally speaking, the most effective case expressions do the following:

1. Focus on making it clear to donors what differentiates the organization from others serving the same cause.

2. Engage the donor's emotions, reason, and belief in the organization's ability to get the job done.
3. Create a compelling narrative, and use clear, concrete language.

Differentiating your organization. What makes an organization stand out in a donor's mind is not how it is similar to other organizations serving the same niche but how it is different. Fundraisers thus need to think through what makes their organization unique or special. What differentiates their organization from others serving the same cause? Do the organizational values—*why* or *how* they do what they do—set the organization apart? Does the organization have exceptional leadership? Does the organization approach its work in a unique way or from a unique perspective? Too often, when writing case expressions, fundraisers waste time recounting how their organization is like others that serve similar causes. To be successful, it is necessary to highlight the differences that make one's own organization stand out from the crowd (Klein, 2001).

Appealing to emotion, reason, and organizational credibility. Three basic types of evidence can be used to make a convincing case to donors. You can appeal to their emotions, making them believe passionately that supporting your organization is the right thing to do. You can appeal to their reason, convincing them intellectually that supporting your organization is the logical thing to do. Or you can appeal to the credibility of your organization, showing donors that your organization has the ability to keep its promises and complete the work it sets out to do. Examples of these different kinds of appeals are provided in Table 8.2.

TABLE 8.2 EXAMPLES OF APPEALS TO EMOTION, REASON, AND ORGANIZATIONAL CREDIBILITY

Emotion	Testimonials and photos of clients of your organization
	Ways the world will be better as a result of your organization's work
Reason	Statistics showing the success of your programs
	Output and outcome measurements and impacts
Organizational Credibility	Strong staff and volunteer leadership
	Track record of success

Typically a successful case expression contains all three appeals to some degree, though the proportion of each varies. For instance, a grant proposal for a foundation likely uses more appeals to reason and organizational credibility than emotional appeals because foundations want to know if your organization is meeting a true societal need and whether your organization can execute the proposed project successfully (Barbato and Furlich, 2000). If, however, you are creating a direct mail piece aimed at acquiring first-time donors to an animal rights organization, you might focus on emotional appeals by telling stories or showing photos of animals that were rescued from abusive situations.

Creating a narrative. It is important to remember that donors aren't as familiar with the organization as the fundraising team is. It is therefore the fundraiser's responsibility to create a narrative that leads donors step-by-step through the key points that make the case. Too often, writers of case expressions (and particularly case statements) tend to forget that readers need clear transitions from one part of the document to the next. Rather than provide donors with a disjointed set of facts, give them a cohesive and enjoyable narrative that tells the story of what the organization is, how it makes the world a better place, and what they can do to help (Bray, 2008).

Using clear, concrete language. Unfortunately, many of us are taught in school that bigger words and longer sentences are better. The professional writing we encounter on the job usually doesn't help dispel this notion because it is usually bureaucratic and laden with jargon. To be compelling to donors, case expressions have to jettison this excess verbiage and concentrate on using clear, concrete language. Clear language is language that is easily understood. Concrete language is language that is sense oriented so that donors clearly see, hear, and feel the meaning.

In later chapters we return to the topic of producing an effective case as we examine the role of solicitation in a variety of contexts and media.

Summary

In this chapter we have developed more fully the notion of a case for support by explaining why it is so critical for fundraising success and integral to fundraising planning. We have examined the resources that would typically be assembled as part of a case resources file, and discussed the difference between the internal and external case for support. We have also explored how the case can be used to inform case expressions aimed at different categories of supporters, and we have explained the variety of forms that these expressions might take, including annual reports, brochures, direct mail, presentations, and face-to-face solicitations.

In face-to-face solicitations, those who solicit gifts for the organization should be familiar with the case but not try to memorize the case statement per se. Effectiveness in soliciting comes from the solicitors' immersion in the cause, their passion for supporting it, and their enthusiasm for inviting others to participate. The best solicitors are those who tell the story in their own words, with the integrity of their dedication to the cause. We return to this issue later, in Chapter Fourteen.

Discussion Questions

1. Define each of the following and what the difference is between them:
   a. A cause
   b. A case for support
   c. A case resources file
   d. A case expression
2. Who uses the internal case? Why? Who uses the external case? Why?
3. Why is it important for every organization to have a well-articulated case?
4. What are some key components of a case resources file? How do these components help build an organization's case?
5. What sequence of responses does a case statement aim to elicit from a donor?
6. Perform a Google search on "case for support." Focus on two results where the case for support of a specific nonprofit is highlighted. Open these documents and identify how well they do the following:
   a. Differentiate their organization from other organizations.
   b. Use the three appeals: emotion, reason, organizational credibility.
   c. Create narrative flow.
   d. Use clear, concrete language.

CHAPTER NINE

ASSESSING FUNDRAISING PERFORMANCE

By the end of this chapter you should be able to:

1. Understand the weaknesses of aggregate fundraising ratios.
2. Calculate ROI for a range of different fundraising activities.
3. Understand how to approach the benchmarking of fundraising activities.
4. Calculate ROI for a fundraising investment.
5. Calculate the payback period for a fundraising investment.
6. Apply discounted cash flow techniques to appraise a fundraising investment.
7. Understand the significance of risk in appraising fundraising investments.

In this chapter we explore how fundraising activity may be evaluated. An organization's fundraising isn't conducted in a vacuum, and managers need to develop a variety of measures to assess their performance and to report the results to their board. Measuring fundraising performance properly is critical to organizations on two fronts. First, from a financial stewardship perspective, managers need to ensure that their fundraising is as efficient as possible. Organizations shouldn't spend excessive amounts to raise a dollar. From a public relations perspective, they need to demonstrate this to their donors and other stakeholder groups. Nonprogram expenditures are unpopular with the majority of the public and it is now not unusual for charities to be criticized by either the media or self-appointed watchdog groups for what are seen as wasteful expenditures on fundraising and administration. So what should constitute an excessive amount to spend in these areas? At what point should boards begin to balk at the scale of their fundraising expenditures? This chapter explores these issues and highlights the complexity involved in answering these questions.

Of course, managing the public reporting of cost is only one area of concern. Every nonprofit, no matter how large or small, should be aware of how their financial performance *compares* to that of similar organizations in the sector. Only by conducting this form of analysis can nonprofits ensure that they will continue to provide value for money to donors and continue to operate within acceptable boundaries of efficiency. As we shall see later, this analysis needs to be conducted not only at the aggregate level but also in each category of fundraising undertaken.

In this chapter, we review what is known about the behavior of various categories of fundraising costs by illustrating typical patterns of performance. We also examine how benchmarking should be undertaken, and we explore current issues that must be tackled to ensure that the benchmarking process is as accurate as possible. We conclude by examining how proposals for future investment in fundraising activity might be appraised, including the use of discounted cash flow techniques.

Aggregate Fundraising Ratios

There are two aggregate ratios of interest to fundraisers, donors, and nonprofit boards, namely the FACE ratio and the cost-per-dollar raised. Both are frequently cited in media coverage of the sector and donors are often encouraged to consider a nonprofit's performance in both respects before offering a donation. As we shall see following, both these ratios are fundamentally flawed and should be used only with caution.

The FACE Ratio

The ratio of fundraising and administration costs (that is, management and general expenses) to total expenditure (FACE) is frequently used as a benchmark to measure the efficiency of nonprofits. Management and general expenses, which we refer to here as administration costs, include "costs of board of directors meetings, committee meetings, and staff meetings (unless they involve specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments" (IRS, 2009, p. 33). The salaries of the chief executive officer and his or her staff are also included if these people do not directly supervise program services and fundraising activities.

In the United States, nonprofits larger than a certain size have historically had to file a Form 990 return annually with the IRS. These forms can be viewed online through the Guidestar database (http://www2.guidestar.org). Here members of the public, journalists, and nonprofit researchers may also access the FACE ratios of more than 1.8 million nonprofit organizations. Impressive though this is, the data offer surprisingly little of value. Form 990 has historically required only modest amounts of information, and information that isn't subject to scrutiny, allowing a high degree of creative accounting to take place. Consequently, a high proportion of nonprofits have elected to show no fundraising costs at all, even when they show high levels of income from donors. Research by Cordes and Wilson (2000), for example, identified that 59 percent of nonprofits that received direct public contributions did not report any fundraising expenses at all, including nearly a quarter of those that received more than $5 million in contributions! These organizations want us to believe that they spend nothing to solicit these vast sums of money, that they send out no thank-you letters, e-mails, newsletters, or acknowledgments, and rely on only volunteer fundraisers who are provided with no management support, training, or even basic stationery, and are located in the parking lot so they will incur no heating, lighting, or electricity expenses. Is this a believable scenario? Whether by design, omission, or incompetence, a high proportion of nonprofits routinely lie about their fundraising costs. We return to this theme in Chapter Twenty-One when we examine the impact of this scenario on the public trust.

The poor quality of Form 990 data hasn't deterred many organizations from offering to consumers a view on what constitutes efficient performance. The Better Business Bureau, for example, suggests that nonprogram (that is, fundraising and administration) expenses should not exceed 35 percent of total expenditures. The difficulty with this and other such figures is that they are quite arbitrary benchmarks. Why shouldn't nonprofits spend

40 percent of their expenditures on fundraising and administration, or perhaps be compelled to limit this spending further to, say, 25 percent?

Hind (1995) argues that a low FACE ratio can actually be counterproductive. A FACE ratio below 10 percent may give the impression that a nonprofit is not investing sufficiently in its administrative infrastructure to support its charitable work, or is not making an investment in fundraising adequate to safeguard the charity's future. Hind thus recommends, as a rough guide, that in other than exceptional cases, FACE ratios should lie somewhere between 10 to 30 percent. Again, it is important to remember that there is no justification for the numerical value of these limits. They have been arrived at on the basis of what *feels* appropriate rather than through research or through an understanding of the economics of fundraising. Nevertheless, the current consensus from watchdog bodies and fundraising commentators is that a FACE ratio of more than 30 to 35 percent would be cause for concern. These groups and commentators are collectively highly influential. Fundraisers therefore need to be aware of how they stack up against these benchmarks, and they need to be prepared to justify why a particular level of performance has been obtained.

They also need to understand why it is entirely inappropriate for anyone to compare organizations on the basis of either the FACE ratio or another frequently calculated measure, the cost of raising a dollar. Although donors are routinely encouraged to undertake such comparisons, aggregate performance ratios cannot be used for this purpose. We explain why later in this chapter.

Cost per Dollar Raised

A further focus of public and media interest is the cost per dollar raised. It is cited as a key measure of fundraising efficiency and perhaps a factor to be borne in mind when donors make decisions about which organizations they will support. In a large-scale survey of fundraising costs in the United States, Rooney, Hager, and Pollak (2003) identified that it costs an average of 24 cents to raise a dollar. Other studies (e.g., Sargeant and others, 2008) have reported similar levels of cost, typically on the order of 15 to 30 cents to raise a dollar, depending on the category of cause (animal welfare, the arts, education, and so on) and the size of the organization (as measured by income). On the basis of these figures we might legitimately conclude that an organization spending 20 cents to raise a dollar is doing well, whereas an organization spending 35 cents to raise a dollar is not. Right?

Wrong. Even Guidestar cautions that this figure is the least useful data that individuals might calculate. It suffers from a number of fundamental flaws:

1. *Grounded in poor-quality data.* As noted earlier, almost 60 percent of nonprofits claim to have zero fundraising costs. Therefore, if overall ratios are calculated from 990 data, they will be meaningless.

2. *Variations in accounting policies and thus in the definitions of key categories of cost.* As Pharoah (1997) notes, what may be classified as fundraising expenditures for one organization may be classified as charitable expenditures by another. Are feasibility studies conducted as part of the application process for a large capital grant considered a fundraising expense or a program expense? Does an event conducted to raise awareness of a nonprofit's work within a local community constitute a pure program cost when fundraisers derive benefit from it too? Although the IRS and accounting codes do provide guidance, there is usually considerable scope for interpretation—and quite legitimate interpretation, we stress. Two organizations can in good faith develop entirely different accounting policies.

3. *Education or fundraising.* A mission of many organizations is not only to involve themselves in benefiting the members of a certain target group but also to educate the general public about the needs of this group or the issues it faces. Thus, a charity that works with the blind or partially sighted not only may endeavor to improve the lives of individuals with these conditions, but also may seek to raise the public's awareness of the wider issues (such as discrimination) facing this section of the community. Those organizations that feel it is important to develop such a role face a dilemma, in accounting terms, over the manner in which they report the costs of this awareness generation or educational activity. Because there are often substantial benefits to be gained from combining these activities with those designed specifically to raise funds, it often becomes impossible to distinguish between them. Is an ad from the "American Heart Foundation" a fundraising ad or part of a wider effort to raise awareness of the causes of cardiovascular disease? In these circumstances, nonprofits must decide quite arbitrarily whether to show these expenses as fundraising costs or as program expenditures, or more likely as a proportion of each. These decisions may again be made in good faith, but they will have profound implications for the subsequent appearance of an organization's fundraising ratios.

4. *Annual fluctuations*. Using simple ratios to compare organizations could be criticized on the grounds that such figures (unless averaged over a three- to five-year period) will fail to account for large one-time contributions, such as a particularly large gift or an exceptional bequest. A nonprofit that might otherwise exhibit rather poor patterns of performance can thus be transformed overnight into one of the most efficient organizations in the sector.

5. *Popularity of the cause*. Some categories of cause are easier to raise funds for than others. Disability charities, for example, find it more difficult to raise funds than those working in medical research or education (Sargeant and Kaehler, 1998). Does this mean that fundraisers in one category of organization are better than those in another? Of course not. Their fundraising performance reflects only the level of public interest in and concern with the issue.

6. *The age of the fundraising department*. A mature, professionally run development program will be expected to produce a higher return on investment than a newly formed department. Success may be a matter of developing the requisite expertise, but there are many forms of fundraising that take years to get properly established. Bequest and planned-giving programs, for example, may not generate a meaningful return for up to seven years.

7. *The size of the organization*. Previous research has indicated that some forms of fundraising (such as direct mail) exhibit significant economies of scale. The greater the number of mailings, the lower will be the unit cost. Larger organizations therefore tend to have a better pattern of performance than smaller organizations (Sargeant and Kaehler, 1999), at least until we examine very small organizations, where all the fundraising may be conducted by volunteers and, as a consequence, there is a reversal of this effect. Very small nonprofits can also have good fundraising ratios.

8. *The profile of the constituency*. Some nonprofits appeal to economic and geographic communities that are wealthier than those to which other nonprofits appeal.

9. *The categories of fundraising undertaken*. The structure of an organization's funding can also have a dramatic impact on these figures. Organizations that are fortunate enough to receive a small number of grants on an annual basis and that derive the largest share of their funding from these will have a significantly better cost structure than organizations that solicit funds from the general public. Not only will greater numbers of staff be required to administer fundraising from the public, but the costs

of communicating with an often diverse population of donors can also be substantially higher. Moreover, the sheer volume of transactions can add quite significantly to information technology, data processing, and even banking costs.

10. *Donor acquisition or development.* As we illustrate later in this chapter, attracting new donors to an organization is an inherently costly business. Most nonprofits lose money on this activity, particularly if direct response media (such as direct mail, advertising, and so on) are employed. It isn't uncommon for organizations to lose about half of what they pump into this activity. This loss doesn't matter in the medium term, because the organization will solicit second and subsequent gifts, on which the returns are much higher. For donors originally recruited through direct response, the cost may be on the order of $4 to $5 for every $1 invested. The balance of recruitment and development activity will therefore drive the reported fundraising performance. Organizations that give a big push to build their constituency will initially report very poor fundraising ratios.

11. *Different categories of campaigns.* Capital campaigns generate very different returns than the annual fund. An aggregate ratio that blends these two very different forms of fundraising is therefore unhelpful. Capital campaigns are typically multiyear efforts, and the majority of the costs are normally incurred in the initial months of the campaign. Consequently, where the bottom-line percentage is constructed on an annual basis, the fundraising costs for the initial year of the campaign will appear artificially high, and in the subsequent years will be misleadingly low. This is a highly significant issue because if costs are reported to donors in year one, many could be dissuaded from giving to the campaign because of its apparently "poor" performance, despite that fact that had a long-term view been taken, the costs of the campaign would have appeared entirely reasonable.

In seeking to appraise the fundraising performance of an organization meaningfully and to compare this appraisal with those of other organizations, it is necessary to account for all of these factors. It clearly isn't realistic to expect members of the public to do this; thus the current focus of watchdog bodies on aggregate ratios is misleading and unfortunate.

The final point to note about this very long list of factors is that fundraisers too will derive very little value from comparing their ratios with those of other organizations. Pragmatically, they probably have to do this, to determine how their performance will be perceived by their various stakeholders, but it is in no way helpful in assessing whether their fundraising is efficient or needs to be improved. A much more sophisticated analysis will be required.

Conducting a Fundraising ROI Analysis

There are many ways of looking at return on investment (ROI). Here we define it as *funds raised as a percentage of fundraising expenses*.

Fundraising luminaries such as Levis (1993) and Greenfield (1996) suggest that fundraisers should routinely monitor their ROI. This involves expressing funds raised as a percentage of fundraising expenses, but *not* in aggregate. They advocate instead looking at each category of fundraising in turn. As we have noted, the returns that accrue from major gift fundraising are very different from the returns due to direct mail, so it makes no sense to lump together all forms of fundraising. Table 9.1 contains an example of the analysis that Levis proposes. Ten different forms of fundraising are isolated; they are defined in Figure 9.1. Because they all have different purposes, varied sources of funds, and diverse performance characteristics, they should be separately planned, invested in (budgeted for), accounted for, and evaluated. These various types of fundraising don't all have the same performance characteristics. Levis thus draws a firm distinction between *capacity-building activities* and *net income–producing activities*, because he recognizes that activities such as donor acquisition are necessarily undertaken at a loss.

An Excel spreadsheet can easily be established to allow fundraisers to input their fundraising expenditures (investments) and the number and amount of gifts obtained. It can then be programmed to calculate the level of the average gift and the ROI achieved. Suggested minimum ROIs may be included in the spreadsheet. Those shown in Table 9.1 are based both on the original work of Levis (1993) and Greenfield (1996) and on some recent data from Rooney, Hager, and Pollak (2003). We offer these numbers as reasonable benchmarks of "typical" performance for programs in existence for more than three years. A variance can then be calculated between the suggested and actual minimums so that weaknesses in performance can be highlighted. The results presented in Table 9.1 suggest that in this case management attention may need to be directed toward special events, planned giving, and corporate fundraising. When conducting this kind of analysis, most organizations establish a zone of tolerance for the variance. A negative variance of 5 percent might be tolerated, but

TABLE 9.1 ILLUSTRATION OF ROI ANALYSIS

Category of Fundraising Activity	Fundraising Investments	Number of Gifts	Amount of Gifts	Average Gift Size	ROI Analysis: ROI	ROI Analysis: Minimum ROI	ROI Analysis: ROI Variance Above/ Below
	A	B	C	C/B	D5C/A	F	D–F
I. Capacity building (not intended to produce NET income)							
1. Non-income-producing capacity building	$140,000	N/A	N/A	N/A	N/A	N/A	N/A
2. Donor acquisition (list or constituency building)	$430,000	12,000	$ 300,000	$ 25	69.77%	50.00%	19.8%
3. Special events/ public relations (marketing/PR programs)	$ 40,000	500	$ 27,000	$ 54	53.61%	130.0%	–76.4%
Total capacity building	$610,000	12,500	$ 327,000	$26.16	53.61%	N/A	N/A
Fundraising costs	186.5%						
II. Net income producing							
4. Donor renewal, soliciting prior donors under $1,000	$200,000	25,000	$1,000,000	$ 40	500.0%	300.0%	200.0%
5. Special-events fundraising	$200,000	500	$ 400,000	$ 800	200.0%	200.0%	0%

(Continued)

TABLE 9.1 CONTINUED

					ROI Analysis		
Category of Fundraising Activity	**Fundraising Investments**	**Number of Gifts**	**Amount of Gifts**	**Average Gift Size**	**ROI**	**Minimum ROI**	**ROI Variance Above/ Below**
	A	**B**	**C**	**C/B**	**D5C/A**	**F**	**D–F**
6. Major individual gifts (soliciting prior donors, $100 & up)	$ 410,000	1,500	$2,000,000	$ 1,333	487.8%	400.0%	87.8%
7. Planned giving/ estate planning (after 4 to 7 years of losses)	$ 250,000	18	$ 800,000	$44,444	320%	500.0%	–180%
8. Capital and endowment campaigns	$ 250,000	170	$2,500,000	$14,705	1,000%	650.0%	350%
9. Corporate and foundation grant seeking	$ 100,000	20	$ 500,000	$25,000	500%	650.0%	–150%
10. Government grant seeking	$ 40,000	3	$ 200,000	$66,667	500%	650.0%	150%
Total NET income producing	$1,450,000	27,111	$7,400,000	4272.95	510.3%	N/A	NA
Fundraising cost %	19.6%						
Grand total	$2,060,000	39,611	$7,727,000	$ 95	375.1%	N/A	N/A
Fundraising cost %	26.7%						

FIGURE 9.1. DEFINITIONS OF CATEGORIES OF FUNDRAISING ACTIVITY

I. Capacity-building activities (that is, activities not intended to produce net income)

1. *General capacity building* (non-income-producing): Getting money to raise money, fundraising assessments, board recruitment and development, mission development and goal setting, long-range strategic planning, fundraising market research, establishing a planned-giving program, feasibility studies, prospect research, special events that do not produce income, donor recognition and continued communications, setting up donor records and fundraising office systems, depreciation of office furniture and equipment used for fundraising, start-up costs for fundraising activities 4 through 10 in this list, and similar support activities.
2. *Donor acquisition* (substantially self-supporting): List or constituency building involves soliciting suspects and prospects for first-time gifts by mail, phone, or door-to-door canvassing. These activities can be multipurpose, for example, combined with volunteer recruitment and public education.
3. *Special events and public relations* (substantially self-supporting): Activities and events that raise money but are intended primarily for marketing, community relations, publicity and promotion, public education, cultivation, donor and volunteer recognition, or volunteer involvement purposes. This category does not include special events that produce no income or special events designed to produce significant net income. Guidelines are based on gross receipts, not on receipts net of any costs.

II. Net-income-producing activities (that is, activities expected to produce net contributions)

4. *Donor renewal of gifts under $1,000* (modest net income producing): Soliciting prior individual and business donors, usually for small to modest annual gifts, by mail, phone, or personal visit. (Soliciting prior donors who have lapsed for four or more years may need to be included in donor acquisition efforts.)
5. *Special-events fundraising* (modest net income producing): Events intended primarily for fundraising and secondarily for marketing, publicity, and promotion; public education; donor and volunteer recognition; volunteer involvement; and other non-income-producing goals (see item 3). Guidelines are based on *gross* receipts, not on receipts net of any costs.
6. *Major individual gifts of $100 or more* (major net income producing): Soliciting the top 20 percent of current donors, large-gift individual and business donors who may give 50 percent or more of the dollars raised through annual and special fundraising efforts.
7. *Planned giving and estate planning* (after four to seven years of losses, major net income producing): Soliciting charitable trusts, bequests, and similar gifts from individuals, usually $1,000 or more. Establishing a planned-

(Continued)

FIGURE 9.1. CONTINUED

giving program is capacity building and may produce no income the first few years.

8. *Capital and endowment campaign pledges* (major net-restricted income producing): Soliciting major individual and institutional supporters for occasional multiyear gifts and special capital projects or endowments.
9. *Corporate and foundation grant seeking* (modest net income producing, usually purpose restricted): Soliciting grants from institutional sources such as corporations, corporate foundations, and private foundations, usually $1,000 or more.
10. *Government grant seeking* (modest net income producing, usually purpose restricted): Soliciting grants from governmental agencies. Government grants are equivalent to contributions and do not include contracts and fees for providing program services (such as reimbursement) from government agencies.

Source: Levis (1993).

a negative variance of 10 percent may not be. In this case the variances are all substantial, so investigation would typically be warranted.

The key column in this analysis is undoubtedly the minimum ROI column. The example in Table 9.1 employs a variety of averages to suggest an appropriate minimum ROI, but there are other legitimate ways of creating these minimums, particularly for organizations with many years of experience with each category of activity. Over time, organizations begin to develop their own sense of what is achievable, by analyzing their historical performance and perhaps by collaborating with a group of peers. Whatever method is used, it is essential that these assumptions be challenged periodically, perhaps as part of the fundraising audit.

Levis provides one further lesson for fundraisers. He notes that what is an acceptable pattern of performance for each activity also varies according to the size of the average gift obtained. Some programs, by virtue of the category of cause, the geographical location of the nonprofit, the age of the fundraising program, or the nature of the donor base, attract significantly larger gifts than others. For these programs the bar should typically be set a little higher. Table 9.2 therefore presents suggested ROI minimums by average gift size. These are the minimums we used to inform the example provided in Table 9.1. The average gift to the donor acquisition program, for example, was $25, suggesting a target ROI for the program of 50 percent, as shown in Table 9.1.

The minimums suggested in Table 9.1 assume that the income and expenses are calculated by using the generally accepted accounting principles (GAAP) followed by nonprofit organizations and that they are consistent

TABLE 9.2 MINIMUM FUNDRAISING ROI BY CATEGORY OF FUNDRAISING ACTIVITY AND AVERAGE GIFT SIZE

ROI = funds raised as a percentage of fundraising expenses	**ROI minimums by average gift size range (average gift size = amount raised by a specific activity divided by the number of gifts)**				
Category of fundraising activity	**$25 and under**	**$26–$100**	**$101–$1,000**	**$1,001–$10,000**	**$10,001 & up**
I. Capacity building (not intended to produce net income)					
1. Non-income-producing capacity building	N/A	N/A	N/A	N/A	N/A
2. Donor acquisition programs (list or constituency building)	50%	75%	100%	N/A	N/A
3. Special events/public relations (marketing/PR programs)	100% (gross)	130% (gross)	N/A	N/A	N/A
II. Net income producing					
4. Donor renewal programs (soliciting prior donors, under $1,000)	200%	300%	400%	N/A	N/A
5. Special events—fundraising	200% (gross)	200% (gross)	200% (gross)	400% (gross)	N/A
6. Major individual gifts	N/A	N/A	400%	550%	650%
7. Planned giving/estate planning (after 4 to 7 years of losses)	N/A	N/A	400%	550%	650%
8. Capital and endowment campaigns	N/A	N/A	400%	500%	650%
9. Corporate and foundation grant seeking	N/A	N/A	400%	550%	650%
10. Government grant seeking	N/A	N/A	N/A	500%	650%

Note: It is assumed that fundraising expenses include all joint costs of multipurpose activities.

Source: Adapted from Nonprofit Management Group, Department of Public Administration, Baruch College/CUNY R012-1 03 June 93.

with Form 990 instructions. It is important to note that isolating the relevant figures is no easy task, because some fundraising activities span more than one year and income and expenses must be allocated accordingly.

Other Measures of Performance

So far in this chapter we have deliberately focused on measures of efficiency and have calculated the returns that accrue from different forms of fundraising. Greenfield (1996) recommends measuring other aspects of performance, focusing on three key areas, namely participants, income, and expenses. His nine-point performance index is depicted in Table 9.3. Many of these measures will be familiar because they were included in the example in Table 9.1, but the notion of net income warrants a little elaboration. As fundraisers, we often get hung up on efficiency measures, to the detriment of focusing on effectiveness. A report on a study conducted by the Council for Advancement and Support of Education and the National Association of College and University Business Officers (CASE and NACUBO, 1990, p. 12) draw the following distinction between the two concepts: "Fund-raising efficiency

TABLE 9.3 GREENFIELD'S NINE-POINT PERFORMANCE INDEX

Basic Data	
1. Participants	Number of donors responding with gifts
2. Income	Gross contributions
3. Expenses	Fundraising costs
Performance Measurements	
1. Percent participation	Divide participants by total solicitations made
2. Average gift size	Divide income received by participants
3. Net income	Subtract expenses from income received
4. Average cost per gift	Divide expenses by participants
5. Cost of fundraising	Divide expenses by income received; multiply by 100 for percentage
6. Return	Divide net income by expenses; multiply by 100 for percentage

Source: Greenfield, J. M. (1996). *Fund-raising cost effectiveness: A self-assessment workbook*. New York: John Wiley & Sons. Reprinted with permission of John Wiley & Sons, Inc., p. 31.

should not be confused with fund-raising effectiveness. The objective of an institution's [fund-raising] program should not be to spend as little as possible each year to raise money, but to maximize the net. A program that annually produces $2 million at a cost of $160,000, or 8 percent, may look good and is indeed efficient, but one that produces $3 million at a cost of $300,000, or 10 percent, is presumably of more help to the institution [that is, more *effective*]—it is bringing in $860,000 more." To clarify, whereas the first campaign brings in a net of $1,840,000 ($2,000,000−$160,000 = $1,840,000), the second campaign brings in a net of $2,700,000 ($3,000,000−$300,000 = $2,700,000), and thus $860,000 more than the first.

Although the objective normally is to "maximize the net," this amount should be contained within reasonable bounds. The CASE and NACUBO report does go on to point out that "there are limits beyond which it is impolitic if not unethical to spend money to raise money" (p. 16).

Managers seeking to appraise their performance could apply Greenfield's nine-point performance index separately to each category of fundraising. The result would provide a meaningful snapshot of the performance of the organization at that time. Obviously there are other metrics that could be calculated in relation to each category, and we explore these in detail in subsequent chapters. Fundraising through digital media is particularly distinctive, with a suite of new metrics that may now be used to assess performance.

Benchmarking Fundraising Costs

Typically, the assessment of fundraising performance does not take place in isolation. Board members, donors, and other stakeholders are frequently concerned with questions such as the following (Aldrich, in press):

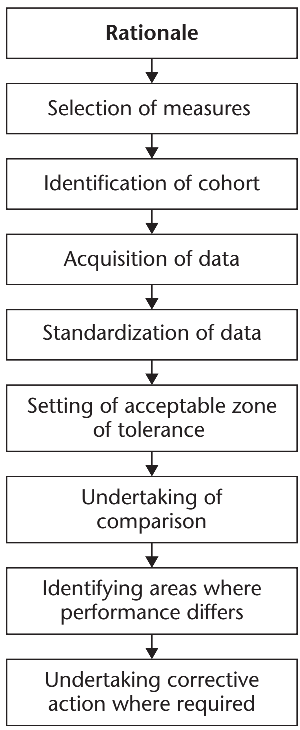
- How does our fundraising compare with that of our competitors?
- How do we know whether we are as efficient as we can be?
- How does our ROI on each form of fundraising compare with that of other charities in our sector (or cause)?
- Why do we spend so much more on fundraising than charity X spends?

To answer these questions it is necessary to look outside the organization and identify data that may be used as the basis for comparison.

These data may be drawn from research, from a study of some kind, or they may be shared among organizations looking to participate in the benchmarking exercise. The nonprofit sector has a strong history of collaboration between organizations and it may be possible for fundraisers to exploit their contacts and share information with peers to determine how other organizations are performing. In doing so, it should be remembered that different organizations have different approaches to accounting for fundraising, and thus fundraisers need to ensure that they are genuinely comparing like with like.

For benchmarking we recommend the process depicted in Figure 9.2,which begins with fundraisers deciding what they intend to benchmark and why. We refer to this as the *rationale* for the benchmarking exercise, and it will drive what follows. The use to which the benchmarking data will be put will drive the choice of measures on which the fundraisers will focus, and the choice of organizations with which they will compare their

FIGURE 9.2. BENCHMARKING PROCESS



own organization's performance. They may wish to gather data on the ROI of a range of direct response activities, and they may be interested in the performance of organizations of a similar size or that work in a similar category of cause. There is no one right approach here; the choice will be driven by the rationale for the exercise.

Once the cohort of organizations that will be included in the exercise have been selected, it will be necessary to gather the comparative data. These may be obtained from published sources such as Form 990s (although be wary of the caveats we expressed earlier) or directly from the organizations themselves, from either their annual reports or their internal management accounting data. Peer networks can be utilized for this purpose.

The next step is to examine how the data collected were assembled and to ensure as much as possible that they are standardized across the whole cohort and hence reported in the same way. This will be particularly difficult in the case of published sources, but a telephone call to the respective nonprofit can often clarify the organization's policies and practices, such as how they deal with communications designed both to raise funds and to educate the public about a particular cause or issue. The researcher should also be sensitive to atypical results for each organization, such as those caused by unusually large gifts or bequests, which can greatly distort reported performance. These data would normally be omitted from the analysis.

When the data have been standardized, the nonprofit can then proceed to undertake the comparison and examine its own performance against the cohort of other nonprofits. In doing so it should be aware of the presence in the sample of any that might distort the average reported. In such circumstances, the median (that is, middle) value might be a better measure of "typical" performance than the arithmetic mean. To illustrate, a nonprofit may have gathered the following data on how much it costs five close competitors to raise $1: 18¢, 20¢, 20¢, 21¢, and 65¢. The mean of these figures would be $(18 + 20 + 20 + 21 + 65)/5 = 28.8$¢ to raise a $1. This amount is hardly reflective of the group. A better measure of "typical" performance in this case would be the median, 20¢.

If the number of organizations contained in the cohort is high, a number of statistical tests could potentially be employed to determine whether the performance of the researcher's organization is good, typical, or poor relative to that of the other organizations. If the number of organizations is small, and in most cases with analyses such as these it will be, considerable care in interpretation is necessary. Nonprofits sometimes conclude that their performance is significantly poorer than the performance of other players in the sector when in reality, although its performance does differ, the difference is negligible and certainly not worth serious management attention. For this reason, as noted earlier, some nonprofits establish a zone of tolerance in which, for a particular activity, they agree they will ignore variations of, say, plus or minus 10 percent of the mean (or median) value. Only when reported performance falls outside of that boundary do they look to identify why this might be the case.

Clearly fundraisers can look at those areas of their operations in which they seem to be performing less well than the competition and seek to take corrective action. Equally, even where their performance is acceptable, an analysis might highlight other nonprofits that seem to have superior performance. Further investigation of why this might be so can be of considerable value, because aspects of the other organizations' practice could be copied or adapted for use. For example, if a charity is found to be performing exceptionally well in developing major donors, other organizations may want to learn from that charity how its fundraisers identify prospects, structure their approach, involve donors in the organization, and ultimately "make the ask." Individuals are often happy to share the reasons for their success, and thus peer networks can be leveraged to understand the reasons for a particular pattern of performance.

Sector Benchmarking Initiatives

A number of other excellent benchmarking exercises in which nonprofits can participate are organized by sector bodies. Two such initiatives are the Fundraising Effectiveness Project and the Target Analytics Index of National Fundraising Performance.

The Fundraising Effectiveness Project

The Fundraising Effectiveness Project (FEP) is co-sponsored by the Association of Fundraising Professionals and the Urban Institute in partnership with five other sector bodies. Participation in the FEP is free and anyone with donation data spanning two or more years may participate. Participants are required to input their data either online, by completing a survey, or by using the provided tools now offered by the leading providers of fundraising software, such as Blackbaud (The Raiser's Edge® and eTapestry) and DonorPerfect. The FEP survey gathers data on both the value of gifts and the number of donors acquired and lost over a year (see Table 9.4).

The basic concept underpinning the survey is that an organization's overall growth in giving from one year to the next is actually the net result of gains minus losses. Thus, growth in giving is increased both by maximizing gains and by minimizing losses.

Gains consist of increases in gift amounts by upgraded donors and in gifts by new donors and recaptured lapsed donors. Losses consist of

TABLE 9.4 FEP SURVEY DATA ELEMENTS

GIFTS		
Total Gift Dollars:		
Gains	**Losses**	**Same**
From new donors in the current year	From downgraded donors (donors who gave less in the current year than in the previous year)	From donors who gave the same amount as in the previous year
From recaptured donors (former donors who did not give in the previous year)	From lapsed new donors (new donors in the previous year who did not give in the current year)	
From upgraded donors (donors who increased their gift from the previous year)	From lapsed repeat donors (repeat donors in the previous year who did not give in the current year	
DONORS		
Total Number of Donors:		
Gains	**Losses**	**Same**
Number of new donors gained in the current year	Number of lapsed new donors (new donors in the previous year who did not give in the current year)	Number of upgraded donors (donors who increased their gift from the previous year)
Number of recaptured donors gained in the current year	Number of lapsed repeat donors (repeat donors in the previous year who did not give in the current year)	Number of donors who gave the same amount as in the previous year
		Number of downgraded donors (donors who gave less in the current year than in the previous year)

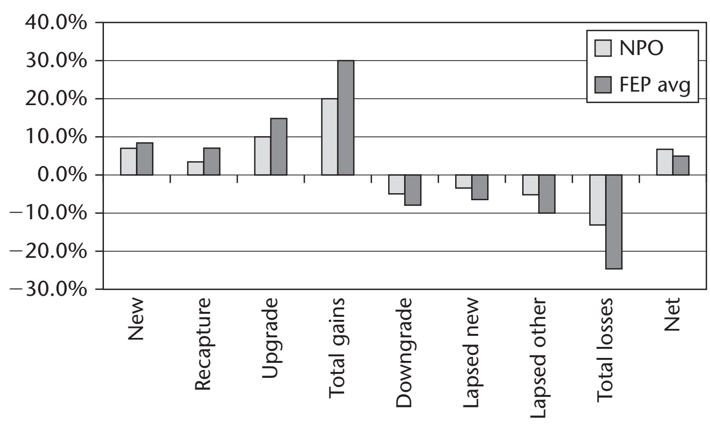
decreases in gift amounts by downgraded donors and loss of gifts from lapsed donors. Figure 9.3 illustrates how nonprofits that have put this information into the FEP will be able to compare their growth-in-giving performance with the performance statistics of other participants. Crucially, given our previous discussion, it is possible to undertake this comparison relative to other organizations of similar size, age, category of cause, and region (based on zip code). It is also possible to identify distinct percentiles of performance, to give participants a clear idea of how they compare with other organizations.

Some of the aggregate statistics to emerge so far from the FEP are surprising and not a little depressing. For every six donors the sector presently recruits, it loses five. As we shall see in Chapter Twelve, the sector presently has a major problem with donor retention.

Target Analytics

Software supplier Blackbaud offers a service to its clients that allows them to analyze the performance of their direct response fundraising. The Target Analytics Index of National Fundraising Performance works with

FIGURE 9.3. ILLUSTRATIVE FUNDRAISING EFFECTIVENESS PROJECT (FEP) AVERAGES



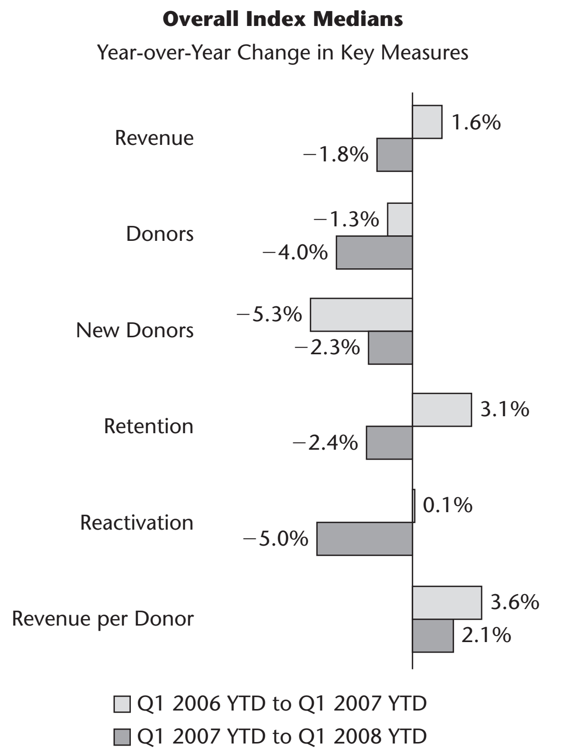
Note: Gains, losses, and net as percentage of year one total.

Source: Association of Fundraising Professionals. (2009). *Fundraising effectiveness project*. Washington, DC: Association of Fundraising Professionals.

data drawn directly from the databases of participating organizations. For the twelve months prior to the third quarter of 2008, Target Analytics evaluated transactions from seventy-four organizations, including more than thirty-seven million donors and more than sixty-eight million gifts totaling over $2 billion in revenue. An example of the data the study provides is offered in Figure 9.4. Performance can be compared with all participating organizations or with organizations working within a similar category of cause.

To maintain comparability, participation in the index is limited to organizations that meet size and geographic requirements, as well as other terms and conditions. Information about eligibility is provided

FIGURE 9.4. INDEX OF NATIONAL FUNDRAISING PERFORMANCE



Source: Target Analytics. (2009). *Index of national fundraising performance*. Charleston, SC: Blackbaud. Reproduced with permission.

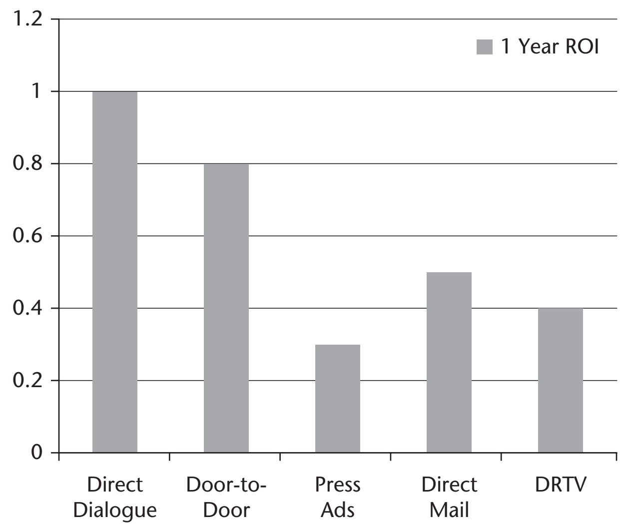
at http://www.blackbaud.com/targetanalytics/overview.aspx. Target Analytics posts their quarterly analyses online so that other interested organizations can use the data.

Making Investment Decisions

So far in this chapter we have been concerned with assessing the performance of existing fundraising activities. In this section we examine how fundraisers make investment decisions about the future, such as whether to launch a new program of events or develop planned giving for the first time.

Figure 9.5 illustrates an investment decision commonly faced by nonprofits: how to allocate donor recruitment expenditures among different recruitment media. In this case, the organization has to choose from among direct dialogue, door-to-door fundraising, press advertising, direct mail, and advertising. The first-year ROI for each medium is provided in the figure. As we highlighted earlier, we would expect nonprofits to experience a loss on their donor recruitment activity and it is therefore no surprise that all the percentages in the figure are less than 100 percent. Press advertising, for example, is expected to return only 30 percent of

FIGURE 9.5. ONE-YEAR ROI FOR ACQUISITION MEDIA



the monies invested. On the basis of these numbers, we might reasonably decide to allocate our expenditure to direct dialogue fundraising activity.

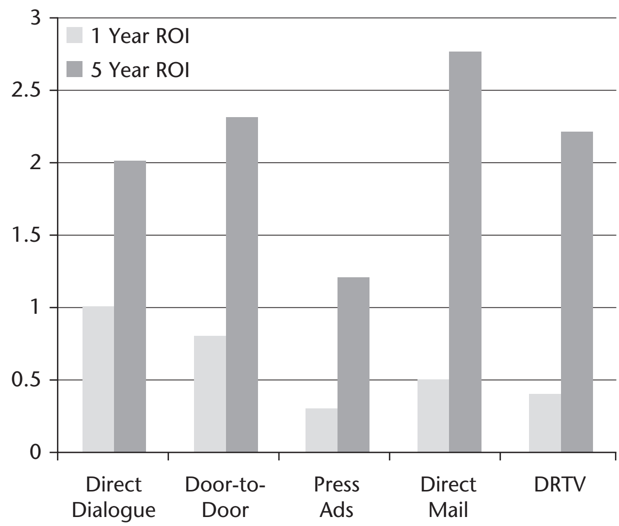
We'd be wrong to do this, however. These figures take no account of the long-term impact of the investment. Figure 9.6 presents the five-year returns for each category of fundraising alongside the initial ROIs. Here a very different pattern of performance emerges. Suddenly, investing in direct mail appears to be a much better option. In considering future investments it is therefore necessary to take a long-term view before reaching a decision.

Of course this begs the question, How should one take a longer view? Is it a matter of just adding up all the anticipated costs and revenues for the next five years and then basing a decision on the ROI that appears to be generated? The short answer here is no. This approach does not account for when various investments are made, for risk, or for the time value of money.

Calculating ROI

Another term for the ROI is the accounting rate of return, or ARR. This term is frequently employed in analyzing investment decisions. Consider

FIGURE 9.6. COMPARISON OF ONE-YEAR AND FIVE-YEAR ROIS



the following example: Suppose a nonprofit has a regular gift (sustainer) program with five thousand regular givers who donate on average of $100 per year. The organization has developed a plan to increase the amount these donors give. This plan involves bringing in a consultant to appraise the various options, buying a new software package to improve how donors are segmented, and then running and repeating an upgrade campaign. The overall cost of this initiative would be $272,000 over a five-year period. The additional income it would generate is forecast to be $415,000 over the same period. The net income generated would therefore be $143,000. The average net income per year would therefore be $143,000/5 = $28,600

To calculate the ROI, we also need to understand the profile of the investment. An example is shown in Table 9.5. The $50,000 invested in year one will be tied up in the project for each of the five years. The $100,000 invested in year two will be tied up in the project for four years. These differences are accounted for by using the multiplier provided in the third column. The total of $892,000 can then be divided by the duration of the project to calculate the average investment in each year.

The average amount invested over the five-year period is thus $892,000÷5=178,400. The ROI is then calculated as follows:

$$\frac{\text{average net income}}{\text{average investment}} \times 100\% \text{ or } \frac{\$28,600}{\$178,400} \times 100 = 16\%$$

This ROI can be compared with the ROI from other investments the nonprofit might make. It can also be compared with other forms of

TABLE 9.5 PROFILE OF INVESTMENT

Year	Investment	Multiplier	Impact
1	$ 50,000	5	$250,000
2	$100,000	4	$400,000
3	$ 40,000	3	$120,000
4	$ 40,000	2	$ 80,000
5	$ 42,000	1	$ 42,000
TOTAL	$272,000		$892,000

investment. At the moment, a 16 percent ROI looks pretty reasonable compared with an investment in, say, an equity. In times of economic boom this may not be the case. Fundraisers should routinely set a range for expected ROI for their initiatives and revisit these periodically as a matter of policy.

This method of assessing an investment is a measure of profitability and its major advantages are that it is easily understood and that the data needed for forecasting purposes are usually readily available. However, basing decisions on profitability alone without considering cash flows can be extremely dangerous, and this method of appraisal falls well short of the controls required for such a long-term decision.

Payback Period

An additional element to consider in forecasting is the period over which the investment will be made and when the return will start to be achieved. From a cash point of view, the point at which the initiative turns into profit is known as the payback period. These details for the investment we have been discussing here are provided in Table 9.6. The investments in each year are shown alongside the anticipated income. The cumulative cash position is shown in the final column. This analysis reveals that this project would pay back midway through year four and require its maximum amount of cash in year two (that is, $135,000). Demonstrating the cash flow impact of the proposal through a payback period analysis will show the extent of the investment needed for the initiative to deliver the promised benefits, and show how long this support must be maintained (Sayer, 2003).

TABLE 9.6 ILLUSTRATION OF PAYBACK PERIOD

Year	Projected Costs	Projected Income	Cumulative Cash Position
1	$ 50,000		–$ 50,000
2	$100,000	$ 15,000	–$135,000
3	$ 40,000	$125,000	–$ 50,000
4	$ 40,000	$125,000	$ 35,000
5	$ 42,000	$150,000	$ 73,000
TOTAL	$272,000	$415,000	

The payback period is both conceptually simple and easy to calculate. It is therefore widely used, typically in concert with other methods of evaluation. It does, however, suffer from a number of flaws:

- *It makes no adjustment for risk.* Some investments are likely to be riskier than others, and this risk should be reflected somehow in how the performance is assessed, particularly if it is to be compared with other possible investments such as spending the $272,000 on developing a small planned-giving program instead. Both investments might pay back in four years, but if the organization has no experience with planned giving, the project will carry a good deal more risk.
- *It ignores future benefits.* The cut-off period of five years in our example is quite arbitrary. Presumably these donors will continue to give at their newly heightened rate for some time. Profitability is not measured.
- *It doesn't consider the time-value of money.* Given a choice, most fundraisers would agree that they would rather have a $150,000 gift today than in five years. Inflation over those years will significantly erode the value of the gift. It will be worth much less then than in today's values.

Discounted Cash Flow: Net Present Value

A more sophisticated approach to assessing an investment would be to take into account the time-value of money and look at the value an investment would generate at today's prices.

To illustrate, suppose a nonprofit is wondering whether to invest $180,000 in a campaign that would generate additional revenue of $100,000 in the first year, $80,000 in the second year, and $60,000 in the third year. Its cost of capital would be 10 percent (in other words, it would require a return of at least 10 percent on its investment). Is the project worth undertaking?

In discounted cash flow (DCF), we make several assumptions. One such assumption is that DCFs (expenses or revenues) occur on the last day of each year. For example, although additional revenues are $100,000 during the course of year one, we assume that the $100,000 is not received until the last day of the year. Similarly, the revenues of $80,000 and $60,000 in years two and three are assumed to occur on the last day of years two and three, respectively. The cash payment of $180,000 occurs at the start of year one. To be consistent, we say that this payment occurs on the last day of the current year, which is typically referred to as year 0.

The net present value (NPV) can then be calculated with discounting arithmetic. Present value tables (and thankfully, modern software) give us the factor values for the present value of a dollar. These are reported in Table 9.7.

Returning to our problem, we approach it as shown in Table 9.8. Note that the figures in brackets denote a negative cash flow, that is, an investment. The NPV is positive, which means that the project will earn more than 10 percent and, by this criterion, would be worthwhile.

Note that in this example we chose a cost of capital and thus a discount rate of 10 percent, but in practice this number should be selected to reflect the returns that the nonprofit requires or expects. This amount will almost certainly be decided in consultation with the board.

Consider a further example in which a proposal involves a capital outlay of $240,000 and the additional revenue generated each year would be $50,000 for six years. If the cost of capital this time is 12 percent, we would proceed to calculate the NPV as shown in Table 9.9. In this case, the NPV is negative and the project is therefore not worthwhile.

As an aside, where cash flows will be the same each year (in the language of DCF, an annuity), there is a shortcut method of calculation. Instead of multiplying the cash flow each year by the present value factor for that year and then adding up all the present values (as shown in Table 9.9), we can just multiply the annuity by the sum of the present value factors.

Thus we could have multiplied $50,000 by the sum of 0.893 + 0.797 + 0.712 + 0.636 + 0.567 + 0.507or $50,000 × 4.112, which equals $205,600. Subtracting the investment of $240,000 from this gives $34,400 as previously.

TABLE 9.7 FACTORS FOR THE PRESENT VALUE OF $1

Year	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.909	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.826	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.753	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.624	0.593	0.579
4	0.683	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.534	0.499	0.482
5	0.621	0.594	0.567	0.543	0.519	0.497	0.476	0.456	0.456	0.419	0.402

DCFs and Relevant Costs

The cash flows to consider in decision making are only those that are directly relevant to the decision under consideration. A relevant cost is a future cash flow arising as a consequence of the decision. It therefore follows that any cost incurred in the past or any committed cost that will be incurred regardless of whether or not an investment is undertaken is not a relevant cash flow because it has occurred or will occur regardless of the investment decision made.

Example of Relevant Costs

Imagine that a nonprofit has already incurred market research expenses of $100,000. This research has resulted in proposals for two new fundraising projects that will need initial investments of $50,000 and $70,000, respectively. The incremental revenues that these projects will generate are $15,000 for each year for five years under project A and $20,000 each year for five years under project B.

Which project will be undertaken if the cost of capital is 10 percent?

TABLE 9.8 NPV ILLUSTRATION

Year	Cash Flow ($)	Present Value Factor at 10%	Present Value
0	($180,000)	1.0	($180,000)
1	$100,000	0.909	$ 90,900
2	$ 80,000	0.826	$ 66,080
3	$ 60,000	0.751	$ 45,060
		NPV	+$ 22,040

TABLE 9.9 FURTHER NPV ILLUSTRATION

Year	Cash Flow ($)	Present Value Factor at 12%	Present Value
0	($240,000)	1.000	($240,000)
1	$ 50,000	0.893	$ 44,650
2	$ 50,000	0.797	$ 39,850
3	$ 50,000	0.712	$ 35,600
4	$ 50,000	0.636	$ 31,800
5	$ 50,000	0.567	$ 28,350
6	$ 50,000	0.507	$ 25,350
		NPV	($ 34,400)

It is important to recognize from the outset that the research expenditure has already happened and does not affect the decision about which project to undertake. Hence we use only the relevant costs and cash inflows, as shown in Table 9.10. In this scenario, both projects have positive NPVs so, if we had the necessary funds, both would be worthwhile. If we had only enough cash to choose one of them, which one would it be?

Profitability Index

One method of ranking the projects is to use the profitability index. This is calculated as follows:

$$\text{Profitability Index} = \frac{\textit{Persent value of future cash flows}}{\textit{Total inveestments}}$$

In our example, the present value of the future cash flows are as follows:
Project A: \$56,865
Project B: \$75,820
The profitability index is, therefore,

$$\text{Project A} = \frac{\$56{,}865}{\$50{,}000} = 1.137$$

$$\text{Project B} = \frac{\$75{,}820}{\$70{,}000} = 1.083$$

Project A should therefore be chosen because it is the most efficient use of funds.

TABLE 9.10 PROJECT DECISION ILLUSTRATION

	Project A	Project B
Cash investment year 0 (\$)	(50,000)	(70,000)
Cash inflows years 1–5 (\$)	15,000	20,000
Discount factor (\$)	3.791	3.791
Present value of cash inflows (\$)	56,865	75,820
NPV (\$)	+6,865	+5,820

Another Example

Six projects are proposed, each of which requires a different investment and produces a different cash flow, as shown in Table 9.11. The cost of capital is 10 percent.

If we had unlimited funds we would want to do every project, because they all show a positive NPV. We would then get a good return for the board. But cash may be limited. If we had only $100,000 to spend, we could spend it all on project C and get an NPV of $42,260. However, we could also invest in a mix of the other projects, as shown in Table 9.12. We would now have managed to invest the same $100,000 and improved the present value to $53,440. What this indicates is that we should look at all our options and not simply select the one with the highest NPV.

This example also employed another convention that is used extensively. All initial cash investments are detailed as figures in brackets, indicating an outflow of funds. In Table 9.11, project D has an outflow

TABLE 9.11 PROFITABILITY INDEX ILLUSTRATION

	Project					
	A	**B**	**C**	**D**	**E**	**F**
Initial investment ($)	(15,000)	(15,000)	(100,000)	(15,000)	(40,000)	(30,000)
Future cash benefits ($)						
Year 1	-	-	15,000	(3,000)	15,000	-
Year 2	5,000	-	25,000	2,000	5,000	-
Year 3	5,000	-	30,000	4,000	10,000	-
Year 4	5,000	5,000	30,000	5,000	10,000	-
Year 5	2,000	10,000	30,000	5,000	10,000	25,000
Year 6	1,000	10,000	30,000	5,000	15,000	25,000
Year 7	-	10,000	30,000	5,000	15,000	25,000
Year 8	10,000	-	30,000	5,000	15,000	25,000
Present value of future cash flows ($000)	17.43	20.40	142.36	16.16	61.48	54.13
NPV ($000)	2.43	5.40	42.26	1.16	21.48	24.13
Profitability index***	1.16	1.36	1.42	1.08	1.54	1.80

TABLE 9.12 OPTIMIZING THE INVESTMENT DECISION

Project	Profitability Index	Initial Investment($000)	NPV ($000)
F	1.80	30	24.13
E	1.54	40	21.48
B	1.36	15	5.40
A	1.16	15	2.43
		100	53.44

of funds in its first year and this is also shown in brackets, to indicate that a further net outflow of funds will be required in that year. The project may well be generating some revenue, but it is insufficient as yet to cover the additional investment.

Real Rate and the Money (Nominal) Rate of Return

So far we have not considered the effect of inflation on the appraisal of an investment proposal. As the inflation rate increases, so too will the minimum return required by an investor. For example, you might be happy with a return of 5 percent in an inflation-free world, but if inflation were running at 15 percent, you would expect a considerably higher yield.

Example: Real Rate of Return

A nonprofit wishes to invest in a donor recruitment project at a cost of \$50,000 that will generate donations of \$20,000 per year for five years and for which the ongoing costs of communication and stewardship will be \$5,000 per year.

1. Assuming that inflation is running at 6 percent and the nonprofit's real cost of money is 10 percent, should the project be accepted?
2. If the value of donations from these individuals were to rise by 2 percent per year and the costs of stewardship by 7 percent, and if the nonprofit's cost of capital were 16 percent, should the investment be made?

Solution 1 In the first scenario, we are given the real cost of capital and told of a general rate of inflation. We must therefore inflate the value of donations and costs by 6 percent per year (remember, this is cumulative) before discounting. To get to the approximate money cost of capital, we will add the general inflation rate to the real cost of capital, giving the project a money rate of 16 percent (10 + 6).

The calculation is shown in Table 9.13. The NPV is positive and the project should go ahead.

Solution 2 Here the various elements are inflated at different rates and we are given the cost of capital. We proceed as shown in Table 9.14. The NPV is negative and the project is no longer worth doing.

Accounting for Risk

In making the case for an investment in fundraising, obvious areas of risk should be addressed. Risk arises for the following reasons:

- Forecasts of income may prove to be overly optimistic.
- Unforeseen expenses may arise and expenses could be more than expected.
- The timing of both income and costs may change.

In making the case for investment to a senior manager or member of the board, a fundraiser needs to account for the degree of risk in the proposal. There are a variety of ways to do this:

1. An adjustment can be made to the discount rate to charge a premium on the cost of capital. Instead of applying a discount rate of, say,

TABLE 9.13 EXAMPLE OF REAL RATE OF RETURN

Year	Capital Cost + Donations Minus Costs ($)	Inflated 6% ($)	Discount Factor	NPV ($)
0	(50,000)	(50,000)	1	(50,000)
1	15,000	15,900	0.862	13,707
2	15,000	16,854	0.743	12,522
3	15,000	17,865	0.641	11,451
4	15,000	18,937	0.552	10,453
5	15,000	20,073	0.476	9,554
			NPV	7,687

TABLE 9.14 FURTHER ILLUSTRATION OF REAL RATE OF RETURN

Year	Initial Outlay 1 Costs	Inflated 7%	Donations Inflated 2%	Net Cash Flows	NPV
0	(50,000)	(50,000)		(50,000)	
1	(5,000)	(5,350)	20,400	15,050	12,974
2	(5,000)	(5,725)	20,808	15,083	11,207
3	(5,000)	(6,125)	21,224	15,099	9,678
4	(5,000)	(6,554)	21,649	15,095	8,332
5	(5,000)	(7,013)	22,082	15,069	7,173
				NPV	–636

10 percent, a more conservative approach could be taken with projects felt to involve a high degree of risk. A discount rate of 15 or even 20 percent might be more appropriate in some cases.

2. Another approach might be to demand that projects pay back within a certain amount of time. A limit of four years might be set, for example.
3. A sensitivity analysis could be conducted in which separate calculations are performed with costs 5 percent higher and 10 percent higher and with revenues at various levels lower than expected. By so doing, the organization can get a feel for how sensitive the project might be to fluctuations in these areas. If the NPV is negative when costs are increased by a small margin or when benefits are reduced a little, the project is rejected on the grounds that it is too sensitive to variations in one or more key expenses or revenue items.
4. It is also possible to calculate probability estimates for each of the cash flows. This is a technique beyond the scope of this text, but in essence managers assign a probability to the likelihood that each cash flow will be as expected. The probability associated with the expected outcome can thereafter be calculated.

Making the Case for Investment

Fundraisers making the case for organizational investment in a fundraising project or area of fundraising operations frequently need to make that case to senior management or the board or both. The case will typically comprise the following sections:

1. *Background*. A short introduction to the proposal should be provided, including information about the rationale for the investment.
2. *Proposal*. A brief summary of the proposal should be provided, highlighting key benefits and the level of investment required. Included here may be the forecast ROI, with a comparison to the nonprofit's policy on this issue. An assessment of the likely cash required and the forecast payback period will certainly be required. If the proposal is long term, it may also be appropriate to provide DCF projections (reflecting the organization's cost of capital) and to consider comparing the current proposal to other options considered. An explanation for the choice of the current proposal should be provided.
3. *Implementation plan*. The case should show the various stages of the proposal, demonstrating how the achievement of key milestones will be monitored and controlled as the proposal is implemented.
4. *Risk analysis*. As we noted earlier, the fundraiser should examine in depth the key risks affecting the proposal and the possible financial consequences of these risks. The risks can be linked to milestones in the implementation plan so that it is clear what action would be taken if an adverse risk materialized.

As Sayer (2003) notes, the case statement does not have to be a large document. It should, however, be proportionate to the level of investment demanded, the degree of risk, and the time frame in which the investment would pay back.

Summary

In this wide-ranging chapter, we examined how an organization's fundraising performance might be assessed. We discussed the use of key ratios such as the FACE ratio and the cost of raising a dollar. Although many sector watchdogs apply benchmarks to these figures, the use of such aggregate performance ratios is fundamentally flawed. We illustrated a range of reasons that make it impossible either to assess an organization's individual performance or to compare organizations on this basis.

We examined a more meaningful approach to assessing the performance of ten distinct categories of fundraising activity, following Greenfield (1996) and Levis (1993). It is possible to construct a series of minimum ROIs for each activity and then to assess actual performance against these figures. We noted how an organization could derive these minimums from research, from their own experience, or through a formal benchmarking process using data from peers. We also suggested how such a benchmarking process could be conducted.

In this chapter we focused only on money, that is, on financial measures of performance. Although these measures are important, they are not, at least directly, measures of how good or bad an organization's relationships with its donors might be. Measuring how donors feel about the organization and its performance is equally important, because this information will affect retention. Such measures are introduced in Chapter Twelve.

We concluded the chapter by looking at how potential investments in fundraising might be assessed using the ROI or ARR method. We also examined the use of the payback period, which we defined as the time it takes for the initial investment to be recovered in the cash inflows from the project. The payback method is particularly relevant if there are liquidity problems or if distant forecasts are uncertain.

We also considered the use of DCF techniques, illustrating how these take into account the time-value of money. The NPV method calculates the present value of all cash flows and sums them to give the NPV. If this is positive then the project is acceptable.

Discussion Questions

1. What is a FACE ratio? How is it calculated? Why is it not a meaningful measure to compare the performance of two or more nonprofits?
2. On the basis of your reading, how do you regard the benchmarks set by bodies such as the Better Business Bureau? What advantages and disadvantages might there be for the sector in establishing such a benchmark?
3. Which organization would you rather give to: an organization spending 15 cents to raise a dollar or an organization spending 31 cents to raise a dollar? What additional information might you want to seek before making your decision?

4. How does Greenfield (1996) recommend that performance be assessed? Critically appraise his nine-point performance index.
5. Prepare a presentation to the chair of your board suggesting an appropriate approach that may be used to successfully benchmark the fundraising performance of your organization against others in your sector.

PART THREE

Fundraising Methods

CHAPTER TEN

DIRECT RESPONSE FUNDRAISING

By the end of this chapter you should be able to:

1. Define direct response fundraising.
2. Outline the key stages in donor recruitment planning.
3. Develop donor acquisition objectives.
4. Segment donor markets.
5. Profile and target appropriate prospects.
6. Implement a donor acquisition campaign.
7. Analyze and interpret the results.

One of the pioneers of mass marketing, William Hesketh Lever, famously remarked that he knew that half the money he spent on advertising was wasted, but he did not know which half. Even when he was making this comment, one group of marketers had a pretty good idea how their advertising was working. For some time, early direct-response marketers had been testing consumer responses to various media and had been using this information to tailor both their media selection and the creative approach they employed. Direct-response activity has the advantage of being infinitely measurable. Whereas mass marketers can only make educated guesses about the impact of a traditional advertising campaign, the customer response to most forms of direct marketing can be measured to one, two, or even three decimal places. Opportunities for testing abound and direct-response marketers rolling out an expensive campaign are now in a position to predict with a high degree of accuracy the response that will ultimately be achieved.

So, what do we mean by direct response? The Direct Marketing Association (DMA) defines it as "an interactive process of addressable communication that uses one or more advertising media to effect, at any location, a measurable sale, lead, retail purchase, or charitable donation, with this activity analyzed on a database for the development of ongoing mutually beneficial relationships between marketers and customer, prospects, or donors" (DMA, 2009a, p. 2). Direct response is characterized by four primary elements (DMA, 2009b):

- An offer
- Sufficient information for the consumer to make a decision about whether to act
- An explicit "call to action"
- A means of response (typically multiple options such as a toll-free number, Web page, and e-mail)

The term thus embraces direct mail, direct-response press advertising, direct response television advertising, telephone fundraising (or telefundraising), and most forms of digital fundraising, including the use of e-mail and text messaging. It will be impossible to do justice to all these forms of communication in one chapter, so we instead focus here on what many professionals refer to as the traditional *direct marketing* media and save a discussion of fundraising through electronic channels for the next chapter.

There are two distinctive forms of direct response communication—one intended to attract new members, donors, or subscribers, and the other to solicit these individuals again for further support or, in the case of sustained givers, to keep them in touch with the work of the organization. These two types of communication are very different from each other. As one of the sector's leading authorities on direct response, Mal Warwick (2004, p. 16), notes, "it's the difference between [soliciting] the love of friends and the casual kindness of strangers." In this book we refer to these two forms of communication as *donor acquisition* and *donor development* communications. The terms *donor resolicitation* and *donor renewal* are also commonly used for the latter activity, but we prefer the word *development* because it implies the existence of a relationship rather than a series of exchanges.

In this chapter we focus on donor acquisition and save the issue of development and retention for Chapter Twelve. We begin, however, by providing a general introduction to the medium of direct response. Although we refer to donors throughout this chapter, the techniques we introduce here can also be used to good effect in recruiting new members, campaigners, or indeed any other category of nonprofit supporter.

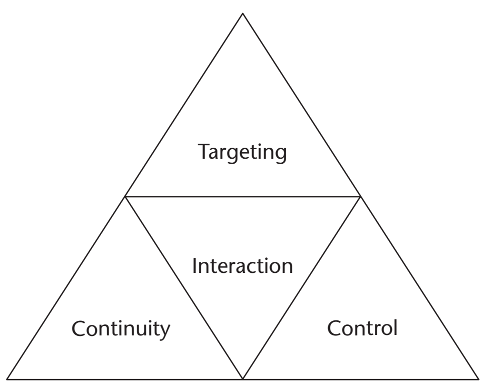
Cornerstones of Direct Response

Holder (1998) argues that direct marketing comprises four components: continuity, interaction, targeting, and control (see Figure 10.1).

Continuity contrasts with the approach of "mass marketing," in which contact with a donor is standardized and regarded merely as a series of one-time exchanges. All customers are treated alike, and very simple, "give now" messages are employed to stress the urgency of a situation and thus the necessity of giving or renewing. The emphasis lies in maximizing the immediate return on investment (ROI), and budgets and communication strategies are developed accordingly.

In direct response, the goal is to use customer information to develop an ongoing relationship with each individual in the database. Direct response fundraisers recognize that it is not essential for the organization to make a profit on each communication with a donor, provided that over the full duration of the relationship a respectable ROI can be generated. Thus the costs of recruitment become less of an issue for direct response fundraisers as they recognize the future potential (or lifetime value) that

FIGURE 10.1. CORNERSTONES OF DIRECT RESPONSE



will accrue from each donor. Indeed, the concept of donor lifetime value lies at the core of successful direct response activity and drives both what the organization is prepared to spend on recruiting each new donor (the allowable cost per donor) and what it is prepared to spend on developing a relationship with those donors over time.

The *interaction* component of direct marketing emphasizes the fact that direct channels afford fundraisers numerous opportunities to engage the customer—creative opportunities that are far superior to those that would be available through traditional channels. A mailing for a visual impairment charity, for example, contained an appeal to raise funds for cataract operations, including a photograph of a victim and a response mechanism (and reply envelope), but also a small piece of frosted Perspex (hard plastic) that the recipient could hold up to his or her eye, look through, and get a sense of what it is to see the world through cataracts. This is a wonderfully powerful and creative example of direct mail at its best!

The concept of *targeting* stresses that direct response activity is characterized by a unique ability to use lifestyle lists to target donors or potential donors with increasingly relevant communications. Once donors have been recruited, information about their behavior can be used to develop ever more refined communication in the future. Donors who want to give only once a year can be solicited only once per year, and donors who are interested in just one aspect of the organization's work can be addressed only with communications that focus on that interest.

The *control* component of direct marketing draws attention to the ability of direct response fundraising to pretest almost every dimension of a direct communication. In the case of the visual impairment mailing described earlier, for example, the nonprofit could conceivably have tested the impact of the following:

- Including or not including the hard plastic Perspex
- Including or not including the photograph
- The presence of a message on the envelope
- The choice of colors to appear in the cover letter
- The impact of asking the donor for a specific sum (for example, $20 buys an operation to restore her sight)

In practice, perhaps three or four versions of a mailing might be developed and mailed to a small sample of the database. The pattern of response can then be assessed and the most effective version of the mailing can be rolled out to the remainder of the donor or prospect base. Not only does this test allow an organization to select the most appropriate mailing, but it also allows the organization to predict with a high degree of accuracy the performance of the overall campaign.

It is these four elements that combine to make direct response a unique discipline within marketing and fundraising.

Acquisition Planning

There are seven key stages in acquisition planning:

1. *Objectives.* Specifying the recruitment objectives to be achieved.
2. *Segmentation and profiling.* Deciding which segments of individuals to address, and researching and analyzing the existing donor base to develop a broad profile to be used as a starting point in targeting "cold" recruitment efforts.
3. *Targeting.* Using the information from the detailed donor profile that has been developed to tailor the communication and the channel through which it will be conveyed.
4. *Media selection and planning.* Selecting media to reach the intended audience cost-effectively. Integration of the various media to be employed should also be considered at this stage.
5. *The fundraising message.* Determining how best to communicate the fundraising "ask" so that it is in line with the brand and mission of the organization. At this stage, the parameters for the creative work and messages should be defined.
6. *Fulfillment.* Deciding how the response to the campaign will be handled and followed up on, and how the information will be stored in the fundraising database.
7. *Budgeting, control, and evaluation.* Testing, response analysis, and tracking.

Objectives

The first step in developing a donor acquisition program or campaign is to decide on the recruitment objectives the organization wishes to achieve. As with all fundraising activity, the objectives need to be SMART (that is, specific, measurable, achievable, relevant, and timescaled; see Chapter Seven).

Recruitment objectives are usually written in terms of the number of donors that will be recruited, the forms of giving that will be solicited (that is, a one-time or sustained gift), and critically, at what cost. Cost is typically expressed in terms of the allowable cost per acquisition. By setting this limit, the organization ensures that it does not spend more on recruiting an individual than the person will be worth to the organization over time.

Allowable cost objectives can be set for both donor recruitment and donor development. For example:

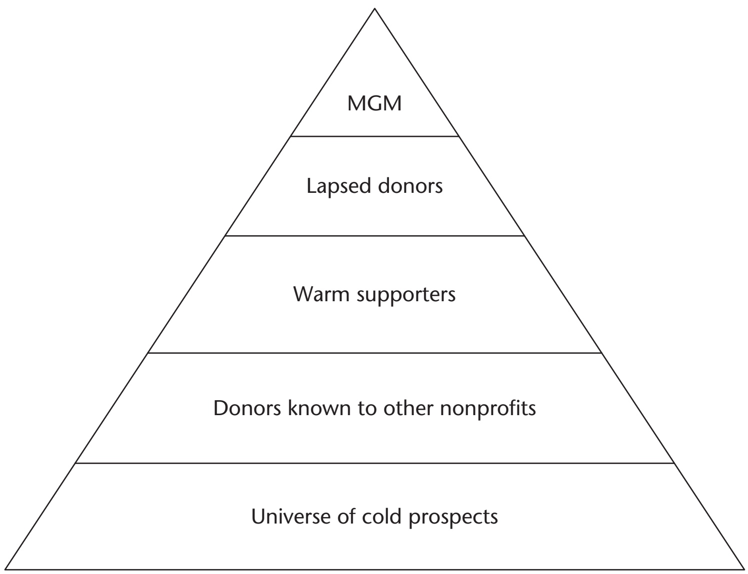
> To recruit five thousand new donors by the end of the year, at an allowable cost of $30 per donor.
>
> To retain 90 percent of our existing donors by the year's end, at an allowable cost of $10 per donor.

These objectives provide clear guidance to strategy. If the acquisition strategy costs more than $30 per donor and the retention more than $10, then the fundraising is too expensive and corrective action must be taken.

Segmentation

In seeking to fill a recruitment objective, it is always best to start with the cheapest source of new donors and work down through the progressively more expensive sources until the recruitment target is met. This idea is illustrated graphically in Figure 10.2

FIGURE 10.2. SOURCES OF NEW DONORS



For most nonprofits, the cheapest and best source of new donors is the existing supporter base. So-called member-get-member (MGM) schemes work well in generating a list of good-quality prospects. Here the organization asks its donors to recommend a friend to the organization, perhaps by mailing in the friend's contact details, but usually by having the donor share their e-mail address online. This approach works well because donors typically know what their friends are interested in, so the subsequent response rates from solicitations are high, particular when the organization mentions the donor who passed on the contact details. However, although these are high-quality prospects, few organizations are able to generate a large number of names in this way.

The next best source of "new" donors will always be donors who have given in the past but whose support has now lapsed. Most established nonprofits have a file of lapsed donors. Sustainer donors who have lapsed are obviously people who have cancelled their regular payment. Annual fund donors, who send a check each year, are typically labeled lapsed if they haven't given in the previous eighteen to twenty-four months. This designation varies depending on the policy of the nonprofit. Attempts can be made to reactivate lapsed supporters, and this typically works best by using messages similar to those that recruited them in the first place. Such information is often stored on the database, because organizations normally record the source of the donors they recruit and can track them back to a specific campaign.

The next cheapest source of new donors is individuals who already have a connection with the organization but have not yet made a donation. These might be people who have signed up to campaign on behalf of the organization, volunteers, or even (if appropriate) service users. Sometimes lists of prospects can also be generated through a Web site where individuals have signed up for newsletters and other organizational communications. The rationale for targeting these groups is that they are already warm to the cause, having already expressed an interest in some aspect of the organization's work.

Once an organization has exhausted all the internal routes to identifying new donors, it is then usual to explore the universe of known charity donors and, specifically, to consider carrying out list swaps with other nonprofits that are tackling similar or related issues. List exchange is a common practice within the sector, although this may not be an option for a new nonprofit because exchanges are exactly that—a name-by-name exchange. Organizations without a sizeable supporter base are unlikely to be able to participate.

Finally, if the recruitment target cannot be met by any of the previous means, the organization will have to resort to genuinely *cold* recruitment. It will have to use its knowledge of its existing supporter base to paint a picture of the individuals most likely to respond favorably to an appeal. In other words, it will have to specify the target segment or segments of individuals that the campaign might address.

Profiling

Those organizations that already hold a database of donors have a distinct advantage when it comes to choosing the segments to be targeted. Such organizations can *profile* their existing database to identify exactly who is currently supporting the organization and how. The information stored on a typical database is illustrated in Figure 10.3. This information can be used to develop profiles of groups of donors who seem to be giving higher sums, giving in certain ways, responding to different media, or responding to certain types of messages.

Nonprofits can also supplement the data already stored in the database by buying data from external sources. A number of organizations specialize in the provision of such data and hold vast databases of information on large numbers of American consumers. If there are sufficient matches of individuals contained in the suppliers database and that between a supplier's database and that of the nonprofit, it is possible to look at the characteristics of the matches and use them to draw inferences about the characteristics of the individuals in the database as a whole or, in this case, in a specific segment of it (that is, direct mail donors).

At its best, profiling can serve to bring audiences to life by painting pictures of their main differentiating characteristics, thereby suggesting appropriate fundraising media and the messages that donors are likely to find appealing.

In some instances, this simple replication of the current donor profile may not be desirable, in which case the same techniques can be used instead to define a picture of alternative target audiences. If one of the objectives of a recruitment campaign is, for example, to recruit younger sustained givers to supplement a database comprising older cash donors, a supplemental profile of the new target audience will have to be generated. Equally, high-value donors or those who have pledged a bequest may be profiled as a separate group to test whether it is feasible to conduct a recruitment campaign to enlist more high-value givers, perhaps through the promotion of a high-value fundraising product such as a child sponsorship package.

FIGURE 10.3. CONTENTS OF TYPICAL DATABASE RECORD

URN: Unique Reference Number
Name
Address
E-mail address
Telephone number
Recruitment source: Code identifying the specific communication medium employed
Communications history: Record of communications received
Communications preferences: Where some degree of choice is offered
Giving history: Record of response to fundraising solicitations
Date of first gift
Date of last gift
Number of donations received
Category of giving: Cash, sustained, high value, major gift
Other categories of support: Such as volunteer, board member, campaigner
Suppression: Code (or codes) identifying whether the individual has indicated he or she does not want communication or certain forms of communication (such as telephone)
Geodemographic overlay: Coding based on zip code category (such as a PRIZM code)
Value coding: Such as RFM, RFV, or LTV (see Chapter Twelve for details)

Targeting

Targeting, as the name suggests, is the term that direct response fundraisers use for making decisions about which potential donors will be targeted and how. Having developed a detailed prospect profile, fundraisers can use the information to tailor their communication and to make decisions about the channel or channels through which it would be most cost-effectively conveyed. A picture of the individuals that a nonprofit is attempting to reach, even in outline or aggregate form, is an enormous advantage in deciding where such individuals are most likely to be found, and to what media and approach they are most likely to respond. Targeting is the single most important consideration in cold recruitment campaigns. No matter how strong the creative treatment is, if it does not reach the right people the campaign will fail. It is generally accepted in nonprofit direct response fundraising, as in commercial direct response marketing, that the list is six times more important than the creative approaching the success of any campaign.

Media Selection and Planning

Even if the profiling process has been undertaken for the first time, or if profiles have been revised or refreshed, this process will involve the review of past experience and results. Nonprofits that undertake recruitment campaigns over extended periods amass volumes of data on the response rates and profitability of certain recruitment routes, on responses to a range of creative approaches and messages, and on the subsequent behavior and lifetime value of the donors recruited. All of this history should be included in the planning process, though it is also important to rethink and review recruitment approaches regularly and to remain aware of new opportunities. In the nonprofit sector, peer networks can also be used to gather generic information on the likely performance of new routes and media, and to compare notes on the pitfalls associated with new recruitment ventures. In the commercial world, such information sharing would be highly unusual as for-profits typically consider such information commercially sensitive, impossible under the terms of commercial confidentiality. Specialist agencies and consultants can also provide valuable insights into the likely performance of certain media and creative routes.

Following are some of the most commonly used recruitment media.

Direct Mail

Cold mail remains the most common form of donor recruitment, even though it has become far less cost-effective in recent years. Charities that use cold lists to recruit new donors typically generate only fifty cents for every dollar of investment. Nonprofits continue to use the medium because its costs are similar to those in other media and because obviously many donors who are recruited in this way go on to give multiple donations. Incurring a loss on the first gift is therefore not a problem providing that a healthy return is generated over the full duration of the relationship. For direct mail, breakeven is usually attained anywhere between nine and eighteen months into a relationship.

List Purchase

Thousands of mailing lists can be provided to facilitate donor recruitment, so navigating the range of alternatives can be problematic if an organization has no experience on which to draw. List-buying is an area in which the services of a specialist advisor (a list broker) are therefore essential. If you provide a list broker with the profile of a target audience, he or she will supply recommendations and advice on the lists that best meet these requirements. Lists can be rented for once-only use or for repeated use, or they can be purchased outright. Of these approaches, only the first is widely used. Repeated use of a list is usually discouraged, and purchasing a list outright would be prohibitively expensive.

List brokers make their money by earning a commission on the rental price paid by the client. They can offer advice, clear the client's mailing with the list's owner, and agree on a mailing date with them too. Typically, organizations will pay $80 to $150 per thousand names and addresses for a single use, and it is worth noting that the list supplied will be seeded with dummy addresses to ensure that the list is indeed used only in accordance with the contract. One of the reasons for the continuing popularity of list swaps is that they avoid these costs. Buying cold lists can be very expensive.

An example of a list data card is provided in Figure 10.4. It contains a wealth of information:

1. Quantity of names available.
2. Cost per thousand names. Additional costs are typically charged for special selections such as gender, specific zip codes, or behaviors.
3. Date the data card was produced, which indicates how recent the information is.
4. Source of list, which tells how the list was compiled. One hundred percent direct mail is the best source because by definition everyone on the list will be mail responsive.
5. Average gift.
6. Minimum order, which is typically five thousand, although some providers require ten thousand.
7. Selection, that is, the special selects that are possible and the costs per thousand in each case.
8. Key coding, which may be done by your merge-and-purge house. Otherwise, this is the charge per thousand to imprint a key on the label. A key is a special code created by the nonprofit to enable the package to be traced back to a particular mailing and list. The data card often makes it clear how many digits are allowed in the key.
9. Address format, meaning the various formats in which the list can be delivered and any special charges that might apply.

The performance of cold lists can be highly variable—so much so that most professionals usually recommend rigorous testing of the

FIGURE 10.4. HERITAGE FOUNDATION DONORS

Conrad
D·I·R·E·C·T

The Heritage Foundation
LEADERSHIP FOR AMERICA

Heritage Foundation Donors

Segments		Price
298,899	0–24 Mo. $5–$99.99 Donors	$135 /M
281,196	0–24 Mo. $10–$99.99 Donors	+ $5 /M
177,579	0–12 Mo. $5–$99.99 Donors	+ $10 /M
26,822	0–24 Mo. $5–$99.99 Jewish Donors	+ $10 /M
	Non-Competitive Rate	$90 /M
71,486	25–36 Mo. Lapsed Donors	$80 /M

Description

Individuals who have contributed $5.00–$99.99 to the Heritage Foundation, America's most influential think tank. Donors have responded to mailings on tax reduction, term limitation, health care policy, government waste, and other public and political concerns.

Donors are predominantly age 72+, male, affluent, and well-educated.

Located in Washington Dc, Heritage also publishes position papers on myriad public issues.

RECOMMENDED USAGE
Fundraisers (charitable as well as ideological), senior citizen offers, opinion magazines, books, investment, opportunity, and self-improvement.

Universe
298,899

List type
Consumer

Source
100% Direct Mail Sold

List maintenance

Counts through	03/31/2009

Selects

$10–$99.99	$5.00 /M
$25–$99.99	$20.00 /M
0–3 Mo.	$20.00 /M
0–6 Mo.	$15.00 /M
GENDER/SEX	$5.00 /M
Keying	$2.00 /M
SCF	$5.00 /M
STATE	$5.00 /M
ZIP	$5.00 /M

Unit of sale information

Average:	**$26**

Gender profile

Male:	**60%**
Female:	**35%**

Addressing

EMAIL	$ 35.00 /F
3480 18 Cart	$ 25.00 /F

Source: The Heritage Foundation. Reprinted with permission.

response from a series of lists before selecting those that will be used in high volume. For example, if, on the basis of their description, fifteen lists look as though they might be feasible for donor acquisition, the number can be narrowed down to, say, four or five that perform most strongly. Following are some key checks to make when purchasing lists:

1. *What criteria can be used in selection and what are the cost and timing implications of selecting by multiple criteria?* Many list owners, for example, offer the opportunity to select specific categories of individuals. In the heritage example, it is possible to select by gender, state, and gift range. Typically each overlay incurs an extra charge per thousand names selected. More complex selections may also take longer to process and output. Before running selections based on multiple criteria, the fundraiser needs to be confident that the uplift in response rates or donation levels is likely to justify the additional cost.

2. *What is the rollout potential of each list, or of each selection, and when and how is the list refreshed?* Any list should be tested initially. If the list performance is acceptable, the list can then be rolled out in a subsequent campaign. Lists that can deliver large quantities of names are preferable to those that will be quickly exhausted as sources of new recruits. The tendency in the selection of the test quantity is to target with great care. If the selection is successful, it is then essential that the same selection be used in pulling out a higher quantity of names for the rollout. Recency is often key to list performance, so it is also important to be aware of when and how lists are refreshed and added to.

3. *What is the history of nonprofit use of the list?* List suppliers can give an idea of the response rates experienced by previous nonprofit clients and provide data on how often the list has been employed by those clients. This information is key because lists become "tired" very quickly, and assessing whether competitors have already used the list can be very helpful.

Conducting a Test Mailing

Test mailings can be used to test lists or different variants of the appeal. The goal in acquisition is to find a pack that works well and then to conduct regular testing to try and beat its success. The best performing pack becomes the *control pack* and continues to be used until a better variant can be found. As a general rule of thumb it would be unusual to conduct a test involving fewer than two thousand mailings or more than one hundred thousand. How to calculate the size of the test mailing is beyond the scope of this text, but it will vary depending on the number of pack variants or lists to be tested and on the accuracy desired for the results. The goal in the tests is not only to pick the right approach and lists, but also to forecast the ultimate response rate and the ROI that will be achieved when the full mailing is rolled out. Deciding on an appropriate degree of accuracy for the test is therefore important.

A typical budget for a fifty-thousand-piece test mailing is provided in Figure 10.5. Most of the elements are straightforward to interpret, but the figure introduces one further term that we need to define. It is unlikely

FIGURE 10.5. BUDGET FOR A TYPICAL FIFTY-THOUSAND-PIECE INITIAL TEST MAILING

Acquisition Test Mailing
Prepared by Mal Warwick & Associates, Inc. for
GOODWORKS
Acquisition Mailing #66–01
Letters to mail, budget: 50,000
Letters mailed, actual: 50,000

FINAL BUDGET

	Budgeted Cost per 1,000	Budgeted Cost	Percentage of Total
List rentals and exchanges	$100.00	$5,000.00	15.6
Merge-purge	17.00	850.00	2.7
Printing	138.00	6,900.00	21.6
Personalization and letter	30.00	1,500.00	4.7
Postage	150.00	7,500.00	23.4
Copywriting		6,500.00	20.3
Design and typesetting		1,250.00	3.9
Production management		1,000.00	3.1
Mailing fee	25.00	1,250.00	3.9
Shipping and miscellaneous		250.00	0.8
TOTAL COSTS		$32,000.00	100.0

Source: Warwick, M. (2004). *Revolution in the mailbox: Your guide to successful direct mail fundraising* (p. 61). San Francisco: Jossey Bass. Reprinted with permission of John Wiley & Sons, Inc.

that the list being used for a mailing of fifty thousand or fewer individuals will have a high number of duplicates names appearing on two or more of the lists being tested. Move much beyond this figure and the potential for irritating potential supporters with two or more identical solicitations begins to climb to a significant level. For this reason, on larger mailings a *merge-purge* is performed.

A merge-purge combines two sets of records (in this case, lists) and then purges the resultant merged list of duplicates. When the records are combined initially, the resultant list is termed a *gross list*. When the deduplication process has been completed, the list is known as a *net list*.

Merge-purge can be used to combine rented lists that will be used for acquisition, but it can also be used to remove any existing donors from the gross list before recruitment activity takes place. Imagine how a major donor might feel if she receives an introductory mailing from an organization she has supported for the past twenty years asking her to consider an "initial" donation of $20 per month. Merge-purge can prevent this from happening.

In addition to eliminating duplicates, merge-purge technology is also capable of detecting faulty addresses and misspellings that could potentially be offensive to the recipient (see Table 10.1).

TABLE 10.1 PROBLEMS WITH NAMES

Misspellings That Could Be Offensive			
Mr P Hart 4567 Atlantic Freeway Atlanta GA 56757		Mr Phart 4567 Atlantic Freeway Atlanta GA 56757	
Mr G Jones 127 Freemantle Avenue Shanksville PA 34256		Mr G Jones 127 Freemantle Avenue Shagsville PA 34256	
Hoax Entries That Software Can Identify and Eliminate			
Donald Duck	Cat Woman	Barrack Obama	Monty Python
Duplications That Need to Be Identified and Eliminated			
Mr W Smith 8147 Fox Hollow Road Bloomington IN 47408		Mr Bill Smith 8147 Fox Hollow Road Bloomington IN 47408	
Jane Cummings 45 Boot Hill Road Martinsville IN 47231	Jane Cummings 45 Boot Hill Road Martinsville IN 47231	Mrs J Cummings 45 Boot Hill Road Martinsville IN 47213	Jane Cummings 45 Boot Hill Road Martinsville, IN 47213

Once the nonprofit has developed a net list to which to send the communication, it must then decide how to send it. The United States Postal Service offers an array of options. The lowest bulk rate is offered for mailings that are presorted by zip code, but discounts are also available for first class mail if prepared in this way. One may also choose from among stamps, metered postage, and preprinted postal "*indicia*," which are postal markings printed directly on the promotional piece that state "Nonprofit Org" and the organization's permit number. Indicia are used for domestic postage only. They are good only for bulk mailing and cannot be used to mail a single piece at a time. Those new to direct mail may decide to run with the cheapest option, yet this isn't necessarily the best option. Higher response rates and ROIs are commonly reported by those using first-class postage.

A similar set of decisions must be made about how the donor will reply. If a reply envelope is to be used, the nonprofit must decide whether to provide a business reply envelope (BRE) or a stamp. Some nonprofits do not provide postage at all and have found through testing that this works best for them.

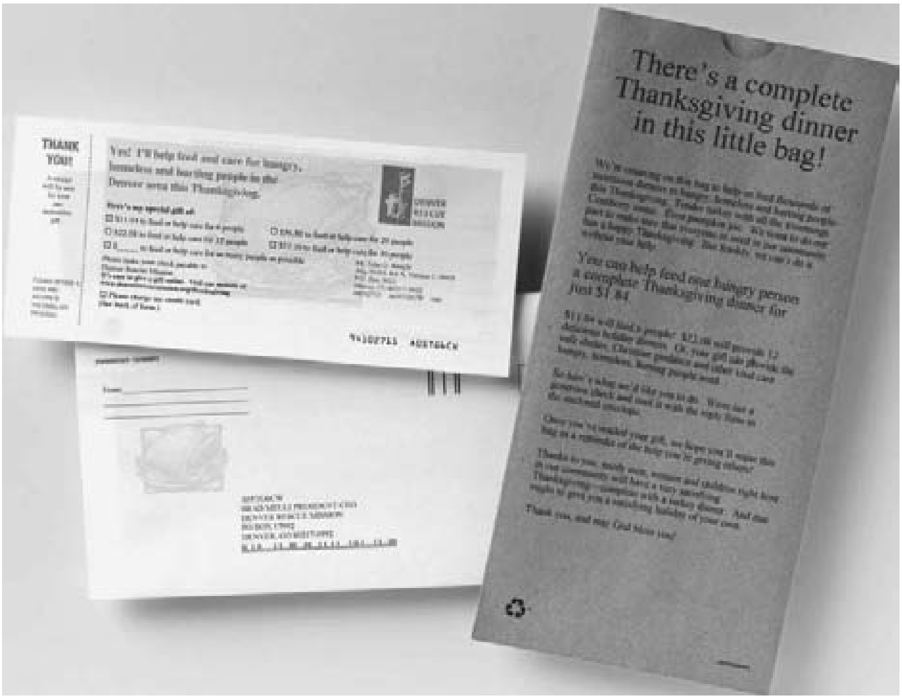
When the test mailing is dispatched, if bulk-rate postage is employed it will be about ten days before the organization begins to see a response, and perhaps a month before the preliminary effectiveness can be evaluated. If the goal is to select lists for use in a "continuation" mailing and a higher degree of accuracy is required, it may be necessary to wait for up to two to three months to ensure that all the returns are included in the assessment. Add to this the time taken to decide on appropriate targets for the mailing, to have the addresses deduplicated, and to liaise with an agency to have the mailing designed, produced, and mailed and it can take up to eight months from the formal commitment to conduct a test to when the results are actually analyzed (Warwick, 2004).

Pack Design

Cold direct mail has been used very creatively and to great effect by many thousands of nonprofits worldwide. Examples of successful recruitment mailings are provided in Figures 10.6 and 10.7.

The campaign pack shown in Figure 10.6 was developed by the Denver Rescue Mission. It was sent to prospective donors over a holiday period and included a brown paper lunch bag indicating that $1.84 would provide a full Thanksgiving meal or a night's shelter to a homeless person. The appeal generated $25,651 from 1,248 people.

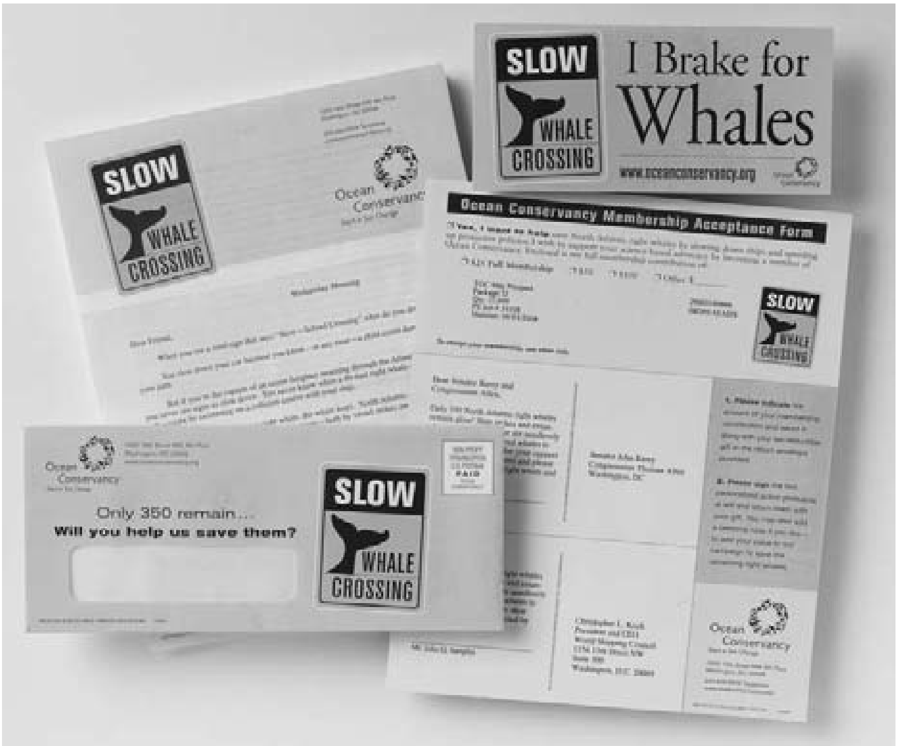
FIGURE 10.6. SAMPLE SUCCESSFUL RECRUITMENT MAILING, DENVER RESCUE MISSION



Source: Denver Rescue Mission. Reprinted with permission.

The pack about whales shown in Figure 10.7 was developed for the Ocean Conservancy. The envelope messages were designed to grab the attention of the recipient and encourage them to engage with the mailing. The pack contains a cover letter explaining the harm that ocean shipping can inflict on these majestic creatures, and two postcards that can be mailed to the U.S. Congress and to the World Shipping Council urging them to take action. There is also a reply device on which donors can indicate their gift of $50, $100, or other; a reply envelope; and a bumper sticker that donors can put on their car to signal their support to others. Direct response fundraisers refer to the latter as a *front-end premium.* Nonprofits use address labels, key chains, and stamps for this purpose. Some nonprofits also employ *back-end premiums,* by which a small gift is sent to donors in response to a donation. These gifts are usually high value and can aid in building loyalty if they resonate with the nonprofit's mission or character.

FIGURE 10.7. SAMPLE SUCCESSFUL RECRUITMENT MAILING, OCEAN CONSERVANCY



Source: Ocean Conservancy

The bumper sticker in the Ocean Conservancy pack could also be regarded as an *involvement device.* Many recipients will open a pack just to discover what their free gift might be, to hold it in their hands and engage with it. Other involvement devices that don't involve a premium include surveys and quizzes, and in the case of the Ocean Conservancy pack, the postcards that the donor can mail to take action.

In designing a pack it is important to remember that carriers such as the United States Postal Service usually have strict rules about the size of packs that can be mailed at a given rate. Packs must thus be designed to comply with relevant regulations. These regulations can be different not only from state to state but also from post office to post office.

List Swaps (Reciprocals)

The nonprofit sector is unusual in that organizations often exchange the names of supporters with one another for use in recruitment campaigns. These reciprocal lists of current givers are much more responsive than cold lists and are supplied free of charge by nonprofits themselves or at a nominal cost by agency intermediaries. They thus recruit new donors cost-efficiently.

However, a number of negative points are associated with this practice. Few nonprofits monitor the subsequent giving patterns of donors whose details are supplied to competitor nonprofits through list swaps. Research has shown that the response rate to development mailings can drop by 10 to 20 percent among donors whose names have been included in reciprocal deals (Sargeant, 2001). List swaps, though ostensibly an effective tool for recruitment managers, can in the long term prove to be damaging. One of the most common complaints among donors is that they tend to be "deluged" with nonprofit direct mail appeals once they have given to one nonprofit. A further consideration is that nonprofits tend to swap only their low-value donors, so those donors tend to be low value. From the swapper's perspective, many of these individuals care passionately about the organization but are cash poor. Many retired individuals fall into this category and many of them may have significant assets that they will ultimately dispose of through their will. Such individuals can thus be good bequest prospects and swapping them with other nonprofits could prove harmful to future income.

We are not suggesting here that list swaps are wrong, but merely that nonprofits should evaluate these issues, put a dollar value on them, and compare the lifetime value of supporters recruited from list swaps with those recruited from traditional cold mail. Looking at just the initial returns can be highly misleading.

Unaddressed Mail

In many countries, mail can be delivered unaddressed. These mailings are targeted by zip code and blanket all households in a given area. The response rates to unaddressed mail are considerably lower than those generated through personalized direct mail because the targeting is less sophisticated and the mailings are less personal. However, the costs of distribution are also much lower because there is no list cost and no deduplication, data processing, and personalization are involved. Unaddressed mail can reach individuals whose names do not appear on mailing lists and therefore may connect with a fresher audience.

Successful unaddressed mailings tend to be amended versions of a "winning" cold mail pack. Some restrictions apply in terms of the delivery of bulky items or unusual sizes, so the creative options for this media tend to be slightly restricted in comparison with cold mail. Because the mailing piece does not carry personal details, many nonprofits find that up to 20 percent of responses to unaddressed recruitment mailings are anonymous.

Press and Magazine Advertising

Press and magazine advertising have become very expensive and as a consequence few nonprofits are able to use it successfully for acquisition. That said, there are exceptions, most notably ads designed to recruit donors into a high-value or regular gift, such as child sponsorship. Emergency appeals can also work well in this format, particularly when the media is also covering details of the emergency that is the focus of the fundraising. Such advertising, when designed particularly well, can also work occasionally for other causes, as with the UNICEF ad depicted in Figure 10.8.

FIGURE 10.8. UNICEF AD

Source: Unicef UK.

This ad is a classic of the genre. Over the years, nonprofits have learned through successions of tests what works well and what doesn't. Headlines, coupons, and telephone numbers tend, therefore, to be of a certain size and prominence, with copy, images, and coupons arranged in such a way as to ensure readability and impact while keeping production costs low. Best practice suggests that nonprofits should provide the donor with both the problem and the solution within the copy of the ad. Departing from this formula is not advised.

As with all direct response recruitment, it is important to seed a key code in the response mechanism so that the effectiveness of particular ads in particular publications and on particular days can be monitored.

Free-Standing Inserts (FSIs)

Some organizations use inserts placed in newspapers and magazines to recruit new donors. These inserts may be flyers or pamphlets meant to evoke a direct response. It is critical that the insert, if it is to be effective, attract the eye as it falls out of the publication, so both sides should be attractive. The use of inserts can be successful, especially in specialist publications whose reader profile is a suitable match to the prospect profile. When used well, inserts typically achieve a response rate six times higher than would be generated by off-the-page advertising, but regrettably they are also substantially more costly because the nonprofit must produce the item and pay the costs of insertion. As with all direct marketing media, inserts should thus be tested to ascertain the ROI that will ultimately accrue.

When making arrangements for the production and placement of inserts it is important to ensure that no nonprofit competitors are placing inserts in the same publication on the same day, and to check the number of inserts that will be carried at any one time. As with cold lists, publications get "tired" quickly and may need to be "rested" before another insertion is placed. It is possible to test a small number of inserts on a random basis initially before rolling them out in the full run of any publication. Some publications also offer segmentation by geographical area or by subscriptions versus newsstand copies.

Direct Dialogue

Direct dialogue, or *face-to-face*, fundraising is a relatively recent phenomenon. It originated in Europe in the 1990s and has been very successful in persuading younger individuals to support nonprofits. On public streets in metropolitan areas or at private sites, fundraisers approach passersby and engage them in conversation. Potential donors are asked for regular monthly or annual contributions to be debited directly from either their bank account or their credit card. Recruiters are clearly identified as representing a nonprofit by wearing a brightly colored tabard featuring the nonprofit's logo (see Figure 10.9). Payment details can be recorded manually,

FIGURE 10.9. DIRECT DIALOGUE DONOR RECRUITMENT

Source: Public Fundraising Regulation Association. http://www.pfra.org.uk/. Reprinted with permission.

but some recruitment agencies are now employing card-reader technology, which allows donors simply to swipe the relevant payment card for their details to be stored.

Face-to-face recruits tend not to have given to any nonprofit before and to be much younger (80 percent are under thirty) than the "typical" charity donor. It is impossible to undertake a great deal of targeting by this method because sites are effective only if they have a high level of "foot traffic." In our view, organizations should approach individuals in their early thirties rather than younger people. Individuals in their twenties tend to lapse their support at a higher rate, undoubtedly because they have other financial priorities during this period of their lives (Sargeant and Jay, 2004). The only exceptions here appear to be campaigning organizations such as Greenpeace or Friends of the Earth, who naturally tend to do well at retaining younger donors.

The costs of direct dialogue recruitment are comparable to those of many other recruitment media. In Europe, where the technique has been used for some time, there has been some negative media coverage, with a number of commentators accusing the agencies that specialize in this medium of using inappropriately high-pressure selling techniques. As a consequence, the technique has now become known in the popular press as "chugging," or "charity mugging."

Much of this criticism is unfounded. It is actually not in the interests of agencies to pressure individuals to offer their support, because this can have a bad impact on the reputation of the agency and on their nonprofit client. It is also counterproductive, because individuals pressured into giving simply cancel the arrangement when they arrive home. Many agencies now offer their clients "clawback" guarantees, under which they will refund the client for any donors who lapse within a specified period, typically six months. This practice reduces the temptation for high-pressure selling, as does the payment of a wage (plus bonuses) to the recruiters rather than the payment of commissions.

Telephone Fundraising

Telephone fundraising, also known as telefundraising, is used for both donor acquisition and donor development. It can be conducted either by the nonprofit's own volunteers and staff or by a specialist agency working on the nonprofit's behalf. There are now strict rules governing all forms of telephone fundraising, but particularly when it is conducted by agencies. The DMA's code of conduct and the regulations laid down by both the Federal Communications Commission and the Federal Trade Commission must all be respected.

Although the details of these regulations are beyond the scope of this book, nonprofits must be careful to honor any requests they receive from individuals not to be called. These are known as *in-house suppression requests.* Callers must also promptly identify themselves and state that the purpose of the call is to raise funds. They must be careful not to misrepresent the purpose of the charity, its tax deductibility, the percentage being spent on programs, the material aspects of any prize promotion, or any affiliation with a government entity. In addition, telephone fundraising agencies can call only between the hours of 8 A.M. and 9 P.M. (or whatever is permitted at the state level) and must be careful not to block the transmission of their caller ID. There are also rules governing the use of automated dialing technology and there are procedures that must be followed when collecting payments. The DMA provides a helpful summary flowchart at http://www.dmaresponsibility.org/TSRNonprofits. Some states also require that firms file advance notice of scheduled solicitations. Thus, when a nonprofit seeks to work with an agency, it is essential to work with a reputable firm that is registered in all the states where the fundraising will occur.

The costs of using telemarketing agencies will be a function of whether phone numbers are provided or have to be researched using a computer matching service, how long the calls are scheduled to last, whether the agency or the client will design the script, and the location of the prospects. They will also vary according to the quality of the agency, with nonprofits generally receiving the quality of service for which they pay. Costs are typically on the order of $4 to $7 per contact. They can be even higher in some high-value campaigns.

Although the telephone can be used effectively in recruitment, especially when prospect lists are built of individuals known to be phone-responsive and where the use of the telephone is integrated with direct mail or other media, it can frequently prove too costly for many nonprofits.

When integrated with other components of a campaign, and particularly when offered as an inbound response mechanism (that is, when the donor calls the organization), the use of the telephone can be highly profitable and creative. People, for example, wishing to donate to the restoration fund for the Statue of Liberty in the early 1980s were invited to dial 1-800 THE LADY.

The economics of using the telephone for ongoing donor development are very different. Here, returns of two to one or even three to one are common, but when creating a budget it is important to recognize that not everyone in the database will give. If an organization has a file of fifty thousand active donors, it is probable that only about forty thousand of these would be worth calling to solicit an additional gift. Calls are expensive and not every donor will be worth this cost. For the donors that remain it will be necessary to identify whether telephone numbers are on file. If they are not, the telephone fundraising firm will have to run a computer match to identify them and, with increasing numbers of individuals opting for privacy, it is likely that only 50 percent or less will be matched.

Let's say that we have 20,000 individuals who could be called. When the agency calls many of them, they may be unavailable. Contact rates of about 60 percent are common, so only 12,000 conversations will be initiated. If cash donations are being solicited (that is, if donors are asked to renew by sending checks), the pledge rate is likely to be about 30 percent, resulting in about 3,600 pledges. Sadly, not everyone who pledges will actually send in a check, so the fulfillment rate—the percentage of individuals who pledge who actually send in a gift—is also an issue. If this rate runs at, say, 75 percent, 2,700 donations will be made. Assuming that the average gift is on the order of \$35, this rate will result in income of \$94,500—*eventually*. Assuming that the charge for the each call (and for follow-up) is \$4, the total cost would be 12,000 × 4 = \$48,000, and thus the ratio of revenue to costs would be about 1.97 to 1.

We deliberately stress the word *eventually*. When a pledge has been received it is common practice for the telephone agency to send out a pledge card to remind the donor to send in a check. Sometimes more than one such follow-up may prove necessary. This all takes time, and it can be about four months before the bulk of the money has been collected.

Direct Response Television

Direct response television (DRTV) is one of the most immediate of all fundraising media in that it can be thoroughly evaluated within twenty-four to forty-eight hours of an advertisement being aired. Ads may be either long form (thirty- to sixty-minute slots) or short form (thirty seconds to two minutes). Long-form ads have the advantage that they can paint a richer picture of the organization's activities and more fully develop the essence of its brand. It has been argued that long-form ads favor less-well-known organizations whereas short-form ads can be used by organizations that already have a high level of awareness in the target market. Aldrich (2004) believes that with the proper creative treatment and message, short-form DRTV can work well for all organizations.

The advantage of DRTV in the cable and satellite TV era is that the ads can be highly targeted. An ad for the American Society for the Prevention of Cruelty to Animals (ASPCA), for example, can be targeted at viewers of the Learning Channel or Animal Planet. The disadvantage is the cost, particularly for long-form ads. Production costs (that is, the costs of producing an ad) can range from \$100 to \$500,000. To this must be added the costs of buying the time slots, which can multiply the cost substantially depending on the channels used, the times of day when the ads will run, and the frequency at which (and for how long) they will appear.

Of course it is possible to produce DRTV more cheaply by using stills and voiceovers, and Aldrich (2004) argues that it should be possible for a small nonprofit to produce a reasonably professional looking short-form ad for about \$25,000, which could be broadcast away from peak times, or to make use of public service broadcasting slots. DRTV is no longer the preserve of only large nonprofits.

A still from a recent ninety-second ASPCA ad is provided in Figure 10.10. Notice that the ad offers three ways in which donors can engage to make their donations. They can call, visit the Web site, or send a text message. Nearly 40 percent of the nonprofit's DRTV donors give through the Web

FIGURE 10.10. ASPCA DRTV AD

Source: Copyright © 2009. The American Society for the Prevention of Cruelty to Animals (ASPCA). All Rights Reserved.

site rather than by telephone. The ASPCA breaks even from DRTV at around seven months, which is quicker than the sector average of twelve to twenty-four months. It also generates a return of three to one by the end of the second year. The organization now has more than seventy thousand automatic monthly donors.

A key difficulty in managing DRTV lies in handling the response. About 90 percent of the calls generated as a consequence of an ad can occur within three minutes of it's being aired. For this reason, hiring a good telephone agency with flexible capacity is essential. The ASPCA call center averages eighty thousand minutes each month, at a cost of between 90¢ and $1.20 per minute. Call-center scripts have to be meticulously planned not only to allow for the taking of donations but also to create a mechanism to handle upgrades and individuals who just want information about the cause. Not every caller will be a new donor.

Radio

In our experience, radio appeals rarely work well for fundraising unless they are used as part of an integrated campaign supporting other media. In the United States they are used successfully by organizations soliciting gifts of large capital items such as cars for resale and by faith-based organizations as an integral part of their related programming.

Billboards

Billboard advertising for nonprofits is increasingly common, particularly in cities. Often these are designed to raise awareness, to promote service provision, or to educate members of the public about an issue or cause. These are not fundraising ads per se, although the enhanced awareness that they generate can be useful in facilitating fundraising.

An award-winning direct response ad was one produced by the Dutch charity Cortaid/People in Need. The response mechanism in this case was a text message that viewers were invited to send to make a donation of 1.5 euros that would be *reverse billed* to their mobile phone account and appear on their next statement. Sometimes text messages are used in a two-stage solicitation process whereby donors are invited to send a text to "indicate"' their support. A telephone fundraiser then calls them back to solicit a donation, usually a regular gift.

Integrated Campaigns

It is now generally accepted that acquisition campaigns that within the same period use several media carrying a common message that combine awareness development with fundraising objectives are more successful than single-media campaigns. By integrating a message across different media streams, a nonprofit can build the momentum of a campaign. The promotion of the appeal or program through public relations and various media will likewise raise the profile of the campaign in the eyes of the public. Individuals who come across multiple messages are more likely to respond positively when given an opportunity to give.

Some media routes tend not to be successful when used alone but can provide uplift when used in conjunction with other routes. The most effective integration employs each route or discipline to carry out the functions it does best while pursuing a common communications objective, thus ensuring that each element reinforces the others without compromising its own effectiveness. Radio advertising, for example, rarely delivers new donors profitably despite the relatively low costs of production and airtime. However, if radio ads are run at the same time as direct mail, the response rates to the mail packs will increase.

Integrated multimedia campaigns, in which the aim is to coordinate different channels cohesively and seamlessly, can be extremely complex to schedule, manage, and track, especially because awareness and direct response targets differ fundamentally and have to be measured very differently.

The Fundraising Message

Recruitment materials need to be powerful in order to be seen and heard by the target audience. They need to send the strongest and most engaging message the organization has available. Recruitment communications by necessity have to focus on and illustrate a limited part of the work of the organization, but that aspect should be representative and sustainable, and should fit absolutely with the image and mission the organization wishes to project (Ahern, 2007). For instance, it may be tempting for an art gallery or museum to entice potential donors with a forthcoming blockbuster exhibition or exhibit and the benefits they will receive should they become a donor, rather than focusing their recruitment message on the depth and strength of the permanent collection; and Third World development organizations find that they attract a different (and often less committed) donor if they emphasize short-term emergency disaster relief efforts rather than long-term sustainable development projects.

Writing Fundraising Copy

We are frequently asked by students how long a fundraising letter should be. In the mid-1900s, fundraising letters tended to be brief one-page affairs with few if any enclosures. Advertising guru David Ogilvy then demonstrated that longer letters typically performed much better in consumer direct mail and a new genre of four-page solicitation letters was born. Many variants ensued and as Smith (1996, p. 84) notes, the letter

> then began to have "call-outs" or marginal notations—handwritten messages in the wide spaced margins. It began to have photographs interspersing the text. It certainly had subheads to help the reader through the text. The solemn and desperate instruction "please turn over," or "please read on" began to appear on the bottom of the first page. And because someone said that readers go straight to the PS, it always had a PS. And sometimes a PPS. A terrible oddity was born.
>
> These letters only exist in fundraising. No-one else writes letters to you like these. This is why hardly anyone ever reads them. Another triumph of inbred, predictable gibberish.

So the answer on length should not be formulaic. The letter should be as long as it needs to be to bring the case for support alive and enthuse the donor with a desire to make a difference. The language also needs to be appropriate to this goal (Warwick, 2008).

George Orwell, in his 1947 essay *Politics and the English Language*, offers us timeless advice in this regard. He recommended that all authors pose six questions to themselves:

1. What am I trying to say?
2. What words will express it?
3. What image or idiom will make it clearer?
4. Is the image fresh enough to make the effect?
5. Can I put it shorter?
6. Have I said anything that is unavoidably ugly?

Good advice, then and now, these questions are certainly relevant to fundraising. Good copy should be fresh and expressive and avoid the "puff" that accompanies many modern appeals. Moving beyond the basics, Orwell also offers more sophisticated writers a rather more challenging list:

1. Never use a metaphor, simile, or other figure of speech that you are used to seeing in print.
2. Never use a long word where a short one will do.
3. If it is possible to cut a word out, always cut it out.

4. Never use the passive voice when you can use the active voice.
5. Never use a foreign phrase, a scientific word, or a jargon word if you can think of an everyday English equivalent.
6. Break any of these rules sooner than say anything barbarous.

These are not an easy set of rules to adhere to, especially the instruction to cut words that can't be cut, or never to use a figure of speech you are used to seeing in print. Orwell was singularly unimpressed with the quality of writing he encountered almost half a century ago and his judgment of the time still has resonance today, particularly for the bulk of fundraising letters currently produced by U.S. nonprofits: "Modern writing at its worst does not consist of picking out words for the sake of the meaning and inventing images to make the meaning clearer. It consists of gumming together long strips of words, which have already been set in order by someone else and making the results presentable by sheer humbug" (p. 164).

Legendary fundraising copy writer George Smith (1996) applies a number of Orwellian lessons to fundraising. He suggests the following:

1. *Use Saxon words, not Latin ones*. The majority of words in English are drawn from either Anglo-Saxon or Latin roots. The Norman conquest of England in 1066 led to an influx of Latin-inspired words from France. As a general rule, words derived from Anglo-Saxon roots tend to be shorter, more concrete, and more direct, whereas their Latinate counterparts are longer, more abstract, and regarded as elegant or educated (Birch, 2009). For example:

Anglo-Saxon	Latinate
Bodily	Corporal
Brotherly	Fraternal
Thinking	Pensive
Dog	Canine
Come	Arrive
Ask	Enquire

It is also best to avoid polysyllabic words, such as the following:

Polysyllabic Word	Alternative
Approximately	About
Establish	Set up
Participate	Take part

2. *Use short paragraphs and vary the lengths.* A powerful paragraph can be constructed out of just one sentence, but if every paragraph follows this model, the impact will be lost. Smith (1996, p. 87) tells us:

> Avoid the temptation to write snappy little paragraphs like this.
> They can work. But not always.
> In fact, they can be boring.
> And I hope the three paragraphs above prove the point. The paragraph I am writing now is, ironically, much easier for you to read. It is also more courteous, for short sentences in short paragraphs have a habit of sounding like slogans.

3. *Get to the point.* Donors will expect a nonprofit to ask them for money. There is little point in dressing this up in the hope of lessening the pain. It is far better to get to the point early and explain why the monies are needed.

4. *Use active verbs, not passive ones.* Passive: "Food will be sent to Somalia as a matter of urgency." Active: "We must send food to Somalia urgently."

5. *Use* I *and* you; *avoid* we *wherever possible.* A letter should read like a communication between two human beings, not a communication from a stuffy corporation. Donors generally do not like mailings that appear too corporate, and words can create this impression just as strongly as other ingredients of the design. Consider the genuinely human example from a 1987 Oxfam appeal depicted in Figure 10.11.

6. *Relate the story to the reader.* It may be true to say that one in three members of the population will be touched by cancer at some point in their lives, but it is altogether more powerful to say, "one in three of your friends and family will suffer from cancer."

7. *Does it sound like someone talking? If not, why not?* Smith (1996) argues that we need to write with passion, honesty, and conviction and avoid hysterical, tiresome, or jaded copy. To achieve this, he advocates, read the communication aloud to a friend or colleague. If they laugh, it is probably terrible copy; if they fall silent, it is probably impactful; "if they threaten to blub you have hit the jackpot" (p. 89). This may of course be an exaggeration, but the point is well made. Good copy should sound like a conversation, and it should sound like a conversation with a peer. One of the problems with a lot of bequest fundraising copy, for example, is that it is written by twenty-somethings in a nonprofit and will actually be read by seventy-somethings when dispatched. Copy needs to be checked with the target audience before being used in a communication.

FIGURE 10.11. SAMPLE LETTER

Dear Mr. Example:

Doesn't it upset you to walk among people who have lost everything? Doesn't it distress you to see small children dying in their mothers' arms?

I am often asked these questions when I return from a disaster zone. Quite frankly it does and it doesn't.

It doesn't because I'm busy when I'm visiting the scene of a disaster. I don't feel the helplessness you feel in front of your TV. Just the opposite, I have the privilege of being able to do something to ease the suffering.

But of course it hurts when someone you've got to know dies.

In the civil war in Uganda I was visiting camps for people fleeing the fighting. We picked up a very sick mother and her starving children to take them to hospital in Kampala. In the crowded jeep a little boy of five or six sat on my lap. We smiled at each other as the jeep bounced along the rough direct roads. He died before we reached the hospital.

That evening I just dissolved into tears. I have a child about the same age.

Illustration, Typeface, and Design

Siegfried Vögele (1992) of the Institute for Direct Marketing in Munich conducted an extensive series of eye-camera tests in the 1980s to examine how a reader reads a fundraising pack. He used cameras to track the movement of eyes across a pack and its contents, and determined the following:

1. The reader spends more time on the back of an envelope than on the front; hence many appeals now contain envelope messages in this location.
2. The P.S. in a letter will be read by more than 90 percent of recipients (who open the pack).
3. There is a twenty-second window in which a reader decides whether to read or dispose of a piece.
4. Fifty percent of readers read the letter first. They start at the top and tend to go straight to the bottom, reading the P.S. and the signatory. For this reason, many nonprofits give both of these elements considerable thought.

5. Handwriting is noted before printed text. Numbers are noted before long words. Copy in a border is read before open text.

Vögele's work also tracked the way the human eye moves across a document, identifying that the exit point is typically at the lower right side. Anything eye-grabbing in this location will therefore lead the reader to the exit and be ineffectual. He also identified the following:

1. Large pictures gain attention before smaller pictures.
2. Color pictures are noted before black-and-white pictures.
3. Warm colors attract attention before middle tones or cooler colors.
4. A sequence of pictures is noted before individual pictures.
5. Action illustrations are seen before still pictures.
6. Pictures with people are looked at before pictures of products.
7. Children attract attention before adults.
8. Portraits gain attention before full pictures of people.
9. Eyes are the first item that people focus on.
10. Most often a large group of people gains attention before a small group.
11. Outline illustrations are generally noted before square halftones.

So the copy, graphics, photographs, and illustrations (and the location of each) all have a role to play in determining whether a communication will generate attention. To this list we must also add the typeface, in particular whether a serif typeface or sans serif typeface is employed. Serifs are the small ticklike strokes at the end of the main stroke of a letter. Choosing the wrong typeface can reduce comprehension of a communication by over a fifth, which could be potentially disastrous for a campaign response (Wheildon, 2005). In the body text serif type will outperform sans-serif type.

Assuming that we set a newspaper ad in a strong serif type face, we might expect that levels of comprehension would be high. If 100,000 notice an ad in a newspaper, we might expect that 67,000 of them would comprehend the message if it were produced in this typeface	If by contrast we set our newspaper ad in a sans serif type the chances are now that the message would be comprehended by only 12,000 readers, or only around one eighth of the readers

Equally important is the leading—the spaces between the lines. In the examples shown, the leading in the sans serif example on the right greatly enhances readability when compared to the serif text shown on the left. A serif type with an appropriate leading would thus be the optimal approach for body text. The "rules" over headlines are more complex and readers should consult Wheildon (2005) for the definitive approach.

Fulfillment

The "back-end" fulfillment of a recruitment campaign is a further key feature of donor acquisition work. How the response to the campaign will be handled and followed up on is often treated as something of an afterthought, but the treatment of new donors is hugely important in terms of building the image of the organization and beginning the relationship with the new recruit.

At base, fulfillment planning should ensure that systems and materials are in place to thank all new donors quickly, to deal with complaints and inquiries arising from the campaign, and to bank the cash donations and set up regular giving arrangements quickly and accurately. In many instances a great deal of time and thought is put into profiling, media selection, targeting, and creative work on a campaign that then fails because the thought process was not carried through to the next stage. Many case studies of DRTV campaigns are available in which the TV ad is hugely successful and generates a huge volume of calls that cannot be handled by the telephone agency. Donors who hear a busy signal or a message to hold do not hold on or call back and the new recruits are lost.

Relationships can be either made or broken with new donors during the initial or "honeymoon" stage of their association with a nonprofit, so the timing, accuracy, and tone of the first thank-you or welcome communication are extremely important. Fulfillment is a highly specialized operation and in many cases it is most cost-effective to outsource it to an external supplier rather than attempt to handle responses in-house. Where fulfillment is outsourced, careful and detailed briefing is essential, alongside the testing of systems and communications between the chosen supplier and the nonprofit.

Budgeting Control and Evaluation

Every plan for donor acquisition will need to include a budget. The expenditure and likely returns will be forecast and presented here based on past experience, or if the activity is new, based on the experience of other organizations or sector benchmarking data. As direct response fundraising offers multiple opportunities for testing the budget will ultimately be refined in the light of any testing undertaken.

Testing

The control of donor acquisition campaigns initially involves the tracking and testing of pilots. The beauty of direct marketing techniques is that opportunities for testing abound and therefore the risk of mistakes is lessened. Testing against controls is a way of life for direct response fundraisers. It is conducted on a cyclical basis in order to be a source of continuous improvement. The creative work, media, timing, and response mechanism variants can all be tracked and tested before any rollout is arranged. The control of tests can become very complex and processes must be in place to ensure that only significant variables are tested and that the tests are properly managed. Testing represents a sizeable investment of budget and always carries a risk of poor ROI. For this reason, test budgets are usually set as no more than 10 percent of the total media budget. Sample sizes should likewise be limited to sufficient minimum quantities so that the majority of the prospect base can be contacted with the most proven and cost-effective control communication.

Some direct marketing costs increase with quantity whereas others, most notably the cost of printing, can be dramatically reduced at the unit level with increases in quantity. Straight-line extrapolation from test results can therefore distort the financial implications of a rollout. Understanding the effects of quantity in each media stream is critical if the correct inferences are to be drawn from a test campaign.

Control

Direct marketing works entirely through measurement, both during a campaign, to monitor the success of the tactics selected, and after, to decide what succeeded and what failed. The information needed in monitoring tends to be fairly straightforward and is derived from the logical flow of the campaign. Information on, for example, the quantities actually dispatched and the date they were dispatched, on whether advertisements or inserts appeared according to schedule, and on the availability of response packs will be needed on a regular basis. Any suppliers should be briefed in detail on these requirements before a campaign is launched to ensure that the requisite statistics are always accurate and available.

Reporting and Evaluation

In documenting and reporting on recruitment campaigns, each medium necessitates slightly different controls and requirements. Each should be evaluated against past performance and against other media in the portfolio. Following are some of the key performance measures used across a range of media; these calculations should be performed across the campaign as a whole as well as by segment, medium, and creative treatment.

- *Percentage response:* The response rate to the original communication.
- *Cost per response:* The total cost of the campaign divided by the number of respondents.
- *Percentage conversion:* If the purpose of the original communication was merely to solicit inquiries, it will also be necessary to examine the percentage of inquirers who ultimately offered a donation.
- *Cost per donor:* The total cost of the campaign divided by the number of donors attracted.
- *Revenue per donor:* The total value of donations divided by the number of donors attracted.
- *Profit per donor:* The total profit (if any) from a campaign divided by the number of donors attracted.
- *Lifetime value per customer:* The mean projected lifetime value for donors recruited by a particular campaign.
- *Return on investment:* Calculated either as an immediate return (that is, as an ROI for the recruitment campaign itself) or as a projected return given the forecast lifetime value of the donors recruited.

We return in detail to the topic of lifetime value in Chapter Twelve.

In reporting the success of any given segment or media route, there are some standard pitfalls to avoid. One is the effect of extreme data, or outliers, that is, exceptional results that can radically distort the true picture and lead to a false interpretation. Outliers can occur by chance because of the extreme behavior of one or two donors, most notably those giving very high value initial gifts. Such gifts can artificially increase the size of the average (or mean) gift. In such circumstances, the median (or middle) value can be more reliable.

The costs of fulfillment should also be included and set against the income generated. It may not be possible to allocate such costs in detail to specific media or segments, but it is essential that they be allocated at least at the top level of the campaign.

A detailed assessment of the performance of any campaign is essential in building data over time and guiding future recruitment strategies and tactics. The results should be shared with those responsible for donor development to ensure that the whole process is managed holistically and that donor development and upgrade communications are appropriate for the newly recruited donors and likely to maintain and maximize their support over the duration of their relationship with the nonprofit.

Summary

In this chapter we have drawn a critical distinction between donor acquisition activities and donor development activities. In regard to the former, a planning process was delineated, including the derivation of objectives, segmentation and profiling, targeting, media planning, communication of the offer, fulfillment, and response analysis. It is important to realize that this process does not occur in isolation and that in many ways it would be better regarded as a loop. Information about the performance of one recruitment campaign can be used to inform the development of subsequent campaigns, and modifications to strategy can often result.

Discussion Questions

1. Distinguish between donor recruitment and donor development communications. What are the purposes of each?
2. What seven steps are typically considered in an acquisition plan?
3. What are the cheapest sources of donors for a nonprofit?
4. Your organization is considering investing in a list-swap program. Prepare a short presentation for your director of development that outlines the factors that should be considered in making this decision.
5. Select a one-page fundraising letter developed by your nonprofit. Evaluate it against the criteria suggested by George Smith. How might it be improved?
6. How might the effectiveness of a DRTV campaign be assessed?

CHAPTER ELEVEN

FUNDRAISING ONLINE

Techniques and Tools

Ted Hart and Adrian Sargeant

By the end of this chapter you should be able to:

1. Define e-philanthropy.
2. Develop an effective e-fundraising mix.
3. Understand how to integrate online and offline fundraising activity.
4. Develop an effective Web site for fundraising.
5. Plan an e-mail campaign.
6. Evaluate online communications using a range of metrics.

Sargeant (2008) estimates that around 5 percent of total giving by individuals in the United States is presently done online. Hart (2009) offers a similar estimate for 2008: a total of $14.64 billion in the United States and $29 billion worldwide donated online. The percentage of income generated for specific organizations varies widely, however, because some do little or no fundraising online whereas others have made a significant investment and are beginning to reap the reward. The analysis firm Target Analytics, for example, collates data from a number of its clients, including the Alzheimer's Association, Amnesty International, and CARE. They have shown that approximately 9 percent of donors to these organizations give online, accounting for a median of 11 percent of all the revenue raised in 2008 (Target Analytics, 2009). Their data also indicate that the percentage of newly acquired donors who are recruited online (rather than from other media) has grown dramatically in the past four years. In 2004 the percentage of new donors recruited online to these organizations stood at 3 percent of their total; in 2008 it was reported to be 16 percent. The percentage of new revenue accounted for by new online support grew from 6 percent to 27 percent in the same period. In plain English, the significance of the Internet as a source of revenue is growing rapidly.

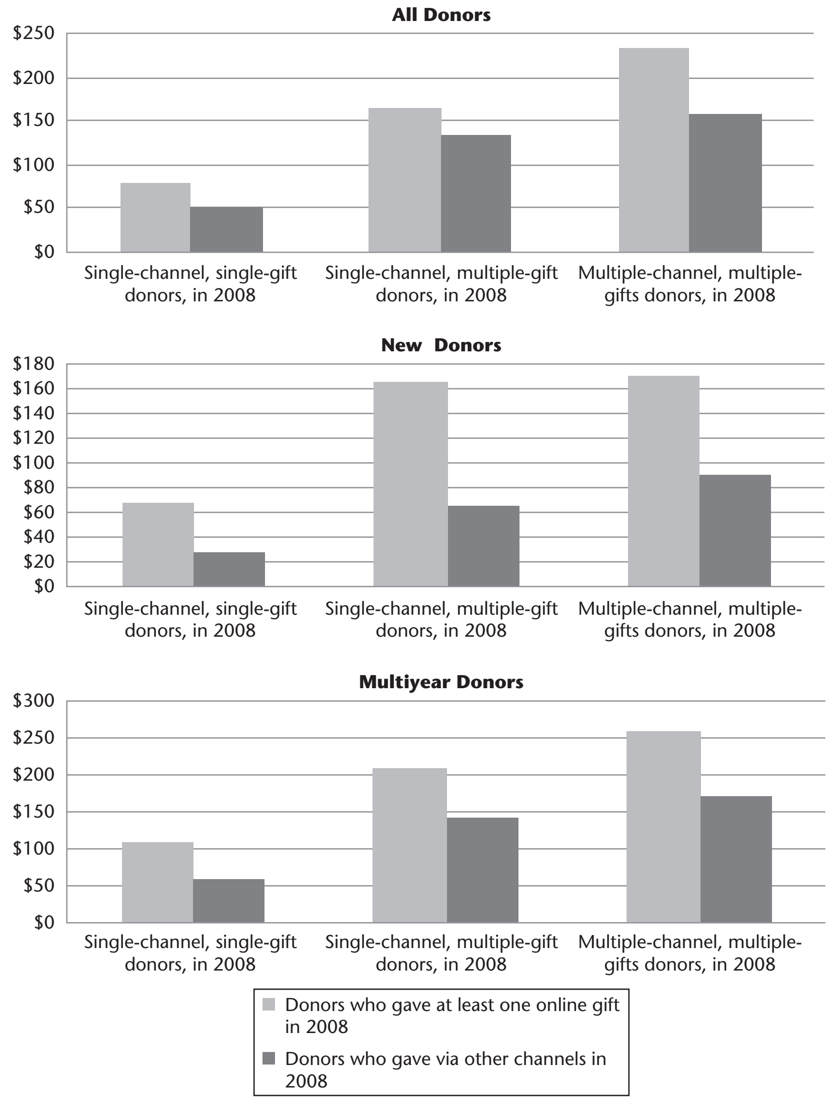
The same study also sheds light on the behavior of online donors. They begin their support at much higher levels of giving than donors recruited through other channels, and they give much larger gifts when they renew or reactivate in subsequent years. Target Analytics' study data are reproduced in Figure 11.1.

The success of the Internet as a fundraising channel is not surprising but it is relatively new. Charities discovered the opportunities of the Internet in earnest only following the September 11, 2001, tragedies and the wave of giving that resulted. The first Web site designs for most charities were typically nothing more than an online version of offline materials and content; articles were printed online just as they were offline. Some charities even prepared content that matched word-for-word what was distributed in their direct mail campaigns.

These early Web sites reflected a charitable Internet that sought to talk *at* people. In the years following September 11, 2001, the online charitable world grew quickly and by mid-decade deployed a wide variety of interactive strategies. These advanced Web tools and services allowed users to generate content themselves, create communities, and connect with people around the world.

In this chapter we review these developments and explore how nonprofits can employ a range of techniques and tools to improve their fundraising performance online. In particular, we examine Web site strategy and how to drive traffic to nonprofit sites by employing elements of an electronic fundraising (e-fundraising) mix, including search engine optimization and online public relations. We begin, however, by exploring the wider topic of electronic philanthropy (e-philanthropy) and how nonprofits can use the Internet for much more than just asking for money.

FIGURE 11.1. BENCHMARKING ANALYSIS DATA ON INTERNET GIVING FROM TARGET ANALYTICS



Source: Target Analytics. (2009). 2008 donorCentrics™ Internet Giving Benchmarking Analysis, Target Analytics, Charleston, SC, p. 7. Reproduced with permission.

ePhilanthropy

Although this chapter focuses on fundraising online, it is important to realize that the medium can be used for much more than simply raising money. A well-designed Web site should be the 24/7 advocacy, education, and fundraising hub for a charity. Hart (2008, p. 196) uses the term *ePhilanthropy* to describe this activity. He defines it as "the building and enhancing of relationships with volunteers and supporters of nonprofit organizations using the Internet. It includes the contribution of cash or real property or the purchase of products and services to benefit a nonprofit organization, and the storage of and usage of electronic data and services to support relationship building and fundraising activities." Hart's vision of ePhilanthropy emphasizes the ability of the Web to build relationships with a variety of stakeholder groups. Although the Internet can be used as a collection tool for donations, the real power of the medium lies in its ability to develop relationships with supporters that add genuine value. It is these relationship-building strategies, not the top-down or ask-give relationship that most charities have traditionally had with their supporters, that are the real drivers of success online.

The ePhilanthropy perspective is a transformative force that is propelling charities around the world toward a new way of doing business that is characterized by donor participation, open and full disclosure, and social networking. Through the harnessing of passionate advocates and donors, nonprofits can develop online communities of support far beyond their offline direct mail lists or even their e-mail lists. Social networking techniques, for example, now allow nonprofits to enlist their existing supporters in finding others who might share their interest and thus spread the word about the organization, its services, and its mission (Hart and others, 2006). This approach creates a powerful multiplier effect and at very little cost. It is with good reason that Austin (2001) reminds nonprofits who fail to deploy these techniques that they risk losing touch with donors and imperiling the vitality of their work.

Web Site Strategy

A thorough examination of Web site design is beyond the scope of this text, but there are many excellent books that can provide guidance for an organization looking to create or develop its online presence (see, for example, Beaird, 2007; McNeil, 2008; Lloyd, 2008; Bates and Massey, 2008). A brief consideration here of Web site strategy is warranted, however, because nonprofits need to think through the forms that content can take, the categories of activity they will embrace, and how these elements might enhance or support fundraising. As we shall see, these decisions are pivotal in designing an approach that will build successful relationships and raise funds.

Michael Dell (1999), speaking at the Detroit Economic Club on November 1, 1999, defined several principles or concepts necessary for successful Internet businesses. Much of what he suggested is now standard practice and in some cases has been taken much further than he might have imagined. According to Dell, an effective online presence includes the following three key elements, and an organization that is able to integrate all of them into a single strategy will likely succeed online:

1. *Content.* Good sites act as a hub for all categories of information on a topic. Thus, nonprofits need to bring their information online by posting forms, manuals, documents, briefings, annual reports—in short, anything that might add value for one or more groups of stakeholders.
2. *Commerce.* The ultimate goal of a Web presence, as Dell saw it, was to deepen relationships, so from his perspective sites should encourage "transactions" in the broadest sense of the term. These could be purchases or donations but could also include any interactions an individual might have with an organization. If sites are to raise funds successfully, they must be "sticky" and give people a reason to stay and engage with the nonprofit and its work.
3. *Community.* The final stage is developing an online community. Community can be built through discussions, forums, "ask the expert" pages, and blogs, and by leveraging opportunities to engage in or support social networking. The American Cancer Society, for example, has one of the finest online communities; it provides information for patients, relatives, survivors, and caregivers (see Figure 11.2). Users can also interact with the organization to find help in their local community, to learn about the cancer experiences of others, and to share their own experiences.

More recently, Sargeant, West, and Jay (2007) have explored empirically those aspects of site design that drive fundraising performance.

FIGURE 11.2 AMERICAN CANCER SOCIETY WEB SITE

Source: American Cancer Society.

Their results show that sites that attract higher numbers of donors online have the following characteristics:

Accessibility. The extent to which the site makes it easy for individuals to make a donation when they are motivated to do so. The navigation is clear and donations are prompted on every relevant page, including the home page. This factor also drives how much will be donated to a particular site.

Accountability. The extent to which the site indicates it is accountable to supporters for the way in which it will use resources such as donated funds and personal data. The provision of a strong and clear privacy statement and information on how donations have been used in the past (and will be used in the future) are all essential. This factor too drives the value of giving to a particular site.

Education. The extent to which the site provides an appropriate resource for the donor to learn about the cause. Education may take the form of access to documents, reports, and specialized pages such as "ask the expert." The authors found it to also be a factor that drives the value of giving to a particular site.

Interaction. The extent to which the site offers users the ability to interact with the organization in a variety of ways. This notion is similar to that of Dell's idea of commerce. Each time an individual shares information with the site, takes part in a survey, answers quiz questions, joins a social network, signs up to a blog, shares their own content with the nonprofit, or downloads a file, it becomes more likely that a donation will result.

Empowerment. The extent to which the site allows donors to feel they have taken action or had an impact on the cause. Many sites permit multiple ways to support an organization, such as signing a petition, e-mailing a politician, attending an event, making a donation, and so on. In each case, the clearer individuals are about the difference they personally can make, the more likely it is that they will offer their support.

It is interesting to note that a final factor, case for support, appeared unrelated either to success in new donor recruitment or to the value of donations. The authors defined this factor as "the extent to which the site clearly articulates why the organization warrants support" (p. 144). At first glance this result might appear rather odd, until one considers that there are not likely to be thousands of potential donors surfing the Internet thinking, "Who shall I give to today?" By contrast, there will be thousands of potential donors surfing the Internet today looking for information on cancer because their lives have been touched by the condition for the first time. The Internet context is therefore distinctive. Most visitors to a nonprofit's site will already be aware of why the work the organization does is important. That is the very reason they have sought it out. Thus, although making a strong case for support is always helpful, the goal in stimulating donations online has to be to make it easy to give, and to emphasize the very personal difference that an individual might make.

A third way to conceptualize site strategy is to reflect on the different generations of Internet technology that might be employed:

Web 1.0 strategy is limited to one-way communication. These online pages are mostly static and simply communicate content and information to visitors. Many organizations have started and stopped their Web site development with this kind of basic strategy.

Web 2.0 strategy adds the element of two-way communication. This means that constituents can both receive online information and interact with different online services. They can post their own content and customize their own experience with the organization. This might mean choosing the types of content they want to view, controlling their subscriptions to various e-mail newsletter lists, viewing and updating various pieces of key information about themselves, and participating in conversational online activities, such as chatrooms and bulletin boards.

Web 2.0 strategy makes use of second generation Web-based services that emphasize online collaboration and sharing among users. The term was originally used by O'Reilly Media in 2004 to describe the idea that the Web would become a platform that decentralizes content generation and distribution. The concept has since taken on a much broader scope to include all sorts of social networking, personal publishing, and enabling technologies that drive participation online.

Web 3.0 strategy adds multidirectional communication, which means that not only can the organization communicate with constituents and constituents communicate with the organization, but constituents can also communicate among themselves. These kinds of online, and now mobile, community and social networking experiences are much more effective than the previous strategies at attracting, retaining, and growing relationships with constituents. They also reflect the direction in which the Web is heading. In the coming years most supporters will expect these kinds of capabilities to be available to them as they decide what charities they want to support.

Fundraising Online

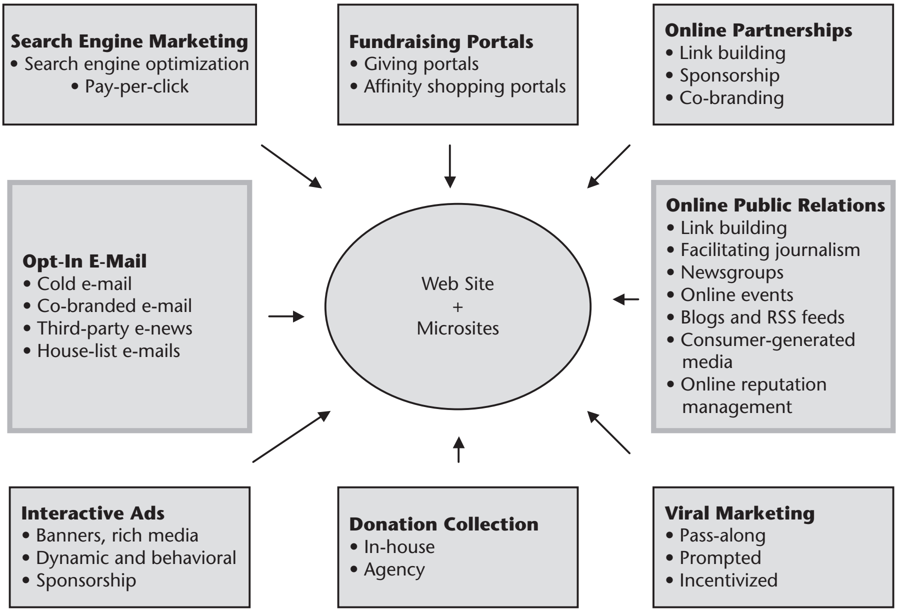
A variety of tools are available to fundraisers who are seeking to drive traffic to a Web site to raise funds. Figure 11.3 depicts an e-fundraising mix that we consider in detail in the following paragraphs.

Search Engine Marketing

Search engines such as Google, Ask.com, and MSN/Bing allow users to search for materials online by typing in keywords or phrases. A list of the matching Web content is then provided by the engine. The task for the nonprofit marketer or fundraiser is to ensure that his or her organization's Web site is near the top of the list when relevant searches are conducted. Two approaches are possible here: many search engines generate both natural search listings and paid-for or pay-per-click listings.

Natural or organic listings emerge "naturally" from the results of a search. Results are listed in order of the relevance of the content on the Web page to the keyword or phrase typed in. These results appear on the left side of the page in Google, Yahoo, and MSN Search. To improve their organization's position in these listings, marketers must engage in search

FIGURE 11.3. E-FUNDRAISING MIX



engine optimization, which takes into account the way search engines typically collate their listings. In particular, fundraisers need to do the following:

1. Match the key words on the organization's Website with the words that are most likely to be used by potential supporters searching information about the work the organization does. Particular attention should be given to the frequency with which these words appear on the site (keyword density) and to the title tags given to each page.
2. Consider the links that drive traffic to each Web page. In determining its rankings, Google counts each incoming link to a site as a "vote." Sites with lots of inbound links therefore perform well. Some care is necessary, however, because links from some sites carry more weight than others. A link from the American Cancer Society, for example, to a small, local nonprofit would carry more weight with some search-engine algorithms than a link from Adrian Sargeant's personal home page.
3. Ensure that the site has a clear hierarchy and clear text links. Every page should be reachable from at least one static text link.

4. Offer to your users a sitemap with links to the most important parts of your site. If the sitemap has more than one hundred or so links, it may be necessary to break it into separate pages.
5. Create a useful, information-rich site and write pages that clearly and accurately describe the organization and its work.
6. Try to use text instead of images to convey important names, content, and links. The Google crawler (a program that visits Web sites and collates information for the search engine) doesn't recognize text contained in images. If images must be used for textual content, it is wise to use the alternative text (ALT) HTML tag to include a few words of descriptive text.
7. Ensure that the title elements and ALT attributes are descriptive and accurate.
8. Check for broken links and correct any inaccurate HTML.
9. If a decision is made to use dynamic pages (that is, pages for which the Web site's address, or URL, contains a question mark), be aware that not every search engine crawler crawls dynamic pages as well as static pages.
10. Keep the outgoing links on a given page to a reasonable number.

Once the free opportunities to promote a site have been optimized, it may be necessary to consider paid or granted keyword and search-engine advertising. Nonprofits should review the options for granted campaigns at http://www.google.com/grants. Google Grants is an in-kind donation program that awards free advertising to select nonprofit organizations. Google provides grants to a wide array of nonprofits that provide community service in areas such as science and technology, education, global public health, the environment, youth advocacy, and the arts.

Beyond granted advertising is paid advertising. Pay-per-click listings function rather like traditional advertising. To get a high listing here it is necessary to be willing to pay a higher fee than one's competitors. The highest bidder for a particular keyword or phrase will usually be listed at the top of the page, although the Google algorithm does factor in the number of click-throughs that a given ad is able to achieve. Pages with a higher click-through rate will tend to appear near the top of the list.

Of course with pay-per-click as the name suggests, the fundraiser must pay for each click-through to their site from the search engine. It is therefore not just a matter of achieving the highest rate of click-through possible. A good deal of money can be wasted driving to the site traffic that has absolutely no interest in the content or cause offered there. The key to successful pay-per-click advertising lies in writing the best possible copy for the text box that will appear in the listing so that users can judge the relevance for themselves and only genuinely good prospects will follow the link. Fundraisers using pay-per-click also have to consider the appropriate amounts to bid for each listing and manage their budgets accordingly.

Today most keyword advertising services provide advanced tracking systems that permit bid management, statistical analysis, automated testing, and solid reporting. All of these data can be used to refine the approach adopted.

The three most common ways in which online ads are purchased are cost per impression (CPM), cost per action (CPA), and cost per click (CPC).

In CPM, advertisers pay for exposure of their ad to a particular audience. CPM costs are the costs to serve a thousand impressions. The use of the M in the acronym is a little confusing, but it refers to the Roman numeral for one thousand.

In CPC (also known as pay per click or PPC), advertisers pay each time a user clicks on their listing and is directed to their Web site. They do not pay for the listing itself. As discussed earlier, under the CPC system, advertisers bid for the right to be listed under a series of target-rich words that direct relevant traffic to their Web site. They pay only when someone clicks on that listing.

In CPA (also known as cost per acquisition), payment is made on the basis of performance. Here the publisher carries all the risk of running the ad and the advertiser pays only for those consumers who actually complete a desired action, usually a purchase. Cost per lead (CPL) is also common with publishers, who are remunerated when users complete a registration form or sign up for something that is core to the nonprofit's mission. For the sake of completeness, cost per order (CPO)—in which, as the name suggests, a fee is payable every time an order is placed—may also be encountered.

Cost per conversion (also referred to as CPC) is simply the cost of acquiring a customer and is typically calculated by dividing the total cost of a campaign by the number of "conversions." What constitutes a conversion will vary depending on the purpose of the campaign. It might be a donation, but it may also be taking action or registering an interest in some aspect of the nonprofit's work.

Online Public Relations

Seven core activities of online public relations (PR) are of interest to fundraisers.

1. *Link building.* The goal of online PR is to maximize the number of favorable mentions on third-party Web sites of the brand, organization, or work being conducted. Third-party endorsements are as useful in the online environment as they are offline. Such mentions are also useful because they often contain links back to the organization's Web site and thus aid in search-engine optimization. A useful way of identifying who is currently linking to your organization is to visit the Google Web site and in the search box enter "link: www.(your domain name)." A list of the Web sites linking to that site will be generated.

2. *Communicating with journalists online.* One of the big challenges for some bloggers and most journalists lies in identifying a ready stream of interesting material. In many cases, deadlines approach pretty fast and it can be difficult to find the right mix of sources. Optimizing news content specifically for journalists who are searching for stories can thus be a very effective tactic in building online PR.

The key is to make it easy for supporters and journalists alike to find a message on the channels and in the format they prefer. This is true for all content, whether text, images, video, audio, or interactive. If it can be searched on, it can be optimized.

Here are some of the different types of news content that can be optimized as part of an online PR program:

- Press and news releases
- Online opinion pieces and letters to the editor
- Online newsroom and media kits
- Blogs
- Social media sites
- YouTube and other online video
- Reports and white papers
- Webinars and demos
- E-mail newsletters
- Interviews
- Podcasts and Internet radio shows

Social network sites such as LinkedIn and Facebook and, increasingly, microblogging platforms such as Twitter can be leveraged by journalists to find subject matter in a very short period. Nonprofits must take account of this in their strategy.

3. *Newsgroups.* There may be occasions when it is more helpful for the organization to convey news to potential supporters directly. One way this might be achieved is through the use of Internet newsgroups. There are many thousands of these and each is focused on a specific issue or topic. Online press releases can be targeted at any newsgroups that might be interested in the subject matter of the item. Infinite Ink offers a useful service for locating newsgroups on specific issues at http://www.ii.com/internet/messaging/newsgroups.

4. *Online events.* Another good way of marketing a site and generating interest in its content is to host an event online. Typically this might be an online discussion of a cause-related issue, a "surgery" session in which individuals could ask advice, or even an auction of donated goods or services.

5. *Blogs and RSS feeds.* Web logs, or blogs, are an increasingly popular way of publishing news and event listings online. Many organizations have now established blogs to demonstrate credibility and to more fully engage with their audiences. Blogs typically consist of regular entries of commentary, descriptions of events, or other material such as graphics and video. Entries are commonly displayed in reverse chronological order. Adrian Sargeant's blog can be found at http://www.fundraising.co.uk and Ted Hart uses Ping.fm to post to Twitter, Facebook, and LinkedIn (see also http://www.Tedhart.com). (As an aside, readers with a particular interest in interactive marketing will find digital marketing guru Dave Chaffey's blog worth following. It can be found at http://www.davechaffey.com/blog.)

Really Simple Syndication (RSS), sometimes known as Rich Site Summary, allows users to sign up for regular news on topics of interest. Blogs, video, and news of any type are sent directly to an individual's computer, where they are viewed by specialist reader software such as FeedDemon. News feeds also allow the user to see when new content has been added to a Web site and to view all the latest headlines and video in one place, as soon as it's published, without having to visit the original Web site. Because users can specify the kinds of information in which they are interested, marketing in this way can be highly effective. For example, the International Fund for Animal Welfare, a campaigning organization, offers an RSS feed of its progress in ending the seal cull.

6. *Online reputation management.* Two types of reputational management are of interest (Hart, Greenfield, and Haji, 2007). In the first type, the

organization takes a proactive approach to seeding positive content about itself on popular sites. For example, Google's YouTube.com has launched the YouTube Nonprofit Program, where nonprofits can promote their work. One organization that has attracted more than seventy thousand subscribers to its YouTube Channel is Rotary International (http://www.youtube.com/user/RotaryInternational).

To proactively manage their reputation online nonprofits should do the following:

- *Reach out.* Post content that gets supporters talking; then stay in the conversation with comments and responses.
- *Partner up.* Find other organizations that complement your mission and work together to promote each other.
- *Keep it fresh.* Put up new content regularly and keep it short and easy to understand.
- *Spread the message.* Share links and then embed the code for content on supporters' Web sites so they can help get the word out.
- *Be genuine.* High view counts come from content that's compelling rather than from what's "hip."

The second type of online reputation management is concerned with managing unfavorable coverage and responding, where appropriate, to criticism. A key facet of online PR is therefore monitoring how an organization is being covered by third-party Web sites. Services such as Google Alerts (http://www.google.com/alerts) and Yahoo! Alerts (http://alerts.yahoo.com) can be used to learn when any new pages are published that mention your organization. You can also monitor any keywords on multiple social media sites using Keotag.com. (These tools can also be a valuable way of checking on the online activity undertaken by competitors or similar organizations in other parts of the country. They may have good ideas that can be borrowed or adapted.)

7. *Consumer-generated media (CGM).* CGM (also referred to as online consumer word-of-mouth or online consumer buzz) encompasses the millions of consumer-generated comments, opinions, and personal experiences posted in publicly available online sources on a wide range of issues, topics, products, and brands. CGM comes from the following sources:

- Blogs
- Social networking sites

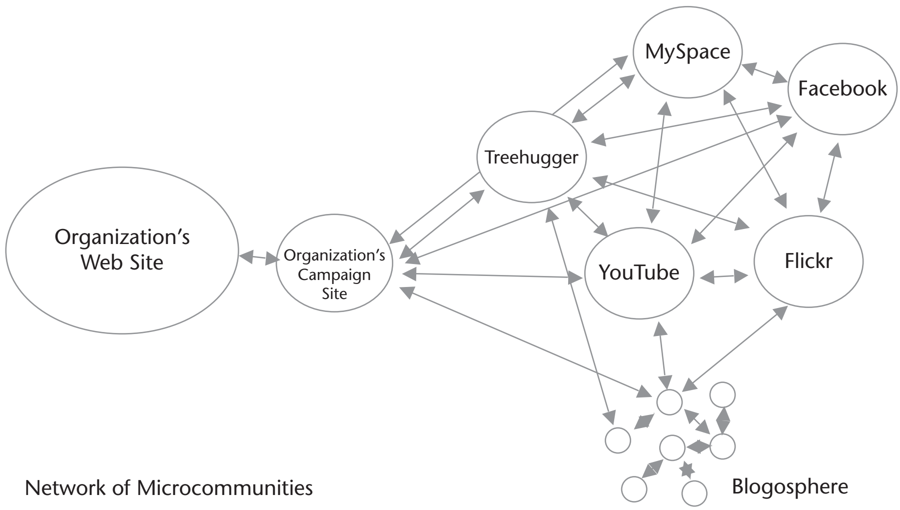
Case Study: International Fund for Animal Welfare—300,000 Actions for 300,000 Seals

In a recent online campaign the International Fund for Animal Welfare (IFAW) created a microsite specifically to address the issue of the Canadian seal cull. Activists were encouraged to join with others around the world to register their disgust at the actions currently being taken to slaughter seal pups. A large, gridded image of a baby seal was created (see Figure 11.4), with each square of the grid capable of hosting a personal message and image from an individual activist. The result was a very powerful collage of views from a community of individuals united in their desire to see action. IFAW also encouraged these activists to tell their friends and colleagues about the work of the nonprofit and to develop links to the microsite from their social networks. The resulting approach is depicted in Figure 11.5, with a variety of individual sites, pages, and blogs all linked together to spread the word.

FIGURE 11.4. IFAW CAMPAIGN MICROSITE

Source: IFAW. www.IFAW.org. Reproduced with permission.

FIGURE 11.5. SOCIAL NETWORKING AND WEB 2.0 LANDSCAPE



- Message boards and forums
- Public discussions (Usenet newsgroups)
- Discussions and forums on large e-mail portals (Yahoo, AOL, MSN)
- Online opinion and review sites and services
- Online feedback and complaint sites

Online discussion forums, membership groups, boards, and Usenet newsgroups constituted the first CGM wave, and blogs and online videos represent the latest. CGM is important because consumers place far more trust in their fellow consumers than they do in traditional marketers and advertisers. For any fundraiser trying to be heard or to break through the clutter, understanding and managing CGM is critical for success.

CGM data are easy to find on search engines, so fundraisers and advertisers no longer control the message or the medium. When a consumer types an organization's name, brand, or activities into a search engine, it's almost certain that some of the first results—good or bad—will have been posted and created by other consumers. In addition, the media, analysts, competitors, and other stakeholders encounter this readily available CG "reference material" when they're researching issues, topics, and trends online.

It may be difficult for organizations to stay on top of this material themselves, so there are many agencies that will track this activity on behalf of clients. Nielsen Buzzmetrics, for example, will locate and analyze CGM activity and provide their clients with data on which their clients can then take appropriate action, perhaps by correcting misinformation or posting comments of their own. From a fundraiser's perspective, the more positive a buzz one can develop, the greater will be the traffic that can be generated to the organization's Web site and, ultimately, the greater will be the number of visitors who may consider offering a gift.

Online Partnerships

Online partnerships may take one of three forms:

1. *Links.* The significance of developing a good network of links has already been highlighted and nonprofits should exploit potential partnerships in which they can encourage reciprocal links (that is, in which each site agrees to a two-way link). The specialist site Linking Matters (http://www.linkingmatters.com) provides considerable guidance on how best to maximize this opportunity.
2. *Online sponsorship.* In online sponsorship, a sponsoring corporate organization links its name with that of a nonprofit for the purpose of strengthening the other organization's brand. This is more than the provision of a simple banner or other form of advertising and typically involves the organization being genuinely involved with what the nonprofit is trying to achieve online, perhaps by sponsoring specific forms of content or by engaging with specific stakeholder groups.
3. *Co-branding.* Co-branding takes online sponsorship one step further. It is an opportunity for partnership rather than mere sponsorship, so the difference is one of degree. In co-branding, both partners work together to further the goals of both organizations. An arts organization might therefore work with a corporate partner to co-brand a password-protected part of the nonprofit's Web site for high-value donors. The corporate partner thus gains exposure to potential high-value clients and the arts organization gains an additional resource that it might not otherwise be able to afford.

A further example would be the co-branding of a particular campaign by clearly associating the sponsor's name with the fundraising activity on the nonprofit's Web site and highlighting the campaign on the site of the corporate partner. In the latter case, detailed information about the nonprofit's work, its impact on beneficiaries, and so on would be embedded in the corporate site.

Interactive Advertising

The term *interactive advertising* refers to all advertising through the Web, e-mail, wireless technologies, and interactive television.

Internet advertising commonly takes the form of banner ads, skyscrapers, and underlays and overlays. Banner ads are the most common and can appear in several locations on a Web page. Skyscrapers are also common and, as their name suggests, tend to be long and skinny and run along one side of the page. Web pages can be viewed at many different resolutions, meaning the dots or pixels per inch (dpi or ppi) of the image, which are typically set by users in their browsers. The term *resolution* can also refer to how many pixels are set to fit horizontally (across) and vertically (down) on a monitor. Essentially, 800 × 600 ppi and 1024 × 768 ppi are currently the most common resolutions, and the normal width of a skyscraper ad is 120 ppi. Some people prefer a slightly wider building, however, or perhaps one that expands when a mouse passes over it.

The term *overlay* is also quite intuitive and refers to an ad that is served over the page being viewed by the user, what most people know as pop-ups. The video-sharing Web site YouTube.com has many clips featuring discussions of how overlays can be used to good effect and about the range of effects that can be achieved using different technologies. A search on "overlay ads" on YouTube will bring up these materials. Underlays, by contrast, are ads that appear under the page being viewed and become visible only when the browser window that covers it is closed.

Each time an ad is served an *ad impression* is created. The number of ad impressions is thus a key metric in the online environment, although many users may view the same ad on a number of occasions, so also key is the *advertising reach,* which is the number of unique individuals who view the advertisement.

Opt-In E-mail

E-mail marketing is a cost-effective way to communicate with existing or potential supporters. A regular but not too frequent e-mail campaign keeps an organization visible, keeps it in the minds of supporters, and keeps them returning to the Web site when they might not have planned to (Warwick, Hart, and Allen, 2001). E-mails can take the form of newsletters, announcements, invitations to events, and notifications of new content on the Web site. E-mail can also be targeted to specific segments of the subscriber list. For instance, promotions can be targeted to new supporters or returning supporters, or even used to urge those who have not given in a while to come back for another visit to the site.

In the fundraising context, it may also be appropriate to consider the use of co-branded e-mail and to work jointly with other nonprofits or corporate partners, designing communications that will be of interest to their stakeholders and customers and jointly communicating with shared lists. This is technically cold e-mail, but because a relationship already exists with one of the partners, it is likely to generate a higher response.

Getting Started

The easiest starting point, however, is for a nonprofit to collect e-mail addresses from visitors to its site. It is very important not to e-mail anyone who has not given permission for this to happen, so such e-mailing should always be on the basis of an opt-in. This is especially important because if people are choosing to receive e-mails, there is no need to worry about running afoul of the CAN-SPAM Act (see later discussion) or good business practices.

Opt-in to e-mail facilities should be placed near the top of the Web page so that visitors don't have to scroll down to find it. This is like being on the top of the front page of a folded newspaper; everyone's a lot more likely to see it there. Also, nonprofits should consider adding an opt-in button to each page of the Web site, not just the home page; that way, visitors referred from search engines see it no matter what page they land on.

The sign-up form itself should be short and simple, asking for only what is necessary to get started—perhaps even just the e-mail address. More information can be collected later if it is necessary to have it. It is much easier to gain additional information once the new supporter is comfortable with communications and the mission of the organization.

Creating an Opt-In E-mail Message

Some nonprofits make the mistake of treating e-mail as nothing more than electronic direct mail, but the rules are different because of the ease with which supporters can block it, delete it, or worse, mark it as spam. We suggest the following:

Keep the subject line short. Many e-mail providers show only the first few words of the subject line, or perhaps fifty to sixty characters.

It is important not to leave the most important detail until the end because that runs the risk of having the message cut off.

Make it compelling. The goal is to have recipients *want* to open the e-mail, so it is important to say something relevant. Make the e-mail reliably worthy of being opened.

Make sure that the "From" name is instantly recognizable. Some e-mail providers don't show the actual originating e-mail address, but it is important that the sender's name be clearly recognizable by everyone on the list, whether it is an individual's name or, better yet, the name of the organization. Also, make sure that the originating e-mail address uses the Web site's domain name and not the e-mail provider's name. For example, a nonprofit does not want its address to be xyzcharity@aol.com; it is much better for it to be john.smith@xyzcharity.org or newsletter@xyzcharity.org. The same sender information should be used in every communication so that recipients can always recognize it. Supporters should be encouraged to add the e-mail address to their e-mail address book to further ensure deliverability.

Include a text portion. The e-mail should contain more than just images. Some spam filters may filter out an e-mail if it doesn't contain any text.

Link deeply. Supporters should be brought to relevant pages in the Web site, not just to the home page.

Check all images and ensure that all links work. This may seem obvious, but it's important to make sure that the images actually appear and that any links go to the right pages.

Include an easy-to-find unsubscribe link. Providing an easy, efficient way to unsubscribe engenders trust.

Include offline contact information. A physical address and phone number also helps engender trust, assuring supporters that they can contact the nonprofit offline as well as online.

Don't e-mail too often. Sending e-mails once or twice a month is generally acceptable. The goal is to send e-mail often enough that the name remains recognizable but not so often that subscribers get annoyed.

Avoid spam-filter triggers. Spam traps and filters don't like subject lines with all capital letters, exclamation points, or certain words. A proposed communication can be run through a spam-checking filter before sending it out, to maximize the likelihood of delivery. These programs will check the From and Subject lines as well as the content of the message itself. One such service that might be used is http://www.programmersheaven.com/webtools/Spam-Checker/spamchecker.aspx.

E-mail Copy

Monthly newsletters help keep subscribers connected to the work of an organization. Only articles likely to be of interest to supporters should be included, such as details about new services that will be provided, press attention the organization has received, announcements regarding important legislation or activities affecting the mission of the organization, or changes to the way the nonprofit operates. If long articles must be included, it is better to place a "teaser" in the newsletter and link to a full version on the Web site.

Promotional or fundraising e-mails can be as simple as e-mail "postcards." This is a good strategy for informing supporters about upcoming events, fundraising campaigns, or services they might find interesting. When sending promotional or fundraising e-mails, it is critical to include a "call to action," such as "Click here to. . . ." or "Visit our Web site now and register for. . . ."

Whatever the intended category of e-mail, the content should be professionally written and the visual presentation should be clean and simple. A skilled person should edit for grammatical mistakes, misspellings, and flow of ideas. At the end of this process a test e-mail should be sent to check everything one final time.

Maintain the List

As soon as an e-mail is sent, addresses that are permanently undeliverable will inevitably be revealed. These undeliverable addresses to "unknown users" are called *hard bounces,* and continuing to send e-mail to hard bounces could result in Internet service providers (ISPs) blocking an entire list as spam. Removing hard bounces from your list immediately is the first step to maintaining it.

It is also advisable to periodically "scrub" a list. Scrubbing a list means comparing addresses in the list to known bad or nonexistent domain names. Scrubbing also involves removing duplicate addresses. If addresses such as sales@company.com or info@company are included, they too should be removed. An unclean list also increases the likelihood that an ISP might block future transmissions.

When a high level of undeliverable e-mails is recorded, it is essential to identify how those addresses got onto the list in the first place and thus what the problem might be. It is relatively easy to correct misspelled domain names, for instance, if someone typed in gmai.com instead of gmail.com.

Know Your Competition

It is advisable to subscribe to competitors' e-mails. It's a great way to keep up with what they are doing online. In this way, the frequency and content of their communications can be monitored and any lessons can be drawn.

CAN-SPAM Act of 2003 and Nonprofits

The U.S. federal government's CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) Act of 2003 was created to cut down on misleading e-mails. Most of the rules apply to commercial e-mails, but the act does affect nonprofits that are selling merchandise or delivering commercial offers from corporate sponsors to donors or members. It is essential to evaluate current practices and identify whether or not any communications are covered by the act. Even if this proves not to be the case, the act does lay down guidelines that all organizations are encouraged to follow.

On the basis of the CAN-SPAM Act and good professional practice, nonprofits should do the following:

1. Provide a clear and conspicuous notice of the opportunity to opt-out from future e-mails. The notice must be in every e-mail message and must be provided to all individuals receiving the message, whether or not they have opted-in to receive e-mail.
2. Do not send subsequent e-mails more than ten business days after a recipient has requested not to receive further e-mails. Good nonprofit e-mail practices dictate that *no* charity will rent, exchange, or release any e-mail addresses.
3. Provide a valid postal address of the charity.
4. If there is a commercial advertisement in an e-mail, be clear to individuals who have not opted-in to receive commercial e-mail messages that the e-mail is a promotion, advertisement, or offer. If you are using an in-house list or renting a list of individuals who have opted-in to receive commercial e-mail offers, you are exempt from using words such as *advertisement* or *solicitation* to label the message. Otherwise, phrases such

as "you might be especially interested in this offer" should be used in the body of the e-mail.

5. Be sure that the From line accurately and clearly indicates the sender. Doing so reassures supporters and donors that the e-mail is from a trusted organization.
6. Use a subject line that does not mislead as to the message's content.

Viral Marketing

Viral marketing, or "word of mouse," uses the power of the Web for rapid and personal communication. It is a mechanism whereby an organization's donors (or other stakeholder groups) are encouraged to pass along a message to their friends and associates to promote the organization. This message may be a video clip, cartoon, political message, or news item. It could be sent as a link, a Flash e-mail, a JPEG image, or a text message. Whatever its form, the key to successful viral marketing is that the content should be compelling enough for people to *want* to pass it along.

Case Study: Kiva

Kiva is the world's first person-to-person microlending Web site, empowering individuals to lend directly to unique entrepreneurs around the globe. Visitors to the Kiva site can select entrepreneurs they wish to support and contribute to a loan using PayPal or a credit card. Kiva collects the funds and passes them along to one of a number of microfinance partners worldwide. When lenders get their money back, they can lend again to someone else in need, donate their funds to Kiva (to cover operational expenses), or withdraw their funds.

To encourage as many people as possible to use the service, Kiva facilitates its supporters to tell as many other people in their personal network as possible. Supporters can send a customized invitation from the site, print banners for posting on a notice board, or copy banner ads that can be uploaded to a personal Web site, blog, MySpace profile, or whatever. Examples are provided in Figure 11.6. The ads are engaging because they rotate the copy between "I'm a student," "I'm a teacher," "I'm a mom," "I am retired," and so on to "I'm a student and global financier" and "Lend $25—Change a life—Kiva.org." Supporters are facilitated to conduct Kiva's marketing on the organization's behalf.

Kirby (2003) argues that three components should be considered in a viral campaign:

1. *The viral agent:* creative material, message, or offer, and how it is spread (text, image, video)
2. *Seeding:* identifying Web sites, blogs, or people to whom to send your e-mail in order to start spreading the virus
3. *Tracking:* monitoring the effect in order to assess the return on the cost of developing the agent and the seeding.

Smith and Chaffey (2005) identify five categories of viral e-mail:

1. *Pass-along e-mail.* In this case the e-mail itself is the only mechanism involved in spreading the message. The viral message may be contained

FIGURE 11.6. KIVA ONLINE AD

Source: Kiva.org.

FIGURE 11.7. VIRAL EXAMPLE: THE SEAGULL STRIKES BACK

Source: World Wildlife Fund.

in an attachment or it may contain a link to a video clip or game. The aim here is to ask recipients to pass the message along to their friends and acquaintances.

2. *Web-facilitated viral marketing (with e-mail prompt)*. This form of e-mail contains a button labeled "e-mail a friend" or "tell someone else about our work." When users click through, they open a form that requests the address to which the e-mail should be forwarded. There is also (typically) an opportunity to send an accompanying message to the friend. An example of this approach from the World Wildlife Fund (WWF) is depicted in Figure 11.7. In this example, users are invited to pass along access to an interactive game, "The Seagull Strikes Back," in which the objective is to aim seagull pooh at politicians who are screwing up the environment. Points are awarded for each successful hit, and on completion of the game further involvement with the WWF is solicited.

3. *Web-facilitated viral marketing (with Web prompt)*. In this case, a page on an organization's Web site is set up with the link "tell a friend." On an arts organization's Web site, for example, this link may appear on a page promoting a new season or special event. Users are given the opportunity to spread the word to family and friends they know will be interested.

4. *Incentivized viral marketing.* In this approach, contact details for other people are not freely given. Instead, the organization encourages an individual to part with the contact information by offering some form of

incentive, perhaps entry into a prize drawing. Each time a set of details is passed on, a new entry can be made in the drawing. Such incentives can be offered on the organization's Web page or through an e-mail communication. Please note, however, that before undertaking a campaign of this nature, it is important to consider the privacy rules that apply in the jurisdiction. Because the recipient has not given their consent to be contacted it can sometimes be illegal. Gaming rules may also be an issue.

5. *Web-link viral marketing.* This final category refers to links that are seeded in newsletters, articles, discussion group listings, and blogs. These communications may be initiated by the organization itself or they may be third-party communications. The key here is to use online PR to get as much coverage for the viral agent as possible.

Integrating Offline Media

To maximize Web site traffic it is important to integrate online and offline marketing (Hart, Greenfield, and Johnston, 2005). Every piece of printed material that an organization produces should have the URL of the organization's Web site printed on it. Equally, every direct mail piece should give the recipient a compelling reason to visit the organization's Web site and begin or continue an online relationship.

Equally, e-mail can be used to bolster the response from direct mail. It can be used to alert constituents to an upcoming direct mail piece. An e-mail or series of e-mails can be sent in advance of a direct mail campaign to tell the recipient to "watch for" the direct mail piece in the coming days. Often these e-mails utilize images and artwork from the upcoming appeal, a brief explanation of the importance of the mail piece, and very importantly, a call to action.

Another strategy is to send an e-mail both before and after a direct mail piece is delivered. The first e-mail serves as an alert to the direct mail piece, and the follow-up e-mail reinforces the message of the mail piece and offers the recipient an additional opportunity to respond. Many membership organizations are moving to adjust their membership renewal series by adding e-mails to the cycle or by replacing mailed renewal notices with e-mails. If the organization can get supporters to respond to an e-mail and renew online, it saves time and money and reduces mail volume.

The Brady Campaign raises an interesting issue that follows logically from increasing moves toward campaign integration. If the nonprofit were determining the performance of its different fundraising channels,

Case Study: The Brady Campaign to Prevent Gun Violence

In the fall of 2003, the Brady Campaign to Prevent Gun Violence grew its e-mail list from an original 38,000 to 175,000 via an innovative microsite, followed by petition campaigns that focused on urgent federal legislation. A vast majority of these constituents were nondonors. Throughout two legislative battles in 2004, the Brady Campaign sent a series of appeals that included a link to contacting Congress, a "tell-a-friend" option, and a strong "ask" for funds that often included examples of print or TV ads. Typical responses ranged from 0.19 to 0.37 percent, and average gifts ranged from $24 to $46. This return compares favorably to typical e-mail acquisition response rates of 0.1 percent. New donors via the Internet grew from 311 in 2002 to 3,244 in 2004. The Brady Campaign acquired these new donors at a very positive ROI because sending an e-mail appeal does not have any marginal costs once the software is in place.

The organization decided to test other channels to drive incremental conversion of these online-sourced constituents to being donors. Having collected postal mailing addresses for about 23 percent of its e-mail list, the Brady Campaign sent a direct mail solicitation to online nondonors asking them to join. The result was a 1.26 percent response rate. This response rate was 11 percent higher than the overall mailing response rate of 1.11 percent to the group's standard direct mail rental lists. The average gift from e-mail constituents in response to the direct mail appeal was 19 percent higher—$24.22 compared to the average gift of $20.52 from the overall mailing. The key acquisition metric, the net cost per acquired donor for the e-mail list, was $6.22 compared with $15.71 for the overall mailing.

The Brady Campaign also contacted nondonors on the e-mail list via phone. It matched about twenty thousand records of e-constituents who had taken at least one advocacy action. Telemarketing drove a 21 percent pledge rate with an average gift of $27.38.

Source: Compiled from resources at http://www.convio.com/our-research/newsletter/fundraisings-new-synergy.html.

how would it credit the money raised? Most fundraisers would credit the revenue to the channel in which it was raised, but this approach fails to recognize the value of the original sourcing and engagement channel—in this case, the Internet. Similar problems arise in thinking through how to credit the future revenue raised from these donors. Most fundraisers again would credit the revenue to the channel in which it was raised, ignoring not only the contribution of the origination channel but also the value of ongoing engagement and communications through a multichannel approach. For example, if a donor opted to renew via the mail but continued to receive and read e-mail updates and take advocacy actions online, how then should the renewal dollars be allocated?

Fundraisers must begin to assess channels in aggregate and to drive coordinated multichannel donor development, solicitation, and retention strategies. It is important not only to measure the integrated effect in the context of a single campaign, such as an acquisition or renewal effort, but also to assess the factors that influence donor lifetime value. It is critical to understand how best to leverage each channel's strengths and how to optimize their coordination.

Fundraising Portals

There are five types of portals that are of relevance to fundraising:

1. *Giving portals.* These are Web sites designed to help members of the general public make online gifts to causes they support. Typically, a giving portal profiles a number of organizations that are related to a specific cause (wildlife, health, human rights), allows visitors to browse between different organizations, and then provides them with a donation form to make a donation to the organization of their choice. It is usually free for a nonprofit to register with these portals, and some will provide software for the nonprofit to put a branded click-through link on their Web site. One of the largest giving portals in the United States is Network for Good, a Web site that allows visitors to view information or donate to a wide variety of organizations. Giving portals are a relatively inexpensive giving channel, typically charging about 3 percent of each donation, with no other fees.

2. *Affinity shopping portals.* There are a number of virtual shopping malls online that support the nonprofit community. Typically, a mall charges a commission to the stores that populate it and then shares a percentage of this commission with nonprofits. In many cases, nonprofits need only register in order to become an option among others that shoppers can designate as a recipient charity. Shop2Donate.org, for example, allows visitors to support any of its partner charities with a percentage of their online shopping. There are no additional charges for the user or the nonprofit. More than 850 online stores are featured, and up to 40 percent of each purchase can go directly to a nonprofit.

3. *Online charity auctions.* A number of commercial organizations such as e-Bay auction items donated by celebrities and donate the funds generated to good causes. To work with eBay, a nonprofit must first sign up with MissionFish (http://www.missionfish.org). People selling items on eBay can then elect to send a percentage of their proceeds to the nonprofit. Once the item is listed, bidding begins in the normal way (although nonprofits do reserve the right to cancel items listed on their behalf). If the item sells, the seller gets paid by the buyer and ships the item just as he or she normally would. MissionFish collects the donation from the seller, pays the nonprofit, and provides a tax receipt to the seller. Another excellent option is cMarket.com, which allows organizations to host their own online auctions, and http://www.Karma411.com, which allows individuals to raise funds creatively for the organization they support.

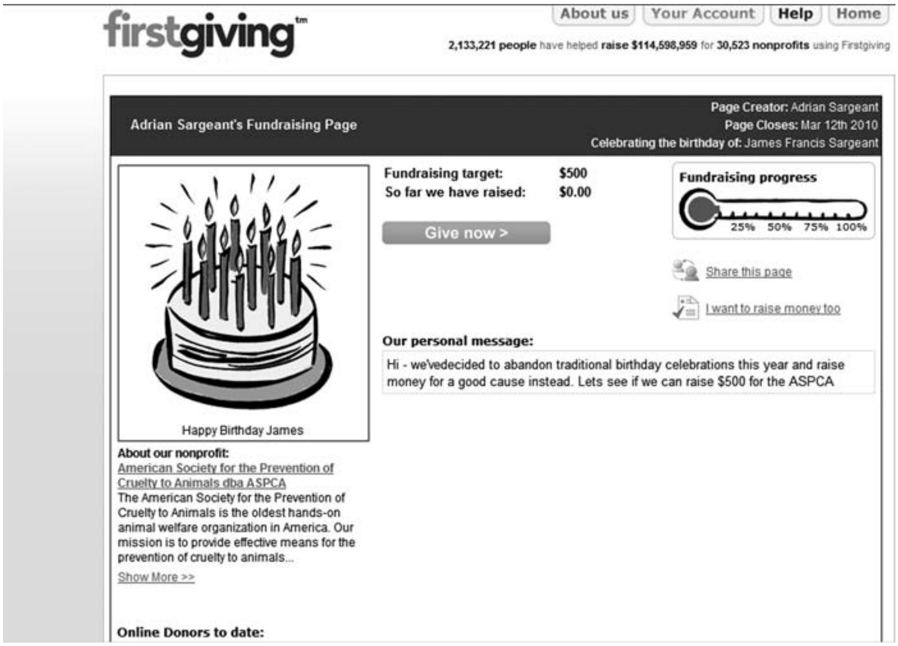
4. *Sponsorship portals.* Sites such as http://www.firstgiving.org have revolutionized the way in which sponsored events are now operated. In the old days, if one were looking to raise funds for an organization, perhaps by taking part in a sponsored run or challenge event, it would be necessary to obtain a commitment on paper from every potential sponsor. At firstgiving.org supporters can create an online fundraising page with the charity's name and logo and e-mail it to everyone they know. Friends, family, and colleagues can then donate by credit or debit card, and firstgiving.org forwards the total (minus a 7.5 percent transaction fee) to the beneficiary charity. The site is useful not only for sponsorship; pages can also be set up to raise funds in memoriam or even to celebrate a family event such as a birthday, anniversary, or wedding (see Figure 11.8). As of September 2009, 2,007,354 people had helped raise $108,069,192 for 29,339 nonprofits.

5. *Charity search engines.* A number of search engines are set up to donate funds to nonprofits. GoodSearch (at http://www.goodsearch.com), for example, donates 50 percent of its revenue to charities and schools designated by its users. GoodSearch is used exactly as one would use any other search engine, and because it is powered by Yahoo! it generates excellent results. Searchgive (at http://www.searchgive.com) operates in a slightly different way. On average, searches generate about $0.01 per search, and the organization sends users' chosen charities a check when their accounts reach $25.

Donation Collection

A further key issue for fundraisers to address online is how their donations will be handled. There are a number of ways of arranging for donations

FIGURE 11.8. EXAMPLE OF A SPONSORSHIP PORTAL



Source: http://www.firstgiving.org.

to be processed electronically (Quinn and Leland, 2005). These include the following services:

Giving portals such as JustGive.org. At http://www.justgive.org a nonprofit organization can create a giving page that appears very much like a page on its own Web site. The page is hosted by the organization and can handle both one-time and recurring donations. It is even possible for a donor to "tell a friend" about their support of the organization. The service allows customized thank-you letters to be generated automatically. This option is very inexpensive; ninety-seven cents of every dollar donated goes directly to the nonprofit. JustGive's database contains nearly 1.5 million charities and its JustGive Guide includes a thousand charities that have met stringent public requirements. The charities are grouped into nineteen categories to make searching easier and faster. Other commercial services exist, such as Network for Good. Fees vary by supplier.

Online payment specialists. An alternative would be to use an online payment specialist. A very helpful list of 193 such suppliers can be found at http://www.NonprofitMatrix.com. These specialists can be employed to provide support for various online transactions, including but not limited to donations. Additional support is provided for event registrations, product sales, and membership dues. Fees typically take the form of a monthly service fee ($20 to $50), plus a percentage of each transaction (typically 3 to 8 percent).

Integrated online solutions. Payment systems are rapidly becoming integrated with other online solutions such as the management of e-mail communications, Web content, and the supporter database. Products such as Blackbaud's eTapestry or Kintera and Convio's GetActive offer integrated solutions to manage relationships with supporters. Again, the excellent NonprofitMatrix.com can also be used to identify alternatives. In this case, it is difficult to compare pricing among these options. Prices depend on the range of services provided.

Online Communication Metrics

Although online tools are creating incredible opportunities for nonprofit organizations to interact with various constituencies more effectively and efficiently, these tools also create new challenges. One of the key challenges faced by organizations using both online and offline techniques and media is how to understand what is motivating constituents to take action. Careful analysis of a range of metrics must be undertaken.

Open Rates

The open rate is the percentage of recipients who actually open e-mails. It is calculated thus:

$$\text{Open rate} = \frac{\textit{Number of Messages Opened}}{\textit{Number of Messages Delivered}}$$

The open rate measures recipients' interest in the From and Subject lines of an e-mail. These two fields have just one job—to convince recipients to open the communication. After that, the text, layout, and any images in the e-mail take over.

Good open rates range between 12 percent and 25 percent. However, open rates are declining across all organizations as a result of changes in how e-mail clients are handling images. Because software packages can't know whether someone actually opened an e-mail, they calculate the open rate based on whether the recipient views a tiny image file hidden in the body of the e-mail. Because more and more e-mail clients default to blocking all images or showing only plain text, people can open the e-mail without being counted by the software package.

This means that the open rate is a questionable metric. It can still be a useful way to compare the success of one subject line to another, but it shouldn't be considered a measure of who has actually seen an e-mail.

The open rate can be improved by doing the following:

Creating more compelling From and Subject lines. Good rules of thumb include asking a question, keeping subject lines under six words, and using lowercase letters in all but the first word and proper nouns.

Testing your subject lines. There are several ways to do this. If a nonprofit has more than ten thousand or so people on its list, two separate e-mails can be created with the same body information but different subject lines and each can be sent to half the list. The open rate can be measured for both e-mails and the results can be compared. Over time a nonprofit can gain considerable understanding of what works and what doesn't. This type of testing is called A/B testing, because you're measuring the performance of e-mail A against e-mail B.

Click-Through Rates

The click-through rate (CTR) is calculated as follows:

$$\text{CTR} = \frac{\textit{Number of Click-Throughs}}{\textit{Number of Messages Delivered}}$$

The CTR provides data on how interested recipients were in a particular issue and on how well that interest converted into click-throughs. Advocacy appeals typically have a much higher CTR than fundraising appeals. If a nonprofit organization sends out both types of e-mails, track the results separately to predict results from both types of communication.

Expect to see CTRs between 1 percent and 10 percent. If the intention is to ask people to take an action that doesn't involve money—for instance, e-mailing their congressman, taking a survey, or getting a free bumper sticker—a much higher CTR will be achieved than with a fundraising e-mail. Results for e-newsletters fall somewhere between the two.

There are a number of variations on CTRs. One common variation, which we'll call an adjusted click-through rate (ACTR), is calculated by dividing the number of click-throughs by the number of messages opened. Whereas a basic CTR will be lowered when few people open an e-mail, the ACTR removes the impact of the open rate to measure how effectively the e-mail text and format is directing people to the links. Generally, expect to see an ACTR of 10 percent to 40 percent.

Some other CTR variations divide click-throughs by messages sent rather than by messages delivered, or they divide unique clicks—the number of click-throughs by different users—by messages delivered. Whichever variation is selected, it is important to ensure that everyone in the organization uses the same equation. Comparisons with the performance of other organizations must be undertaken with similar care.

To improve the click-through rate, do the following:

Make content and descriptions compelling. Provide recipients with something they really want to click to see and a description that makes it clear why they should take action.

Ensure that the subject line prepares the reader for the content. If the subject line matches the e-mail content, the reader will see what they expect when they open the e-mail and be more likely to take action.

Highlight what you want readers to click on. A call-out box, generally an outlined or colored box with a link and a simple call to action, can increase CTRs, as can buttons and relevant images. A hotspot or hyperlinked text-based call to action located at the top of an e-mail, above even the header or any other HTML codes, can also be included. This ensures that readers will see the message even if they have image-viewing disabled in their e-mail browsers.

Response or Conversion Rate

The response or conversion rate is calculated as follows:

$$\text{Response rate} = \frac{\textit{Number of Actions Taken}}{\textit{Number of Messages Delivered}}$$

The response rate is the best way to measure the effectiveness of an e-mail campaign. After all, it likely doesn't matter if readers open or click in an e-mail if they don't ultimately take the action that was intended.

The rate achieved will depend a great deal on what action is requested. A good fundraising e-mail response rate might range from 0.75 percent to 2 percent. A response rate for an advocacy e-mail is likely to be considerably higher at 3 percent to 15 percent. It can be harder to interpret a response rate for this type of e-mail, because people are more likely to pass the e-mail on to their friends. In this case, people who didn't receive the original e-mail may take action, skewing the numbers somewhat.

To improve the response rate, do the following:

Provide a compelling reason to act. The way a story is framed or the action requested will drive the response rate.

Optimize the landing page. Make the action simple and obvious by limiting users' choices as much as possible. Add a compelling image, remove the distraction of navigation bars, and minimize the number of links on the page. These elements can substantially improve the response.

Unsubscribe Rate

The unsubscribe rate is calculated as follows:

$$\text{Unsubscribe rate} = \frac{\textit{Number of Unsubscribes}}{\textit{Number of Messages Delivered}}$$

The unsubscribe rate measures how an organization holds its subscribers' interest over the long run. If subscribers do not like what's being said, don't find it interesting, or feel they are being sent far too many e-mails, they'll choose to leave the list.

If lists of names are being acquired from outside sources, the unsubscribe rate can be particularly important for understanding the ROI. A new list with a very low unsubscribe rate is much more useful than one in which everyone immediately unsubscribes.

In general, the unsubscribe rate should be very low; between 0.3 percent and 1 percent is normal for a single e-mail. However, this number varies significantly by organization and issue, and over time.

To reduce the unsubscribe rate, do the following:

Provide more value. Send e-mails that are viewed as useful by those who receive them rather than focusing solely on the needs of the organization.

Reduce the volume of e-mail. If e-mails are being sent more often than every couple of weeks and seeing a high unsubscribe rate, it may be necessary to decrease the volume. However, the response rate should be assessed as well, because if the e-mails are getting a good response from a committed base of supporters, it may be appropriate to let those who are less interested unsubscribe, or to try to decrease the volume of e-mails only for those who aren't as active.

Allow unsubscribers by e-mail type. Recipients can be provided with an opportunity to unsubscribe from a particular category of e-mail instead of opting out of all further communications. A subscriber might appreciate an e-newsletter but be put off by fundraising appeals.

The four basic metrics needed to track and measure the success of online communications (pen rate, CTR, response rate, and unsubscribe rate) are simple to calculate. Over time an organization can build up significant knowledge about what to expect from its communications, and it can learn to identify quickly when something is going wrong. As new ideas are tested over time, online communications can be optimized. Continually testing new ideas and approaches is the key to long-term success.

Summary

The Internet offers a wealth of opportunities to move away from purely passive relationships with supporters. The tired old approach of hosting a simple donate button on a Web site is no longer enough. The Web is at its best when it is used to develop a community of support in which supporters can interact with an organization *and* with other supporters like themselves.

In this chapter we have examined the role of an e-fundraising mix in developing this sense of community. We have addressed the critical topic of how to drive traffic to a site by studying search engine optimization and pay-per-click advertising. We have also explored the role of online PR and the rise of consumer-generated media in particular. Nonprofits no longer need to focus solely on getting their message out to potential supporters. The focus in the coming years will be on leveraging the social networks of existing supporters and facilitating them to conduct that work on the organization's behalf. In this chapter we have suggested many practical ways in which this goal might be accomplished.

Discussion Questions

1. What is meant by the term *e-philanthropy?* Why might it be important to take this broader perspective on the development of an online presence?
2. What is meant by the term *Web 3.0?* How does it differ from *Web 2.0* and *Web 1.0?* Why should fundraisers be aware of the difference?
3. What advice would you offer a fundraiser seeking to optimize his or her organization's performance in a Google natural search?
4. What is pay-per-click advertising? What factors have to be considered when advertising in this way?
5. How might a human rights organization utilize online PR to drive traffic to its site?
6. Critically evaluate the Web site of a nonprofit with which you are personally familiar. In what ways does this organization seek to build community online? How might its approach be improved?
7. What options are available to a nonprofit looking to collect donation payments from donors online? What advice would you offer a small nonprofit anticipating donations of only $500 per month?
8. What response rate might you expect from an e-mail to existing supporters soliciting a further donation? What factors would influence the response rate achieved? How might you optimize it?

CHAPTER TWELVE

DONOR RETENTION AND DEVELOPMENT

By the end of this chapter you should be able to:

1. Define loyalty in the context of fundraising.
2. Understand the significance of enhancing donor loyalty.
3. Describe the drivers of donor loyalty.
4. Develop a retention strategy for various categories of supporter.
5. Employ key loyalty metrics to inform and measure the success of the strategy employed.

Building donor loyalty is the single biggest challenge facing the nonprofit sector today. Nonprofits both large and small continue to lose their donors at an astonishing rate and the situation appears to worsen each year (Sargeant, 2008). Low levels of loyalty matter for a variety of reasons. First and most obvious is that fewer donors equates to fewer donations, but there are many other reasons:

1. *The costs of acquisition through direct forms of fundraising are high* (Maltby, Gorski, and Ingram, 1991). It typically costs nonprofits two to three times as much to recruit a donor than the donor will give in the first donation (Gaffney, 1996). As a consequence most nonprofits lose money on the recruitment of donors through traditional direct response media

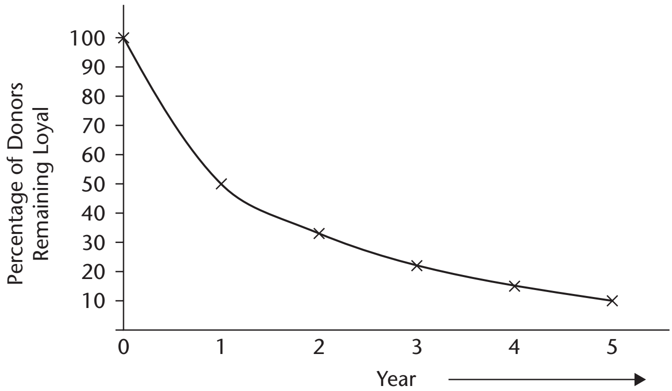
such as direct mail. If an organization is able to improve loyalty, it loses fewer donors and doesn't have to spend what are often significant sums to replace them.

2. *Opportunities for "cross-selling" and "up-selling" are lost* (Christopher, Payne, and Ballantyne, 1991). In other words, loyal supporters can typically be persuaded to upgrade their giving and to give in a variety of different ways, such as making additional donations to other categories of campaigns, purchasing from a trading catalog, volunteering time, pledging a bequest, and so on (Sargeant and Jay, 2009).
3. *Loyal donors are more likely to engage in good word-of-mouth or "word of mouse" advertising.* Loyal supporters will tell their friends about the organization, talk up its programs and services, and advocate that others offer their support (Palmer, 1994; Chaffey and Smith, 2008).
4. As we shall establish in a later chapter, *loyal donors are the best prospects for bequests.* The higher the levels of loyalty attained in annual giving, the better the performance of a bequest program is likely to be.

Despite all the potential advantages that enhancing donor retention could convey, the scale of the opportunity remains as sizeable as ever. McGrath (1997) identifies that a typical U.K. charity experiences an annual attrition rate of between 10 to 20 percent of all supporters who make more than one contribution. More recently, Sargeant and Jay (2004) suggest that the picture has worsened. They break down the aggregate retention figure to examine both cash and sustaining donors and conclude that a typical charity will lose 50 percent of its cash (that is, annual) donors between the first and second donation, and up to 30 percent annually thereafter (see Figure 12.1). Annual attrition rates of 20 to 30 percent for regular or sustained givers are common. Recent data collected by the Association of Fundraising Professionals (AFP) suggest that the pattern of retention in the United States may be even lower than that in the United Kingdom, with attrition rates in initial cash giving being reported at a mean of 74 percent (Levis, 2009).

These appalling statistics matter because even small improvements in donor loyalty can have a huge impact on the returns an organization is able to generate from its fundraising. In other words, we are wasting potentially enormous sums of money by failing to address the issue. To illustrate, over the years we have been involved with the analysis of many different nonprofit databases and have been able to model the impact of different levels of donor loyalty on the future value of an organization's relationships with its donors. Typically a 10 percent improvement in the

FIGURE 12.1. DONOR RETENTION CHART



level of loyalty now increases the lifetime value (LTV) of the fundraising database by around 50 percent. This happens because the effect compounds over time.

Impressive though this effect may be, it is certainly not the end of the story. If one were to put a cash value on all the other benefits of enhancing loyalty listed earlier, the effect today of increasing donor loyalty by 10 percent would be to enhance the LTV of the fundraising database by up to 200 percent (Sargeant and Jay, 2004).

In reality, the exact percentages are unimportant. It doesn't matter whether on average a 10 percent increase in loyalty leads to a 50 percent, 100 percent, or 150 percent increase in LTV. The point is that organizations need to know in their *specific* case what difference it would make. Smart organizations make sure that all their fundraisers are aware of these figures too so that they can allocate their budgets accordingly. They also make sure that every donor-facing member of the staff (or volunteer) is aware of these numbers so that the next time anyone is tempted to be short with a caller or fails to make that little extra effort to provide a requested piece of information, they know what impact this could have on the future of the organization.

In this chapter we therefore focus on the topic of loyalty. We introduce readers to definitions of *loyalty* and key concepts such as donor LTV, the loyalty ladder, and relationship fundraising. We also examine the key drivers of loyalty and the steps that organizations can take to build loyalty among various categories of supporters. The chapter concludes with an examination of key loyalty metrics.

What Is Loyalty?

This isn't as straightforward a question as it might at first seem. At first glance it would seem obvious that loyal donors are those who continue giving year after year. From this perspective, loyalty is viewed as a behavior. But many donors may not respond to particular campaigns or may skip a year or two of support. Some potentially major donors cultivated now may not give for another five years. Should they still be considered loyal? Equally, we know from research that an average donor supports about five or six other organizations, some of which may command a much bigger slice of the donor's generosity (Sargeant, 1998). Are they really loyal to one focal nonprofit?

To complicate matters still further, a key difficulty for many nonprofits lies in deciding when donors have actually lapsed in their support. If they are annual fund donors, they are typically classified as lapsed when they haven't given for eighteen months, but this is an entirely arbitrary decision. Why not twenty-four months, or twelve? In reality there are no easy answers to these questions, and different organizations take different perspectives.

Viewing loyalty as a behavior is certainly the most common approach in fundraising, but there are others. Kroenert and colleagues (2005), for example, suggest that organizations could look at the following:

- *Psychological commitment.* Do donors feel an emotional connection to the nonprofit?
- *Future intentions.* Do donors plan to give again in the future?
- *Future giving levels.* Do donors plan to give more or less or maintain current giving levels in the future?
- *Satisfaction.* How satisfied are donors with the work of the nonprofit?

Sargeant and Jay (2004) adopt a more pragmatic perspective, arguing that these approaches are interesting only in as much as they predict future behavior, so it is the study of behavior that should be of most interest. In an attempt to do this, many organizations routinely calculate their attrition rate, that is, the percentage of donors they have lost in a given year. The attrition rate can be calculated thus:

$$\frac{\textit{Number of donors who left in the year}}{\textit{Average donors in the year}} \times 100$$

So, if the nonprofit has 1,000 donors in January 2009 and 2,000 donors by year's end and 300 quit during the year, then the average number of donors would be 1,500 and the attrition rate would be calculated as 100 × (300/1500) = 20 percent. Although this sounds plausible, it suffers from a number of drawbacks. In the current example, if the organization had a big donor-recruitment drive that added only 1,000 new donors in November, putting an "average" number of donors for the year into the equation makes little sense. The "real" rate of attrition would be closer to 30 percent.

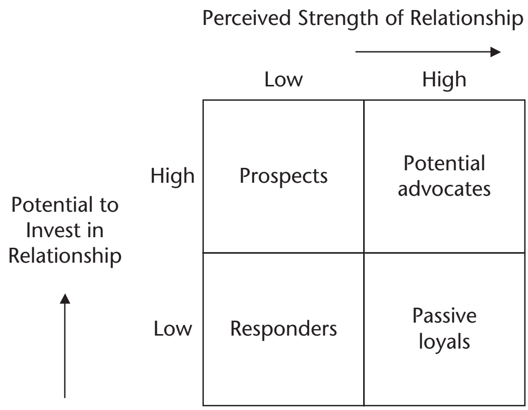
The other problem with this approach is that it offers only the most basic utility. Losing 20 percent of an organization's lowest-value donors may not be a problem, but losing 20 percent of the highest-value donors could be potentially disastrous. For this reason, most nonprofits measure levels of attrition among specific groups of supporters or track the subsequent performance of cohorts of donors recruited from specific campaigns. It is important to be aware, though, that this approach is not without its critics. Direct response fundraising guru Mal Warwick (personal communication, September 16, 2009), for example, regards the notion of an attrition rate as unhelpful and argues that "it's far more useful for an organization to know *how many* of the previous year's donors didn't give last year and thus must be replaced through acquisition." He is not alone. Many organizations focus purely on these figures. The AFP's Fundraising Effectiveness Project, for example, focuses attention on annual gains and losses of both donors and donations. A sample of their work was provided in Chapter Nine.

Recruiting the Right People

Regardless of which approach is taken to measure loyalty, one of the keys to successful retention lies in recruiting the right donors in the first place. It is important to recognize that not everyone recruited will have the same perception of their relationship with the organization. Indeed, many individuals will not want any form of relationship at all, whereas others will have various degrees of motivation to invest in and develop that relationship. Some individuals will elect to give only once; for others the cause will be so emotive that they will continue giving for many years, or possibly even a lifetime.

This idea is represented diagrammatically in Figure 12.2. Here we plot the perceived strength of the relationship against the potential to invest in that relationship. In the bottom left quadrant we have placed

FIGURE 12.2. A TYPOLOGY OF LOYALTY



responders, who are individuals with little or no sense of relationship and no potential to invest. Although most nonprofits continue to regard everyone who contributes to their organization as a donor, this can be an overly simplistic view because some individuals are really not donors at all. Many will have been motivated to respond because of the sheer quality of the appeal. Perhaps they were asked to give by a close acquaintance or were stimulated by a powerful direct marketing "mail shot." Whatever the case, these individuals were simply approached in the right way, at the right time, and with the right message. Sadly these conditions may never be perfectly replicated. There is thus nothing that nonprofits can do to manage retention among this group, and rather than persist in trying, the organization would do better to conserve its resources and look to invest them elsewhere.

In the top left quadrant of the matrix we have placed a group we have labeled *prospects* because although they have as yet responded only to a particularly striking appeal, they can, if properly handled, be motivated to give again. It is important to recognize that the donors in this group are really only responders with a general interest in the cause. They can be persuaded to give again, but only by solicitations that are similar to that which recruited them in the first place. In a face-to-face context this may be relatively easy to accomplish, with the same individual fundraiser dispatched to make a similar form of "ask." When direct marketing media, such as direct mail, have been used, the position is more complex but still manageable. In this context, nonprofits have found that developing a "welcome cycle" can turn these prospects into loyal donors. A welcome cycle entails sending newly recruited donors a unique program of communications for the first twelve to eighteen months. During this period they aren't sent the standard development mailings but rather a set of communications most likely to engender a response. In practice, many successful nonprofits use their three or four best cold recruitment packs for this purpose and bundle these as their welcome cycle. This approach works, because if donors can be persuaded to give at least twice (and ideally three or four times), our research shows, they begin to perceive that they have a relationship with the organization that they are increasingly willing to develop over time. This willingness occurs because after multiple donations the donors are less able to rationalize their giving by reference to external pressures and begin instead to ascribe their giving to a genuine concern for the cause. In effect, donors can no longer tell themselves that they don't really care about the organization. This explanation no longer fits their pattern of behavior.

We have labeled individuals in the bottom right quandrant of the matrix *passive loyals.* They have no interest in deepening their relationship with the nonprofit but can be fiercely loyal because they often care passionately about the cause. If a large number of these individuals have been recruited, it is likely that the nonprofit will have undertaken careful research about potential major givers or bought particularly well-targeted mailing lists. Either way, campaigns that generate high numbers of supporters in this category have successfully matched their cause with individuals who are genuinely interested and concerned. What distinguishes these individuals from potential advocates (in the top right quadrant of the matrix) is simply that these individuals are content merely to give and do not wish to engage with the organization in other ways. Potential advocates, by contrast, are individuals who over time can be persuaded to engage in many different ways, perhaps by assisting in campaigning, raising funds and encouraging others to give, or even volunteering to assist with service provision.

Of course it would be ideal if it were possible to identify these four categories of supporters from the outset. Responders could then be left alone and the resource allocated to the development of prospects and potential advocates who, on receipt of appropriate communications, would begin to maximize their value to the organization. Crucially, they would also maximize the value that they in return generate from the organization as a consequence of their giving and support. In the context of major giving, the attentive fundraiser will undoubtedly begin to get a sense of the level of interest and commitment that a given individual might have and can use this knowledge to ensure that sensitive and appropriate solicitations are made in the future. In the direct response context this is sadly not the case and, faced with a list of newly recruited donors, it is impossible to categorize people in this way. In seeking to maximize retention in this context, the best advice is thus to develop a welcome cycle to which all new donors will be exposed. This will have the effect of retaining the interest and commitment of passive loyals and advocates whilst at the same time inculcating a culture of giving among the prospects. These individuals not only become comfortable with supporting the cause but over time also become more familiar with the work the organization undertakes and begin to understand the genuine value that the nonprofit is adding. They ultimately begin to make choices about giving for these reasons rather than because they merely find the campaign materials attractive. This is a much more sustainable pattern of giving.

The increasingly sophisticated field of fundraising analytics can also be helpful in filtering out individuals who will give only once. Organizations with good quality data on the giving patterns of their donors can identify whether responders have any characteristics (demographics, lifestyle, and so on) that distinguish them from other groups. This information can then be used to refine the targeting of donor acquisition campaigns, thereby ensuring that these individuals are not recruited in the first place (Birkholtz, 2008).

Building Donor Loyalty

Earlier in this text in Chapter Four we considered why individuals give to nonprofits. Here we examine the corollary: why they stop. Sargeant (2001) conducted the first comprehensive study of why donors stop giving to specific nonprofits. The results are depicted in Table 12.1. In interpreting these data it is important to recognize that donors could select as many reasons as they wished for the termination of their support. Thus the columns do not total 100 percent.

It seems clear that many donors lapse because of a change in their financial circumstances or because of a desire to allocate their resources elsewhere. It is important to note, however, that many donors appear simply to be switching their support to other organizations that they perceive as equally or more deserving. This is clearly good news for the nonprofit sector, but bad news for the particular organization. Rather less encouraging is

TABLE 12.1 REASONS FOR LAPSE

Reason	U.S. %
I can no longer afford to offer my support	54.0
I feel that other causes are more deserving	36.2
Death or relocation	16.0
X did not acknowledge my support	13.2
I have no memory of having supported	11.1
X did not inform me how my money had been used	8.1
X no longer needs my support	5.6
The quality of support provided by X was poor	5.1
X asked for inappropriate sums	4.3
I found X's communications inappropriate	3.8
I am still supporting by other means	3.4
X did not take account of my wishes	2.6
Staff at X were unhelpful	2.1
I was not reminded to give again	0.0

that it seems that a number of donors quit because of poor quality service from the organization. Many nonprofits appear not to thank the donor adequately, to inform them how their monies were spent, or to offer them sufficient choice in communications.

Nonprofits can also cause donors to quit by thoughtless use of incentives. Some nonprofits attempt to reward donors for their support by offering small gifts and premiums the value of which climb with the value of the gift. The authors have, for example, encountered organizations that offer discounts at local restaurants or traders in return for the gift. Where premiums are unrelated to the nonprofit (as in these examples) they can ultimately destroy loyalty, because loyalty is built to the premium rather than to the organization. Over time this approach also trains donors to expect a premium and eventually persuades them that they're engaging in an economic exchange, not a heartfelt one. A much smarter strategy to adopt would be to offer gifts that are intrinsically related to the nonprofit, as when, for example, National Public Radio (NPR) offers CDs of music or programs that are obtainable only from NPR. Such gifts remind people of the value they receive from the station and strengthens the bond.

The study by Sargeant (2001) also examined the underlying reasons that donors quit by looking at the impact of a range of other determinants of giving. The following factors were identified as having an impact on retention:

1. *Recognition*. Donors were significantly more likely to quit if the recognition offered to them was seen as inappropriate or insufficient given the size and nature of their gift.
2. *Personal benefit versus altruism*. Interestingly, donors motivated by a desire to attain some personal benefit in return for the gift were significantly more likely to lapse than those motivated by more altruistic concerns.
3. *Pressure*. Those donors who felt under significant peer pressure to make a gift were more likely to lapse.
4. *Service quality*. The donor's perception of the quality of service provided by the fundraising department had an impact on retention. Donors with more favorable perceptions of the communications they received were significantly more likely to remain loyal.

Donor Satisfaction

Donor satisfaction with the quality of service provided by the fundraising team is the single biggest driver of loyalty toward the organization. There are close parallels here with the commercial sector, where similar findings have been discovered (Jones and Sasser, 1995). It is for this reason that surveys of customer satisfaction are now so ubiquitous. Such surveys typically ask customers to report how satisfied they are with each aspect of the service, and then conclude with an "overall, how satisfied are you?" question at the end. It is this latter question that is generally the focus of most managerial interest, and with good cause. Customers are often asked to indicate the degree of their satisfaction on a five-point scale such as the following:

1. Very dissatisfied
2. Dissatisfied
3. No opinion or neutral
4. Satisfied
5. Very satisfied

The reason for the commercial interest is that corporations discovered a long time ago that there is a world of difference between customers who indicate they are very satisfied and those who indicate they are just satisfied. On average, across a whole range of contexts, customers who say they are very satisfied are six times more likely to repurchase than those who are merely satisfied (Jones and Sasser, 1995). In the context of fundraising, the multiple isn't quite so high, but research still tells us that donors who are very satisfied are twice as likely as those who are merely satisfied to give the next year (Sargeant, 2001).

The upshot here is that charities need to measure donor perceptions of the quality of service provided to them. In doing so, it is necessary to develop a measure that is properly tailored to the organization. It will need to reflect the existing pattern of communication; the content, style, and tone of that communication; the different ways in which donors can interact with the organization; the manner in which any issues or complaints may be dealt with; and (in a membership context) perceptions of the package of benefits that may be offered. An aggregate satisfaction score can easily be created by calculating the average rating across all of the dimensions or, preferably, by calculating the total score. An alternative would be to pose an additional question asking donors how satisfied they are overall. In the latter case, however, it would still be necessary to pose the additional questions, because there is otherwise no mechanism for determining how to improve. Some examples of appropriate questions are provided in Exhibit 12.1.

Measuring donor perceptions is only part of the equation. To improve, it is also necessary to understand how important each dimension of the service is to the supporter base. Some aspects of the service can receive low ratings, but if they aren't important to the donor there may be no real need to improve. By contrast, if low ratings are received on dimensions that are important to the donor, the fundraising team can focus their attention and resources at fixing the issue. An identical scale can be employed to measure importance by modifying the five-point scale to range from "very unimportant" to "very important."

Armed with this information, the fundraiser might then plot each dimension in a matrix such as that presented in Figure 12.3. Service dimensions in the top left quadrant, which score highly on both satisfaction and importance, can be kept as is. The prescription here is essentially to "keep up the good work." In cases where the service scores highly on satisfaction but low in importance (lower left quadrant), the suggestion is that the organization may be indulging in overkill. It is very good at doing things of little consequence. Equally, where satisfaction levels are low and importance scores are high (upper right quadrant), the prescription would

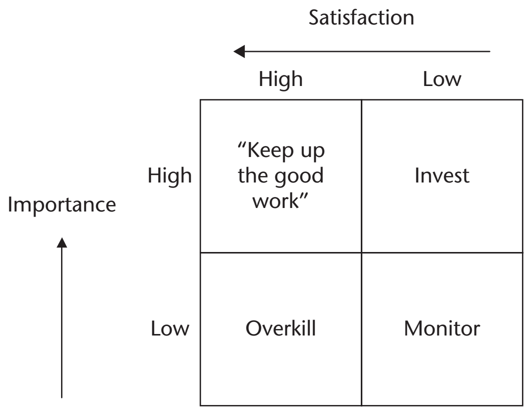
Exhibit 12.1. Measuring Donor Satisfaction

Please rate your level of satisfaction with each of the following aspects of the service that XXX provides you as a donor, where 1 = very dissatisfied and 5 = very satisfied.

	Very Dissatisfied	*2*	*3*	*4*	*Very Satisfied*
Informing me how my money is spent.	❑	❑	❑	❑	❑
Not asking for support too often.	❑	❑	❑	❑	❑
Offering me some choice in the communications I receive.	❑	❑	❑	❑	❑
Thanking me appropriately.	❑	❑	❑	❑	❑
Recognizing the contribution I've made in the past.	❑	❑	❑	❑	❑
Demonstrating they care about my needs.	❑	❑	❑	❑	❑
Making it clear why my continued support is needed.	❑	❑	❑	❑	❑
Giving me opportunities to support XXX in other (nonfinancial) ways.	❑	❑	❑	❑	❑
Using an appropriate style and tone in their communications.	❑	❑	❑	❑	❑

be to invest. Here the organization is weak at providing aspects of the service that really matter to donors and those areas need to be improved. Finally, where satisfaction ratings are low and importance ratings are similarly low (lower right quadrant), the prescription would be to monitor these factors, to check on them periodically, because they have a habit of becoming important at some point in the future.

FIGURE 12.3. IMPORTANCE AND SATISFACTION MATRIX



There is a final layer of complexity in measuring donor satisfaction that fundraisers need to be aware of. Donor satisfaction is not only a function of donors' perceptions of the experience; it is also a function of what they were expecting to receive from the outset. Of course, ask most donors what quality of service they were expecting to receive from the fundraising team and they will stare back in bewilderment. Many won't be able to conceptualize this in the abstract. It can therefore be meaningful to use a proxy and see what donors experience from other nonprofits they support. Whether they are consciously aware of it or not, how they are treated by other charities will certainly drive what they expect when they start giving to another. In any case, it can be very helpful to have a sense of how a focal nonprofit compares with others in the sector, so this is a helpful proxy in all kinds of ways.

It is important to stress though that there *are* scenarios when it is perfectly meaningful to ask supporters what they were expecting. Many supporters will have a clear view on this. In the membership context, they certainly will, and the same may also be true in the case of major donors. In these cases it is up to the organization to select the best approach and use a version of the five-point scale we discussed earlier to capture the requisite data.

Donor Commitment

More recent work by Sargeant and Woodliffe (2007) has looked at the role of donor commitment in driving loyalty. Another piece of learning from the commercial world is that sometimes even very satisfied customers will quit. One day they will just decide to do business with someone else. What this tells us is that satisfaction, although important, is not the only underlying factor at work. Some customers will quit because although they are satisfied, they lack commitment to the organization.

Commitment is defined as a genuine desire to maintain a relationship into the future. In the giving context it is a genuine passion for, or belief in, what the organization is trying to achieve: "I really care about the future work of this organization." It differs from satisfaction because satisfaction is an amalgam of experience while commitment is a forward-looking construct.

It turns out that in the nonprofit context there are actually two types of commitment (Sargeant and Woodliffe, 2005): passive commitment and active commitment. Active commitment is the enduring passion for the organization just described. Passive commitment refers to individuals who continue their support not because they feel strongly about the work of the organization but because they feel it is the "right thing to do." The work doesn't excite them but they know it's important. Passive commitment can also manifest in the realm of regular or sustained giving. Donors can look as though they are highly loyal, but in reality they are continuing their support only because they haven't gotten around to canceling it or have actually forgotten they are still giving. Quite a few nonprofits with sustained gift programs notice a spike in attrition immediately after sending out a mailing. What they've done through the communication is remind some folks who had forgotten they were still giving that they are in fact still doing so, and a small but significant percentage will rush out and cancel.

So how do we prevent this? In a large-scale empirical study, Sargeant and Woodliffe (2007) identified the drivers of active commitment as follows:

1. *Service quality.* Although satisfaction with the quality of service provided by the fundraising team has a direct impact on loyalty, it also has an indirect effect, with favorable perceptions also driving the sense of commitment.

2. *Risk.* Donors who believe that if they cancel their donation no one will suffer harm as a consequence were found to be significantly more likely to lapse. To illustrate, if a donor is supporting a shelter for the homeless, he is more likely to develop commitment if he forges a close link in his mind between the gift and the gift's impact on the beneficiary. The more strongly he believes that canceling the gift means someone somewhere will be without a bed tonight, the more likely it is that he will

develop commitment and, through that, loyalty. By contrast, if he believes that canceling the gift won't make the slightest difference to the work the organization is conducting, he is less likely to remain loyal. Fundraisers should therefore think through the messages they use in their appeals and how they thank donors and change them as needed to engender loyalty. Thank-you letters too can do a lot more than just acknowledge the gift; they can also impress on the donor the difference their donation has actually made.

3. *Shared beliefs.* Believing in the work of the organization is one thing, but altogether more powerful is convincing a donor to buy into the organization's values. With many thousands of nonprofits all doing related things, donors have a plethora of philanthropic options. The issue in loyalty is therefore not only what do these organizations do, but how do they do it and with what purposes in mind. In other words, in building loyalty it is important to convince the donor not only of the quality of the work, but of what the work will deliver for society. If a donor shares the vision of the world that the nonprofit wants to see, and the vision of how that world will be delivered, he or she will be a great deal more committed to the organization than if he or she lacks these perspectives. Nonprofits thus need to be clear about their beliefs and use all their powers of persuasion to explain why they hold the views they do. The more donors buy into the beliefs of an organization, the more loyal they will be.

4. *Learning.* Donors who perceive that they are being taken on a journey that deepens their understanding of the organization and the work it is conducting will exhibit higher levels of loyalty than those who perceive only a series of transactions for a series of unconnected needs. Fundraisers therefore need to think through the journey that supporters will take as they deepen their understanding of the organization and the mission it is trying to accomplish. It is with good reason that some fundraisers now talk about planning "supporter journeys." Research suggests that this approach is key.

5. *Trust.* Donors who trust that the organization will have the impacts it says it will have on the beneficiary group will be significantly more loyal than those who lack this trust. The provision of regular feedback is therefore important in driving loyalty, as is being able to justify the pattern of performance achieved. The drivers of trust in an organization are described in detail in Chapter Twenty-One, and they are all relevant to building donor loyalty.

6. *Personal links.* For some causes, it is possible that supporters will have a personal link to the organization. Many medical research charities, for example, gain the support of those whose lives have been touched

by the disease or disability with which the charity is concerned. It is no surprise that the existence of strong personal links is a determinant of loyalty. Equally, however, there is nothing to stop nonprofits that lack this intensely personal link from doing an equally good job at establishing personal relevance. Consider the following three messages:

> One in three of the population will be touched by cancer in their lifetime.
>
> One in three of us will be touched by cancer in our lifetime.
>
> One in three of your family and friends will be touched by cancer in their lifetime.

At their roots, all of these statements offer the same message, but of the three, the last is undoubtedly the most powerful. Successfully relating the cause to the donor can be a powerful route to building loyalty.

7. *Multiple engagements.* This factor has two levels to it, one intuitive, one less so. The intuitive level is that donors who are also campaigners, who are also volunteers, who are also service users, and so on will be a good deal more loyal than those who are only one of these things. A good strategy is thus to encourage donors to support the organization in multiple ways. Since the advent of the Internet and e-mail, this is now beautifully simple to accomplish and at almost zero incremental cost.

The second level is not so obvious. Sargeant and Woodliffe's (2007) work tells us that each time an organization has a two-way interaction with a donor, it builds a little loyalty. This interaction could take the form of a piece of research that asks donors for their views. It might offer them some choice in how they are communicated with (such as mail, e-mail, or text) and how often. It might even allow donors a choice over the content of these communications, permitting the donors to tailor the communications to their specific interests. Each time donors have to think through a choice or the provision of a piece of information, they have to "rehearse" in their minds the fact that they have a relationship with the organization. Each time they do this, a tighter bond evolves between them and the organization concerned. The increases in loyalty each time are not huge, but over time they can become quite substantial. Investing in an ongoing dialogue with donors is therefore a smart strategy. Supporters can be asked to sign up for specific forms of communication, to offer recommendations or suggestions, to take part in research, to "ask the expert," to campaign on behalf of the organization, to "test" their knowledge in a quiz, and so on. The more two-way interactions are engendered, the higher will be the level of loyalty achieved.

Offering donors choice is key. When do you want to hear from us? What aspects of our work are you interested in? Would you like e-mail or regular mail? Are you interested in a newsletter or a once-a-year update? Would you like news but not to be asked for money? All of these questions can be posed to donors with a view to personalizing the relationship. Offering choice is smart because it moves the organization from intrusion through direct marketing activity toward invitation. In effect, donors are giving the organization permission to communicate with them in a particular way at a particular time. Communications are then personalized and relevant to their needs. It is little wonder that donors thus respond with higher levels of giving and enhanced levels of loyalty.

One organization that was among the first to offer donors real choice was the U.K. charity Botton Village. Botton is part of the Camphill community of nonprofits and provides accommodations for adults with learning disabilities. It doesn't provide care in an institutional sense; rather, it provides accommodations and employment opportunities within a village community. It does wonderful work and so successful has its fundraising been in recent years that it has been able to divert its fundraising to offer donors the opportunity to support other organizations within the wider Camphill community. Offering donors choice has been the foundation of Camphill's success. On the back of every communication the organization sends out is an opportunity for donors to specify the form they would like their relationship to take in the future (see Figure 12.4).

Planning for Retention

The initial "macro" stages of strategic planning for donor development (such as the audit and the development of overall fundraising objectives) are identical to those for acquisition activity. Donor development objectives can be written in terms of the desired returns from each appeal, but ideally they should also focus on measures of retention and donor LTV. Development planning usually involves the testing and adoption of a broad program or annual plan of regular donor communications, which is then broken down by donor segment. Within this overall picture, individual campaigns are planned and targeted to achieve maximum effect. Some campaigns are driven by clear income targets whereas others are

FIGURE 12.4. BOTTON VILLAGE RESPONSE FORM

Let The Camphill Family help you

Your support means a great deal to us and we want to help you in return. Please let us know your preferences by ticking the relevant boxes below.

Choose when you want to hear from us

1. If you receive four issues of our newsletter each year:

☐ *I would prefer to hear from you just once a year, at Christmas.*

2. If you only receive a newsletter once a year, you may like us to contact you more often:

☐ *I would like to receive* Camphill Family Life *four times a year.*

3. If you would rather not receive appeals:

☐ *I would like you to keep me up to date with news through* Camphill Family Life, *but I do not wish to receive appeals.*

4. If you would rather not receive any further information from The Camphill Family:

☐ *I would prefer you not to write to me again.*

To set up or change a regular gift

Giving The Camphill Family your regular financial support helps us to plan for the future. By setting up or amending a Banker's Order you'll continue giving our communities regular help, but your bank will be doing all the paperwork.

5. If you would like to set up a regular gift:

☐ *I would like to give to The Camphill Family on a regular basis – please send me a Banker's Order form.*

6. If you would like to amend your existing regular gift:

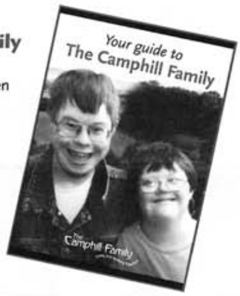
☐ *I already give regularly by Banker's Order and would like to amend it – please send me a form.*

Thank you.

Your guide to The Camphill Family

You can be sure of a warm welcome at any of the eleven communities supported by The Camphill Family. This guide gives you all the information you need to plan a visit, including our opening times.

☐ *Please send me a free copy of the guide.*



Do you want a word with someone?

Our office team of Kelly, Fran, Sue, Jackie and Joanne is here to help you. **Just ring our helpline 01287 661294 or our switchboard 01287 660871, 9am to 4pm weekdays,** and one of us will be pleased to talk to you. Do let us know if you have moved to a new address, if we are sending you more than one copy of our newsletter by mistake, or if there is anything else you would like to tell us.

Find out more about what life is like in The Camphill Family at Botton Village

7. Our video of life in Botton

Botton Village: This is our home is set against the changing seasons in the rural beauty of Danby Dale and will help you to get to know us better. It tells the story of our community through the lives of our villagers and is a charming portrait of special people and the challenges they meet in sharing life together.

☐ *Please send me a complimentary copy of the video,* Botton Village: This is our home.

8. The *Botton Village photo book*

Featuring wonderful images of the people and places that make Botton special. Photographer Keith Allardyce used to live in the village and his close relationship with our community shines through.

☐ *Please send me a free copy of the* Botton Village photo book.

9. Our *Sounds of Botton* audio tape

Our tape follows villager Jane Hill as she tours the village and meets her friends. It gives you a unique insight into life at Botton.

☐ *Please send me a free copy of the* Sounds of Botton *tape.*

10. Visiting Botton Village

Visitors are always welcome at Botton. If you can, please ring us in advance on 01287 660871 and we can give you details of workshop opening times as well as directions.

11. Sending you past issues of our newsletter

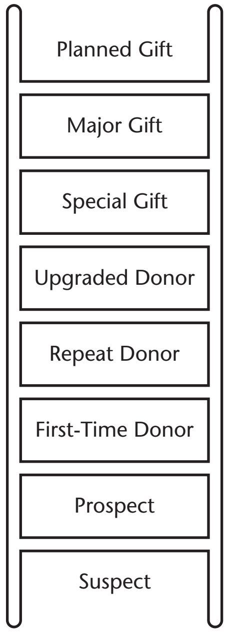
Interesting stories from the village's history feature in past issues of our newsletter, *Botton Village Life*. You may ask for any of the past issues you would like, or another copy of ones you may have mislaid.

☐ *Please send me issue no.______ (most issues are available).*

The Camphill Family supports eleven communities which help adults in need of special care and understanding, and which are registered as the Camphill Village Trust Limited, a non-profit-making company limited by guarantee 539694 England and registered as a Charity 232402.

Source: The Camphill Family. Reproduced with permission.

FIGURE 12.5. THE LOYALTY LADDER

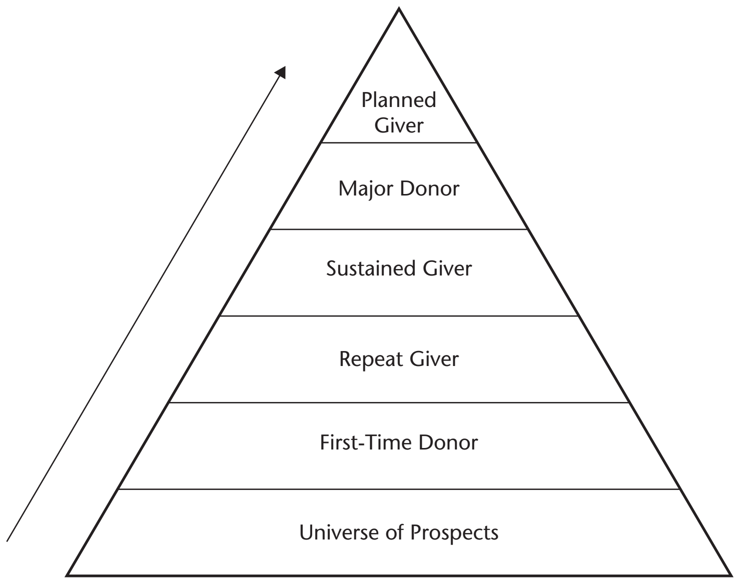


designed as retention vehicles and thus are not likely to be judged solely in terms of campaign profitability.

Discussions of donor development tend to be based on the belief that once supporters have been recruited, they can be cultivated over time and their contribution to the organization can be grown. Thus a new recruit who gives a small cash gift to an emergency appeal can be "moved up" the scale of support to become a major giver or a bequest giver. The development process also involves the cross-selling of other philanthropic "products," so the "cash" donor might also be introduced to regular giving or volunteer and advocacy roles within the organization as means of increasing the depth and profitability of the relationship. As we have just seen, this approach is also smart in terms of building commitment.

This process is often referred to visually as a *ladder* or *pyramid,* as shown in Figures 12.5 and 12.6. The *loyalty ladder*" was originated in principle by Raphel and Considine (1981). The *pyramid model* for donor development processes is intuitively attractive because it corresponds to the "pyramid of giving," which is based on the observation that many

FIGURE 12.6. DONOR PYRAMID

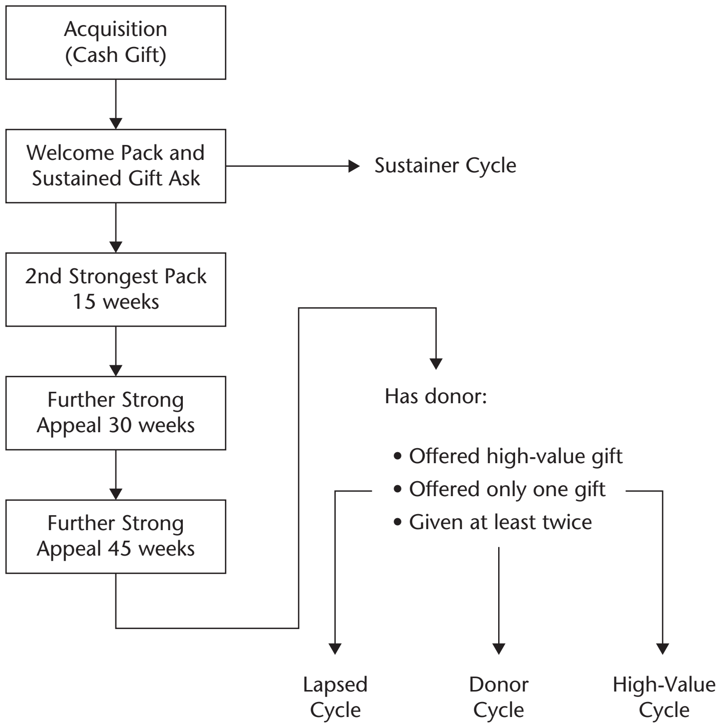


small gifts are made and there are fewer large gifts, so 80 to 90 percent of the value of donations tends to come from just 10 to 20 percent of the supporter base.

These models have been criticized in recent years as overly simplistic and static. Both assume that there is a single route into a charity, that is, the response to a first appeal at the base of the ladder or pyramid. In reality, first donations can be a major gift, and major givers can "descend" over time (if the relationship with them is not managed well) to lower-value levels of support. Large bequest gifts can also be received from individuals who have never before appeared on a nonprofit's supporter database. Donor development planners must bear in mind that models are merely general guidelines, and that the reality is often more dynamic and less predictable than the theory would suggest.

Nonprofits commonly refer to their core donor development *program* or *cycle*. This is the regular pattern of communications and events for donors that form the central development process for that organization. The cycle may be very simple and built around a single annual fund drive or a membership renewal system, or it may be a complex system of timed communications. An example is provided in Figure 12.7.

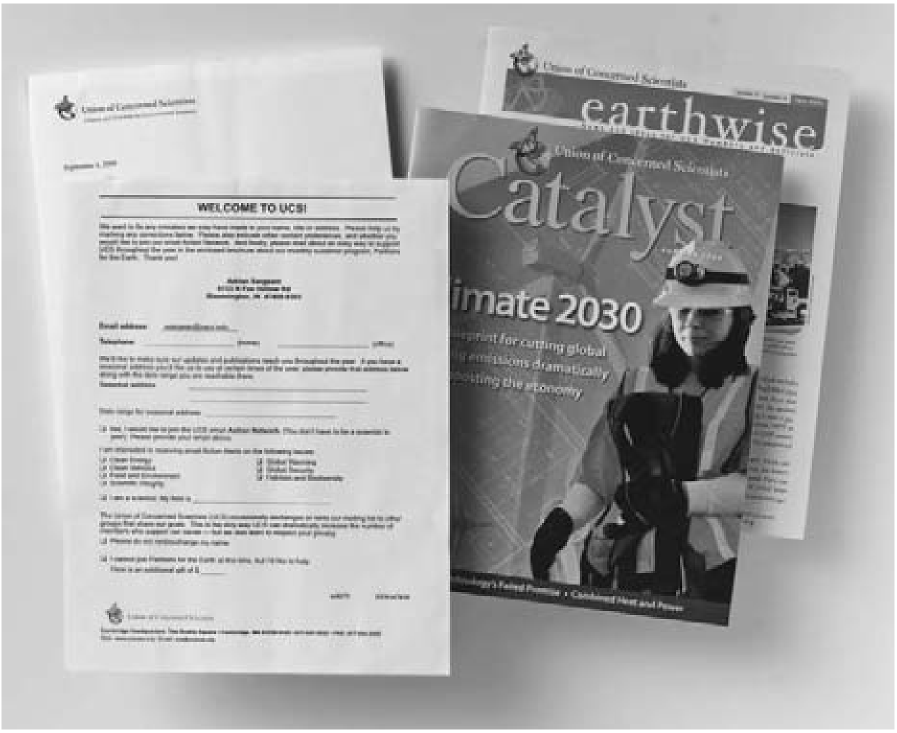
FIGURE 12.7. DONOR COMMUNICATIONS CYCLE



Many organizations treat a newly acquired donor differently during the first period of their support than later. It can be very difficult to persuade cash donors to give a second time. It is therefore essential that the first stages of acknowledgment, welcome, and resolicitation be handled well, and that the first communications a new supporter receives be a logical development of the recruitment communication (in terms of both content and tone) that elicited the first gift. Often used are special welcome packages designed to thank new donors, introduce them to the organization, and renew or deepen their interest. An example is depicted in Figure 12.8. In this case, the Union of Concerned Scientists welcomes the donor but also uses the opportunity to find out more about the donor's specific interests and concerns. Such data could later be used in the targeting of themed appeals.

Some organizations continue to treat new donors as a separate segment for a certain period, targeting them with a special series of

FIGURE 12.8. UNION OF CONCERNED SCIENTISTS WELCOME PACKAGE



Source: Union of Concerned Scientist. Reprinted with permission.

communications (usually by mail or phone) designed to foster interest and loyalty and to educate the donor about the organization and the ways in which he or she can become involved. After this set period, the donor is integrated into the main supporter base.

Donor development communications range from appeals for repeated support (by mail, phone, or e-mail), updates, and newsletter communications providing feedback and background information, to event invitations and high-value appeal approaches that might involve video (CD) mailings and face-to-face visits. Donors may be invited to become members of clubs or schemes, to give regular gifts to the general fund, or to sponsor an area of work or a beneficiary. Campaigning organizations might ask donors to take personal action through lobbying or protest activity. With such a plethora of options available, it is essential that fundraisers be equipped with information on the current and likely future value of individual donors, and with guidance on their likely future responses and behavior. In the absence of this knowledge, all donors are treated the same, so some will not reach their full potential and others will receive inappropriate levels of care and investment.

Relationship Fundraising

Fundraising practice has undergone rapid change since the early 1980s and the dominant paradigm has shifted away from transactions to relationships. At the core of relationship fundraising is the development and maintenance of long-term relationships with donors rather than simply a series of discrete transactions (Ahern and Joyaux, 2007). Such a change in emphasis more accurately reflects behavior in the real market, where few donation decisions are made on a once-only basis. Real-market behavior consists of a series of exchanges rather than one-time transactions.

Although the move from a transaction approach to a relationship approach to donor development may seem little more than a play on words, the differences in terms of the impact on strategy and performance are profound. In a transaction-based approach, development activity is driven by the need to maximize the returns generated by each campaign (except perhaps where a campaign has been jointly designed to achieve other goals such as awareness, participation, or education). Strategy is based on achieving the highest possible ROI when the costs and revenues of a campaign are calculated.

Fundraisers following such a strategy tend to offer donors little choice. They can't afford to, because do so would merely add to the cost. Little segmentation takes place and donors typically receive standard communications. The emphasis of the content is usually on the immediacy of each appeal, and donors are exorted to give "now" because of the urgency of a given situation. They may then be approached in a few weeks or months with a further seemingly urgent issue that the nonprofit feels they should support. The donor thus receives a series of very similar communications, each designed with an eye to achieving the maximum possible ROI.

A relationship approach, by contrast, recognizes that it is not essential to break even on every communication with a donor. The relationship approach recognizes that, if treated with respect, donors will want to give again, and fundraisers are therefore content to live with

TABLE 12.2 COMPARISON OF TRANSACTION AND RELATIONAL APPROACHES

Differences	Transaction-Based Fundraising	Relationship Fundraising
Focus	Soliciting single donations	Donor retention
Key measures	Immediate ROI, amount of donation, response rate	LTV
Orientation	Urgency of cause	Donor relationship
Timescale	Short	Long
Customer service	Little emphasis	Major emphasis

somewhat lower rates of return in the early stages. They recognize that they will achieve a respectable ROI over the full duration of the relationship. At the heart of this approach is the LTV concept. Once fundraisers understand how much a given donor might be worth to the organization over time, they can tailor the offering to that donor according to his or her individual needs and requirements, yet still ensure an adequate lifetime ROI.

These differences between the transaction and relational approaches to fundraising are summarized in Table 12.2.

Relationship fundraising may therefore be defined as *an approach to the management of the process of donor exchange based on the long-term value that can accrue to both parties.* From a donor's perspective, this style of approach addresses how an organization does the following:

1. Finds you
2. Gets to know you
3. Keeps in touch with you
4. Tries to ensure that you get what you want from them in every aspect of their dealings with you
5. Checks that you are getting what they promised you

Naturally, as Stone, Woodcock, and Wilson (1996, p. 676) point out, this approach depends on the effort being worthwhile to the organization concerned, which is clearly of paramount importance because donors themselves expect that the maximum possible percentage of their donation will be applied directly to the cause (Harvey and McCrohan, 1988).

Burnett (1992, p. 48) was the first writer to recognize the need for what he termed *relationship fundraising*, which he defined as "an approach to the marketing of a cause which centres not around raising money but on developing to its full potential the unique and special relationship that exists between a charity and its supporter." Burnett championed a move toward dealing with donors individually, recognizing them as unique in terms of their giving history, their motivation for giving, and the overall standard of care they expect to receive from the charities they support. The entire relationship with a donor, he argued, should be viewed holistically, and fundraising decisions should be made in the light of the perceived value of the overall relationship.

Relationship fundraising is characterized by donor choice. Recognizing the benefit of future income streams, fundraisers are not afraid to invest in their donors and to allow them greater flexibility over the content, nature, and frequency of the communications they receive. As Jackson (1992) notes, this attitude makes people feel important and thereby fulfills a basic human need. Although the initial costs of implementing such a strategy are undoubtedly higher, the benefits in terms of enhanced patterns of donor loyalty, and therefore future revenue streams, far outweigh this investment.

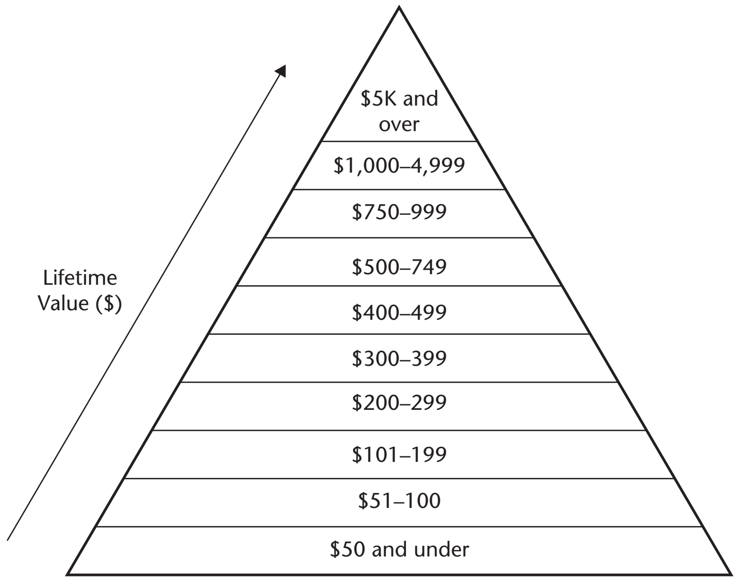
Fundraising departments that operate with relationship fundraising therefore make every effort to segment their donor base and develop a uniquely tailored service and, importantly, quality of service for each of the segments they identify. At the core of this approach is the concept of donor value. It is this concept that drives the contact strategy and the dimensions of the relationship.

Calculating Donor Value

The simplest way to look at value is to look at how much money each of the individual donors in the database have donated to the organization. Decisions about how much to spend on cultivating relationships can then be made on the basis of an individual's historical value. This assessment is easily accomplished by most modern fundraising software. A total value of all the gifts from each donor can be readily calculated. Some organizations then choose to present this information in the form of a pyramid (see Figure 12.9).

A pyramid is the best way of presenting this information graphically because, as we noted earlier, a typical fundraising database has a large number of individuals who give comparatively small sums (the base of the pyramid) as well as (working up the pyramid) progressively smaller numbers of individuals who give larger sums. At the top are frequently just a handful of individuals giving very large sums of money indeed.

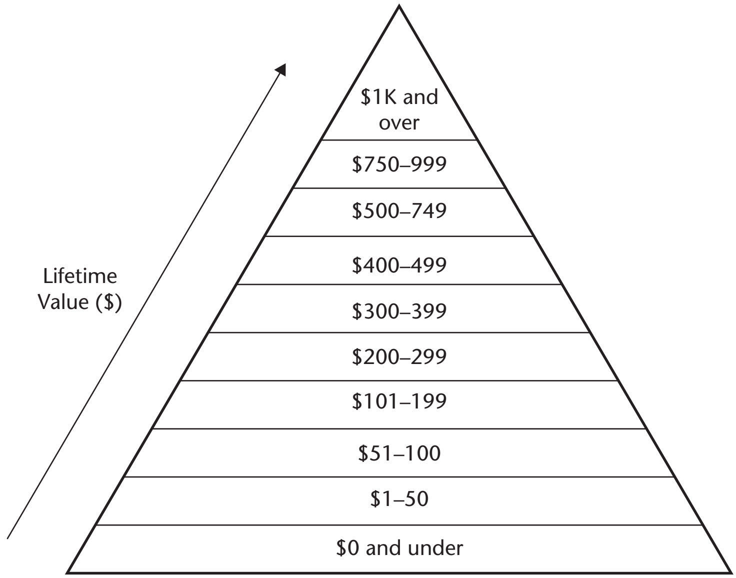
FIGURE 12.9. DONOR VALUE PYRAMID



The pyramid is a visual representation of what has become known in business as the Pareto Principle, which, in the language of fundraising, suggests that 80 percent of an organization's funding tends to come from 20 percent of its donors. This seems to hold true even if one creams off the truly major givers for separate consideration. Even in a standard direct response database, a small number of individuals always donate the bulk of the income.

So why is this of interest? Well, our simple example totals only the revenues that accrue from each donor. If we include the costs of servicing the relationship with each of these donors and of making the solicitations themselves, a rather different picture emerges (see Figure 12.10). In this case, we can see that it actually costs the organization more to look after about 10 percent of its donors than it is receiving in revenue. This graph is obviously fictitious but it is actually very typical of the results that any nonprofit will derive the first time it undertakes an analysis of this type. These results can pose a very real ethical problem because although these individual donors may be terribly well meaning, they are in reality diverting money away from the beneficiaries.

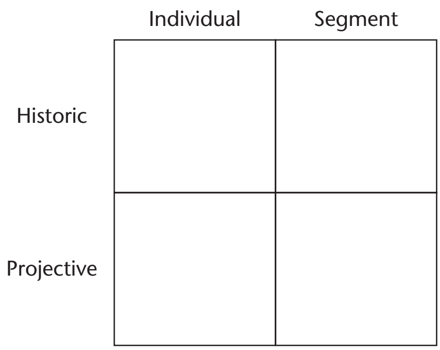
FIGURE 12.10. DONOR VALUE PYRAMID FACTORING IN COSTS OF FUNDRAISING



It may be worthwhile for some organizations to spend more on the retention of those individuals toward the top of the pyramid than it does on those toward the bottom. We noted earlier that not all donors are created equal, so it would seem equitable to spend more on the retention of those individuals worth a good deal of money to the organization. After all, losing a few donors at the bottom end of the pyramid may be sad but it won't have a dramatic effect on performance. Indeed, it may even save the organization money! Losing donors toward the top end of the pyramid, on the other hand, would have a dramatic effect on income and could be catastrophic for the organization.

For this reason, nonprofits usually segment their approach to donor development and allocate greater resources to stewarding donors who are of higher value. This usually happens by default in many organizations because the top of the donor pyramid is usually siphoned off into a major gift program and solicited on a one-to-one basis. Even within the balance of the fundraising database, however, it is still worth considering whether to treat higher-value givers any differently than lower-value givers. The answer will usually be yes.

FIGURE 12.11. PERSPECTIVES ON VALUE



A key lesson here is thus that organizations should move away from studying their attrition rate and begin to study their attrition *rates* (that is, to look separately at the attrition rates at different levels of the pyramid). As the reader will by now appreciate, aggregate figures for attrition are meaningless.

There are four possible approaches to calculating and managing donor value (see Figure 12.11). Here we can see clearly the choices open to fundraisers. We have discussed only two so far. Fundraisers can choose to look at the value of donors historically or, more usually, at the historical value of segments of the database. Decisions about care are then made on this basis. An alternative approach is not to look at historical value but to calculate how much individuals (or segments) might be worth in the future and to make decisions accordingly. This latter approach is based on managing donor LTV.

Donor Lifetime Value

LTV is essentially a measure of how much a given donor will be worth to an organization over the duration of the relationship.

Bitran and Mondschein (1997, p. 109) therefore define LTV as "the total net contribution that a customer generates during his/her lifetime on a house-list." To calculate LTV one has to estimate the costs and revenues that will be associated with managing the communication with that donor during each year of the relationship. If, for example, the relationship is predicted to extend over a period of four years, one can subtract the costs of servicing donor relationships each year from the revenues they generate. In essence, the contribution each year to the organization's overheads and charitable programs can be calculated. Of course there is a certain amount of crystal ball gazing involved because it becomes increasingly difficult to predict costs and revenues the further one looks into the future. To take account of this uncertainty and to reflect the fact that a $1,000 donation in four years will be worth much less in real terms than it would be worth today, it is also important to discount the value of the future revenue streams that will be generated. After all, instead of investing the money in donor acquisition activity, the charity could simply elect to place the money in an interest-bearing account. Unless the return from the fundraising activity can be expected to match, or hopefully exceed, what could be generated by an interest-bearing account, it will clearly not be worthwhile. If this analysis is conducted across the database, a key advantage accrues. Charities can employ an LTV analysis to increase their overall profitability by getting rid of (or never recruiting) donors who will never be profitable and by concentrating resources on recruiting and retaining those who will.

Calculating the LTV of Individual Donors

The formula for calculating LTV in the case of an individual donor is as follows:

$$\mathrm{LTV} = \sum_{i=1}^{n} \mathrm{Ci}(1+\mathrm{d})^{-1}$$

Where

c = net contribution (that is, revenue minus cost) from each year's fundraising activities

d = discount rate

n = the expected duration of the relationship (in years)

This somewhat complex equation merely indicates that it is necessary to calculate the likely future contribution by a donor to each year's fundraising activities, discount these future contributions, and then add them all together. The grand total is the LTV of a given donor.

It should be noted that in examining the contribution each year, an organization should subtract from the revenues generated all the relevant costs of servicing the relationship with a given donor. The issue of what constitutes a relevant cost is driven by the purposes for which the analysis is being conducted. The LTV figure could, for example, take into consideration much more than just the revenue from the donor's direct donations and the costs of the communications the donor receive. Donors are worth much more than this to an organization because, for example, they often purchase goods from trading catalogs, sell raffle tickets, donate their time to fundraising events, and so on. Each of these contributions can be accounted for in the equation. As an example, the net contribution figure for each year could therefore take into account the following costs and revenues:

Costs

1. Newsletters
2. Appeal letters
3. Acknowledgment and thank-you letters
4. Cost of promotional merchandise and donor gifts
5. Cost of telephone fundraising activity, if any
6. Cost of event activity, if any

Revenues

1. Cash donations
2. Cash value of other forms of donation (such as food or clothing)
3. Cash value of any volunteering undertaken
4. Cash value of referrals (that is, introductions to other donors)
5. Revenue from purchase of promotional merchandise

Because of the difficulty in predicting future donor behavior, organizations don't typically look too far into the future. The norm in our sector is to perform such calculations looking three to five years into the future.

It should also be noted that, in practice, organizations normally conduct LTV analyses at the level of the segment rather than focusing on individual supporters. The calculation process is based on similar principles.

The Benefits of LTV Analysis

Calculating LTV is as much an art as a science. Decisions such as the length of the projected lifetime, the discount rate to be employed, and the costs and revenues that will be included are entirely arbitrary and will vary from one organization to another and from one analysis to another, because relevant costs and revenue will vary depending on the questions an organization is posing. The calculations also require that the organization have good historical data relating to the behavior of donors. It is possible to predict how individuals or groups of individuals will behave in the future only if one knows how similar people or groups have behaved in the past. Although this all sounds complex, modern database and analysis software is opening up access to such approaches to nonprofits of all sizes.

Done well, LTV analysis can be used to drive four key management decisions:

1. Assigning acquisition allowances
2. Choosing media for initial donor acquisition
3. Setting selection criteria for donor marketing
4. Investing in the reactivation of lapsed donors

Assigning Acquisition Allowances

Understanding the LTV of a charity's donors can guide the determination of how much the organization may be willing to spend to recruit each new donor. Many charities conscientiously strive to get as close as possible to a breakeven position at the end of each of their recruitment campaigns. Although commendable, this is not at all necessary, as long as the future income stream from the donors being recruited is a healthy one. Charities that employ the LTV concept would therefore tend to assign somewhat higher acquisition allowances than those that do not. In financial terms, this is simply because a fundraiser employing a transaction-based approach will calculate campaign ROI thus:

$$\text{ROI} = \frac{\text{Immediate revenue generated}}{\text{Cost of acquisition campaign}}$$

A fundraiser adopting a relational approach based on LTV would by contrast calculate ROI as follows:

$$\text{ROI} = \frac{\text{Intial revenue} + (\text{Sum of all future contributions minus discount})}{\text{Cost of acquisition campaign}}$$

Where

ROI = Return on donor acquisition investment

Future contribution = Estimated annual contribution to profit

Discount = Reduction in value of future dollars to today's rate (discounted cash flow)

Refining the Targeting for Donor Acquisition Campaigns

Fundraisers engaged in the perennial problem of donor recruitment are well versed in the necessity of asking questions such as the following:

Which media should I be using for my recruitment activity?

What balance should I adopt between the media options that are available?

The traditional approach to answering these questions would have been to calculate the immediate ROI for each medium and consider the response rates typically received from each medium in the past. Some fundraisers may have gone further and calculated the cost per new donor attracted (that is, cost of campaign number of donors attracted), the level of the average gift, and so on.

Such analyses suggest suboptimal allocations of fundraising resources, because they ignore how different categories of donor will behave. Donors recruited from one medium may never give again whereas donors recruited by another medium may exhibit much greater degrees of loyalty to the cause. To illustrate, when direct response television fundraising was first launched in the United Kingdom the initial ROI looked good to the charities that participated. Donors were recruited at reasonably low cost. It would therefore have been tempting for everyone involved to switch their recruitment budgets entirely to this medium. The problem, however, was that these donors were younger than the typical donor of the time and therefore less responsive to direct mail. Given that the primary development medium was the mail, the LTV of these supporters was ultimately poor and worse than the LTVs that could be achieved from other media. Using LTV to select appropriate recruitment media is thus the optimal approach.

Setting Selection Criteria for Donor Marketing

LTV calculations can prove instructive for more than just recruitment planning. The information can be used to guide contact strategies for ongoing donor development. If a charity calculates a projected lifetime value for each donor in the database, donors can be assigned to specific segments and contact strategies can be customized to build value. Initially this process may involve simply recognizing the difference in contribution so as to offer particularly high-value donors a differentiated pattern of care that reflects their status. Doing so might involve more detailed, higher-quality mailings. As charities become more experienced in the use of LTV analysis, it would also be possible to associate the impact of differentiated standards of care, or forms of contact, on the LTV for a given donor. As Peppers and Rogers (1995, p. 49) note, "Instead of measuring the effectiveness of a marketing programme by how many sales transactions occur across an entire market during a particular period, the new [fundraiser] will gauge success by the projected increase or decrease in a customer's expected future value to the company."

Investing in the Reactivation of Lapsed Donors

Most charities now recognize the value of their database. Few would question the established wisdom that existing donors will always be the most cost-effective source of additional donations (Lindahl and Winship, 1992). Few would also disagree with the notion that reactivating lapsed donors can be profitable. Having been sufficiently motivated to give at least once in the past, with the proper encouragement it is eminently possible that donors will do so again. The problem, however, for many organizations lies in deciding which lapsed donors should be selected for contact. Although one could do this easily on the basis of the total amount donated, the level of the last gift, or the length of time since the last donation, it can be instructive to use projected LTV to inform the decision. In this way, resources can be targeted at only those donors who, should they be reactivated, have the potential to offer higher LTVs. In the absence of this approach, it is possible for the organization to expend a lot of effort reactivating "those individuals that had they done the maths they would actually have been glad to have got rid of in the first place!" (Sargeant, 2007).

Recency, Frequency, and Value Analysis

An alternative to LTV analysis that is available on most database systems is recency, frequency, and value analysis, or RFV (sometimes also referred to as recency, frequency, and monetary amount, or RFM). Data on recency (the time since the last gift was given), frequency (the number of gifts that have been given), and value (the value of the gifts given) are merged to create a score that the fundraiser can use to decide who to target with a given campaign. The analysis is based on assumptions about behavior—for example, that

- Higher-value donors are more attractive than lower-value donors.
- Donors who give frequently are statistically more likely to respond to a communication than those who don't.
- Donors who have given in the last six months are more likely to give than those who have not given for the past two years.

The resulting RFV scores thus allow the fundraiser to prioritize donors for contact. Many nonprofits use RFV scoring in conjunction with other forms of targeting in the selection of donors for development communications. Other targeting criteria might include donor communication preferences and ratings based on the sort of campaign approaches the donor has responded to, or rejected, in the past.

RFV can be used effectively in identifying those donors who are likely to lapse, and in determining patterns of lapsing. "Pre-lapse" campaigns can be generated for those donors who have not given recently or whose frequency and value patterns have been interrupted.

Segmenting for Growth

As we have discussed, effective segmentation is an essential part of successful donor development activity. Using the tools of LTV or simple historical value analysis, fundraisers can stream donors into groups according to current or predicted value levels and communication programs designed and implemented accordingly. In database selections for particular campaigns, data may also be used on past response to similar appeal themes or on past patterns of communication preference. Many fundraising programs will thus be considerably more sophisticated, but in the following sections we describe key segments of donors and the approach that may be taken to their development.

Major Donors

Most nonprofits handle communication with potential and actual major donors through a discrete program of personal contact, stewardship, and events. This program is often carried out by specially nominated staff or by a separate department or division within the development function. The solicitation of major gifts is dealt with in detail in the next chapter.

An analysis of donor value will obviously identify donors who have already made a major gift, or where a number of high-value gifts have been made, indicating a propensity and ability to give at a higher level. These donors can then be flagged as such and provided with a personal level of stewardship and recognition. They can also be profiled to provide guidance for prospecting. The main donor base should also be reviewed for major donor prospects on a regular basis.

The cultivation, retention, and development of major givers is a very different process from that utilized in the development of the bulk of the donor base. As we show later, much of the contact is on a personal, face-to-face basis. It is therefore unlikely that there will be a great deal of overlap in terms of the communications that are used for major givers and those that are used for the rest of the supporter base. Occasionally, event invitations, feedback vehicles, and special appeals may be sent to both major donors and lower-level donors, but even in these cases it is likely that the major givers will receive an enhanced version of the standard package or a more highly personalized version of the communication.

High-Value Donors

Many nonprofits also highlight a segment of high-value donors. These are donors who have given at above-average levels but have not yet given a major gift. Nonprofits use various definitions of the amount that qualifies as a major or high-value gift, and these definitions differ from one organization to the next. For example, in a smaller nonprofit a major gift might be defined as $30,000 plus and a high-value gift as $5,000 to $29,999. This segment is of interest because its donors can be researched to see whether they are likely to become major donors in the future. Their enhanced value to the organization should also be reflected in an appropriately tailored program of communications.

High-value donors should be approached by way of appeals addressing areas in which they have demonstrated an interest, invitations to events, and courtesy and feedback mailings. When they are approached through the mail, communication packages will tend to be of a higher production value than the "standard" and may carry additional items. All communications should be highly personalized, should reference the giving history of the donors, and should recognize the value of their contributions.

Sustained or Regular Givers

Regular or sustained givers have a much higher LTV than annual or cash givers. Maintaining relationships with regular givers is cost-effective because the charity does not need to send out a new communication in order to obtain a gift each time. Donors who have committed to a regular payment schedule tend not to cancel the arrangement and so appear to be more loyal than cash donors (although as we have seen this may be due as much to inertia as to a strong commitment). Monthly giving attracts a younger cohort of givers and is popular with people who like to organize their giving and dislike receiving a high volume of repeated gift requests.

The development of these individuals is most effectively accomplished through requests to increase the level of their monthly gift (upgrades). Regular givers can also be occasionally asked for cash donations (especially if the appeal request is in response to an emergency or a one-time opportunity for the nonprofit, such as a capital campaign). Experience in dealing with this category of supporters tells us that requests to increase the regular gift level are often more effectively delivered by phone than by mail, because the donor tends to be younger and more comfortable with this medium than with direct mail. The extra gift can also be negotiated more flexibly in a conversation than on paper.

Much of the attraction for donors of a regular gift commitment is that this type of giving is cost-effective for nonprofits to administer and ensures that the bulk of the donation can be directed toward programs and that the donor will not be "bombarded" with further fundraising appeals. Communication programs for committed givers should therefore feature feedback and recognition vehicles, courtesy communications, an upgrade approach (perhaps once a year or every two years), and an occasional cash appeal if and when the theme appears appropriate. Communication preferences should be respected wherever possible.

Although committed givers tend to provide a very healthy ROI over the duration of their relationship with the charity, care should be taken in promoting the committed giving product to certain audiences. High-value givers and major givers are obviously not good prospects for low-value monthly giving, because they would be of greater worth to the charity over time through gifts of occasional cash support. Committed giving programs do tend to "level the base," which can mean that patterns and giving behaviors are harder to identify.

Low-Value Donors

One of the main advantages of conducting a value analysis is that low-value donors can be identified and a program can be developed to ensure that the nonprofit is not investing more in this cohort than is warranted by the level of income expected over time. Individuals who regularly give in small amounts can easily become a segment delivering a negative return. However, whereas in a commercial setting these "customers" might be ignored or divested, in the nonprofit scenario this is never advisable, because a great deal of anecdotal evidence suggests that sizeable bequests can come from donors who have given little during their lifetime, but given often.

Efforts should therefore be made to maintain relationships with and retain low-value donors, if this is possible, while also obtaining a positive ROI. Low-value donors might therefore receive a restricted number of appeal and update communications each year and can also be approached to convert their giving to a regular commitment in order to reduce administration and retention costs. Nonprofits can also seek to upgrade the level of giving by this cohort. When renewal communications are sent, they can be tailored to reflect the level of the previous donation, with the target level of "ask" set proportionately higher each year. Even nonprofits whose technology does not permit this highly personalized level of segmentation can still (usually) segment the database into, say, ten value segments, or deciles. The prompted gift level can then reflect the average amount given by that segment, and the value of the "ask" can be gradually increased over time.

Low-value donors can also be used in list swaps. As the least valuable donor segment, these donors may be used in exchanges with other nonprofits in order to minimize recruitment costs. However, as we discussed in the previous chapter, this must be done with care.

Lapsed Donors

Investment in lapsed donor reactivation is usually worthwhile, especially when the returns are compared with the costs of recruiting a new donor from a commercial list. However, as with low-value donors, it is easy to invest too much in this group. Rather than attempt to reactivate the whole lapsed file of donors, it makes more sense to target resources only when these individuals are forecast to have a reasonable LTV once they have been successfully reactivated. In this way, valuable fundraising resources can be conserved.

Loyalty Metrics

In the course of this chapter we have already described many of the following key metrics that may be used in measuring and managing loyalty:

Attrition rate: the percentage of donors lost over a given period, usually a year. We made the point earlier that it is important to look at rates of attrition for specific categories of donors or appeals rather than across the database as a whole.

Gains and losses: the number of new donors recruited and the number of those now considered lapsed. Organizations participating in the AFP's Fundraising Effectiveness Project can now benchmark their performance against that of other organizations.

Donor lifetime value: can be used to shape the development program but also to measure its success. As we noted in an earlier section, it is now possible to measure the success of a campaign or program by its impact on long-term value.

Transaction frequency: the frequency with which annual fund or "cash" donors engage with the organization.

Donor satisfaction, commitment, and trust: the three big drivers of loyalty, satisfaction being the most significant. At a minimum, a development program should monitor its progress in this area.

Exit polling: polling of lapsed supporters to maximize retention. Common problems can be identified and remedial action taken as appropriate.

Number (and category) of complaints: monitoring the number of problems that donors experience with their programs. Donors should be encouraged to complain when the organization has failed to meet their expectations. Research indicates that donors who complain and have their problems corrected are subsequently more loyal than those who have never encountered a problem (Sargeant and Jay, 2004).

Summary

We opened this chapter by stressing the significance of loyalty to the performance of a nonprofit's fundraising programs. Even small increases in loyalty can have a disproportionately large effect on the LTV of a fundraising database. We also examined the key drivers of loyalty, noting the critical role of donor satisfaction. Having identified this satisfaction as the single biggest driver of donor loyalty, we argued that nonprofits should measure it and track the nonprofit's performance over time. The nonprofit must also consider the importance of each element of the fundraising service provided before taking decisions to invest in particular dimensions.

The chapter then introduced key concepts such as the loyalty ladder, donor LTV, and relationship fundraising. Modern relational databases now make it possible to capture donor needs and preferences and then to reflect these in the pattern of communications that the nonprofit provides. In deciding how best to segment the supporter base, we also discussed the critical notion of donor value and argued that greater resources and effort should be expended in keeping higher-value donors loyal to the organization. The chapter concluded with a discussion of the key loyalty metrics that might be employed for this purpose.

Discussion Questions

1. Why are the measurement and tracking of donor loyalty so important?
2. What is meant by the term *donor lifetime value?* How can it be used to inform fundraising strategy? Why is it a better measure than historical value?
3. Why is it not enough for an organization just to measure the satisfaction of its donors with the service provided? What other factors should be considered?
4. For your own fundraising program, or for one with which you are familiar, design a brief survey that might be used to measure satisfaction.
5. Distinguish between active and passive commitment. How might an understanding of the drivers of active commitment be used to inform donor development communications?

CHAPTER THIRTEEN

MAJOR GIFT FUNDRAISING

Robert F. Hartsook and Adrian Sargeant

By the end of this chapter you should be able to:

1. Describe the extant research into major giving and the motives of major givers.
2. Explain the process of major donor recruitment and development.
3. Conduct simple prospect research.
4. Prioritize prospects by linkage, ability and interest.
5. Develop and utilize a gift range chart.
6. Understand how to close a major gift.
7. Understand the significance of appropriate donor recognition and stewardship.

Major donors are individuals who make sizeable personal contributions. Major gifts are, broadly speaking, those that are large relative to the majority of the gifts the organization receives. The definition of a major gift thus varies from one organization to another: for some it may mean a gift of $10,000, for others a gift of $10 million. As a general rule, Heetland (1993) argues, major donors are generally a nonprofit's best one hundred or so prospects. We concur, although there are always exceptions. The major educational and health institutions have substantially larger major gift programs and teams of dedicated fundraisers.

Major gifts typically contribute the majority of an organization's income. Major gifts are thus the engine that keeps philanthropy economically strong. As Pray (1981, p. 58) notes, "no matter how broad the base of support, no matter how many contribute to the annual fund, if the development staff and president and trustees are not able to stimulate the truly significant big gifts, all else is window dressing." Indeed most organizations find that 80 percent of their income is given by 20 percent of their donors. Most of these individuals are already known to the organization when they offer a major gift. Typically, 90 percent of major donors are individuals or corporations that have given previously. It is for this reason that Heetland (1993, p. 10) offers the following helpful advice: "Don't look for wealthy people and hope some will become your friends. Rather, look at your friends and hope that some of them are wealthy."

The solicitation of major gifts is a very different process from that involved in the solicitation of small donations:

- It evolves over a lengthy period as the relationship with the prospect is cultivated.
- It involves face-to-face solicitation by peers who are often volunteers.
- Throughout the process the donor is often encouraged to become involved personally in the work and running of the organization.
- Major givers usually require some sort of acknowledgment or reward for their gift.
- Major gifts may be paid immediately or pledged over time.

Major gifts may also be made in the form of deferred or planned gifts and bequests. These forms of major giving are dealt with at length in Chapters Fourteen and Fifteen.

In this chapter we summarize the research that has been undertaken on the motivations that drive major giving and on the characteristics of major donors. We explain how the process of major gift solicitation works, and the main tools and techniques that are employed.

Characteristics of Major Givers

Numerous fundraising texts refer to the sociodemographic characteristics of big-gift givers. In aggregate they are likely to be people with a strong interest in and good knowledge of the nonprofit, individuals who have given in the past, and individuals who have had personal contact with the organization at some level (Hart and others, 2006). Beyond that, and the obvious observation that they hold (often substantial) wealth, we have until recently had little hard data on the characteristics of individuals who offer major gifts.

Research studies conducted by the Boston College Social Welfare Institute (Schervish and Havens, 1995) have examined the connections between giving and wealth in the United States. One important contribution of their analysis was to correct the popular misconception that lower-income U.S. households are relatively more generous with their household income than upper-income households. The research found that in fact lower- and upper-income households were equally generous, whereas very-high-income households were markedly more generous: "Virtually all the rich are contributors, they donate very large amounts to charity, and they give greater proportions of their income to charity than the poor or affluent. Fundraisers generally do not need to turn the rich into donors, usually that has already occurred" (p. 87).

In 2006 the Center on Philanthropy added substantially to our knowledge of this domain in a study conducted on behalf of the Bank of America. It examined the characteristics and behaviors of high net worth households, that is, those with incomes greater than $200,000 or assets in excess of $1,000,000. Although these represent only 3.1 percent of total households in the United States, they are responsible for approximately two-thirds of all household charity in this country. The findings are based on a survey of more than thirty thousand households. Among the key findings of the study are these:

- Age is often a predictor of charitable giving in the general population; however, age does not seem to be a strong predictor of the philanthropy of high net worth households. Average total, secular, and religious giving increases with age until age seventy. After age seventy, average and median giving levels decrease. Median religious giving, however, is very similar across all ages ($3,000 to $4,000 per year).
- Of the high net worth households that gave to charity in 2005, those with four children gave on average the highest dollar amount ($163,093), and most of those dollars were donated to secular causes.
- In the general U.S. population, educational attainment is correlated with charitable giving levels. Even when controlling for differences in income and wealth, the more education a person receives, the more he or she gives to charity. This is not the case in high net worth households, where educational attainment is not associated with giving levels.

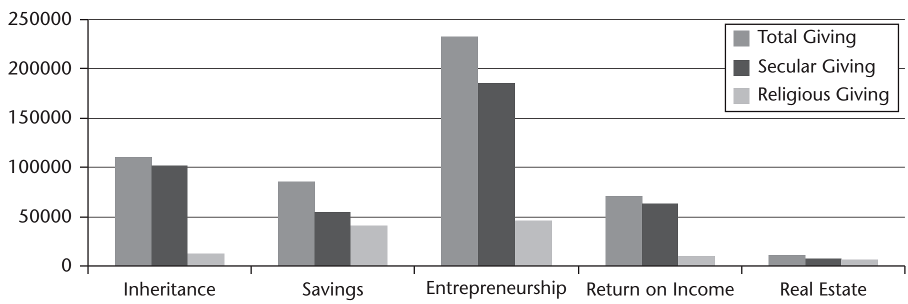
On average, of those high net worth households that contribute to charity, individuals with a high school diploma or less contribute more to charity ($233,642). However, the median amount donated by those with a post-graduate degree ($16,365) was larger than the amount donated by those with less education.

• Sources of net worth had a dramatic impact on the average total amount given to charity by high net worth households. High net worth households with 50 percent or more of their net worth coming from entrepreneurship contributed to charity, on average, $232,206. In contrast, households with 50 percent of their net worth coming from appreciated real estate contributed, on average, only $11,015. In all three categories (total giving, secular giving, and religious giving), households with net worth coming from entrepreneurship gave much more than all other sources of wealth. These results are illustrated in Figure 13.1

Motives of Major Givers

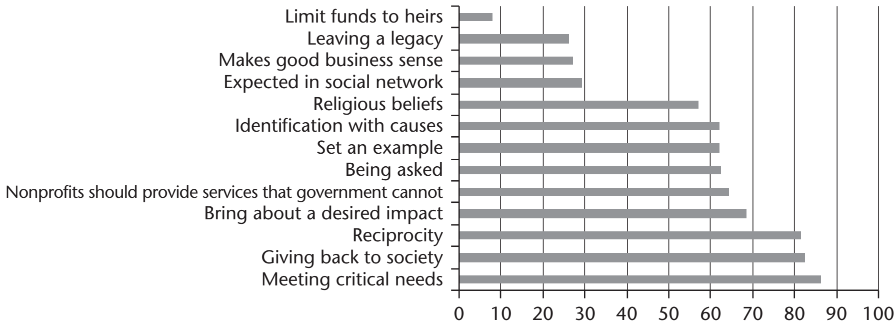
The Bank of America study also gathered data about the motives of these individuals for supporting the sector. Figure 13.2 contains the details of their analysis. It is clear that motives such as reciprocity, giving back, and wanting to make a difference in meeting critical needs predominate. It is

FIGURE 13.1. AVERAGE TOTAL, SECULAR, AND RELIGIOUS GIVING BY THE SOURCE OF NET WORTH, HIGH NET WORTH HOUSEHOLDS, 2005



Source: Center on Philanthropy (2006). Bank of America Study of High Net Worth Philanthropy (Initial Report), Center on Philanthropy, Indianapolis, Indiana. Reprinted with permission.

FIGURE 13.2. IMPORTANT MOTIVATIONS FOR CHARITABLE GIVING BY HIGH NET WORTH HOUSEHOLDS



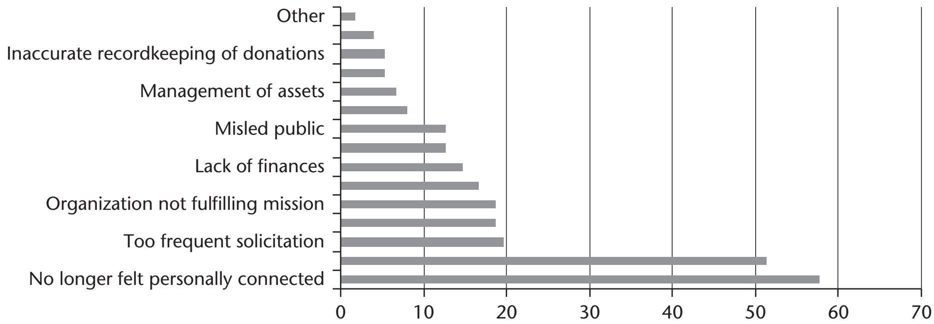
Source: Center on Philanthropy (2006). Bank of America Study of High Net Worth Philanthropy (Initial Report), Center on Philanthropy, Indianapolis, Indiana. Reprinted with permission.

also interesting to note that almost two-thirds of respondents gave because they were asked to do so.

In 2008 a further iteration of the study also examined the reasons donors indicated for why they had stopped supporting organizations. The details of this analysis are reported in Figure 13.3. "No longer felt personally connected," "Decided to support other causes," and "Too frequent solicitation" were cited as the top reasons for the termination of support. It is important to note the array of service-quality issues that in aggregate also accounts for a substantial proportion of termination behavior.

The motives that lie behind major giving by the wealthy have been investigated at length by the Boston College Social Welfare Institute: "What motivates the wealthy is very much what motivates someone at any point along the economic spectrum. Identify any motive that might inspire concern—from heartfelt empathy to self-promotion, from religious obligation to business networking, from passion to prestige, from political philosophy to tax incentives—and some millionaires will make it the cornerstone of their giving" (Schervish, 1997). Those who hold great wealth and direct it to social purposes also invariably want to shape rather than just support a charitable cause. This ability is what Schervish terms *hyperagency,* a distinctive characteristic of major giving, because such donors are capable of establishing the institutional framework in which they and

FIGURE 13.3. REASONS FOR ENDING SUPPORT OF NONPROFITS



Source: Center on Philanthropy (2009). The 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities Amongst Affluent Households, Center on Philanthropy, Indianapolis, Indiana. Reprinted with permission.

others live. Hyperagency does not mean that all wealthy major givers achieve major innovative philanthropic interventions, but they are more likely to than lower-value givers. Some become proactive producers of philanthropy rather than passive supporters of existing projects or causes. When a wealthy contributor provides a sizeable enough gift, the whole agenda of a nonprofit may be changed and the giver can thus become the architect and driver of the work.

In regard to other motives, Schervish and Havens (2001, 2002) and Schervish (2005) introduce a number of what they refer to as *supply-side vectors:*

1. *Happiness.* Schervish (2005) argues that as more individuals come to recognize at an earlier stage in their lifecycle that their financial resources now exceed their material needs and those of their families, they begin to focus more "on how to allocate their excess wealth for the care of others in a way that brings deep satisfaction" (pp. 17–18). In essence the author is arguing for an egoistic motivation: individuals give because it makes them feel good to do so.

2. *Financial security.* Not surprisingly, perceptions of financial security were also found to influence giving, but interestingly it appears that both objective and subjective wealth drive behavior. In Tables 13.1 and 13.2 the data on this issue are reproduced. Respondents were asked to rate their sense of financial security on a scale of 0 to 10, from completely insecure

TABLE 13.1 INDIVIDUALS WHOSE NET WORTH IS $15 MILLION OR LESS

	Less than 8/10 Financial Security	8/10 or 9/10 Financial Security	Complete 10/10 Financial Security	All Levels of Financial Security
Mean charitable contribution	$35,996	$77,381	$414,474	$130,893
Mean % income contributed	5.0	6.6	23.4	9.5
Mean % net worth contributed	0.4	0.5	3.0	1.0

Source: Schervish (2005) citing calculations by the Center on Wealth and Philanthropy at Boston College; also based on data from the Center's study "Deutsche Bank Wealth with Responsibility," 2000.

to completely secure. In Table 13.1 the charitable contribution of individuals with a net worth of $15 million or less is presented. In Table 13.2 similar data are provided for individuals with a net worth of more than $15 million. The influence of subjective wealth can clearly be seen in Table 13.1, with those who rated their financial security as 8/10 or lower offering only 5 percent of their income to charity, compared with 23.4 percent for those who indicated complete financial security. A similar pattern emerges for the extremely wealthy in Table 13.2.

TABLE 13.2 INDIVIDUALS WHOSE NET WORTH IS MORE THAN $15 MILLION

	Less than 8/10 Financial Security	8/10 or 9/10 Financial Security	Complete Financial Security	All Levels of Financial Security
Mean charitable contribution	255,932	$1,170,488	$4,235,955	$2,504,972
Mean % income contributed	7.6	19.2	51.0	32.9
Mean % net worth contributed	0.7	2.0	3.9	2.8

Source: Schervish (2005) citing calculations by the Center on Wealth and Philanthropy at Boston College; also based on data from the Center's study "Deutsche Bank Wealth with Responsibility" (2000).

3. *Identification.* This is a wish to help others like one's self, spouse, parents, siblings, or children. "The disposition of identification contrasts sharply with that of altruism to the extent that the latter term connotes the prominence of selflessness. Our research has consistently revealed that wealth holders, like all others who make charitable gifts, regard their philanthropy as an engagement rather than an absence of self" (Schervish, 2005, p. 18). Schervish argues that it would therefore be appropriate for nonprofits to emphasize the commonality of interest between themselves and the donor.

4. *Gratitude for blessing.* Schervish (2005, p. 18) also argues that some donors desire to give back and share their good fortune with others: "Just as my fortune is not due entirely to my own merit, others' misfortune may not be entirely attributable to their own failure. This realization, it turns out, is a generative one. It forges identification between donor and recipient as the offspring of a common destiny. As such, those who recognise that they have been blessed with good fortune become more inclined to care for those who have been less blessed."

5. *Entrepreneurial disposition.* For the wealthy, and perhaps for those engaged in more cognitive giving, philanthropy is an attractive outlet because it offers a welcoming place in which to be creative, purposeful, and effective producers of the world around them. Many individuals are attracted to giving support because they perceive that an action has a higher probability of being undertaken because of them. (See also Shervish, O'Herlihy, and Havens, 2001.)

6. *Philanthropy as financial morality for self and family.* Shervish (2005) also finds that donors can use philanthropy to embrace a more positive and productive financial morality. Through their giving they seek to explore the more profound aspects of financial care, and they frequently aim to teach these values to their children. Donors with wealth are very likely to engage their children in giving, sometimes as joint decision makers and sometimes by allocating a charitable "pot" of their own.

7. *Self-reflective discernment.* Finally, Shervish (2005) believes that approaches based on guilt or dictated expectations are doomed to fail. He argues instead that significant gifts accrue when donors *explore for themselves* and find "the point of convergence where what needs to be done coincides with what they *want* to do" (p. 35). The notion of self-reflective discernment does not neglect a sense of "duty"; it merely makes it self-discovered.

Prince and File (1994) have also undertaken a long program of research to examine the motives of major donors. Their Seven Faces of Philanthropy framework segments wealthy donors into seven motivational types:

The Communitarian: 26 percent. This is the largest segment. Communitarians give because it makes sense to do so. They believe in actively supporting local nonprofits as a way to help their own communities prosper.

The Devout: 21 percent. This group is motivated to give for religious reasons, and almost all of their giving is channeled to religious organizations.

The Investor: 15 percent. Investors organize their giving to take advantage of tax and estate benefits. They are most likely to support "umbrella" nonprofits and donate to a wide range of causes.

The Socialite: 11 percent. Socialites are members of local social networks who find social functions that benefit nonprofits an especially appealing way to help make a better world, and they have a good time doing it. They tend to support the arts, education, and religious groups.

The Altruist: 9 percent. Altruists embody the perception of the selfless donor, who gives out of generosity and empathy to urgent causes and often modestly wishes to remain anonymous. They tend to give to social causes and tend not to want active roles in the groups they support.

The Repayer: 10 percent. A typical Repayer has personally benefited from some institution and now supports that institution out of a feeling of loyalty or obligation.

The Dynast: 8 percent. For these donors, doing good is a family tradition. Giving is something their family has stood for and they believe it is expected of them also to support nonprofits.

These groupings can be used by practitioners to categorize donors and prospects, to prepare cases for support and responses to questions that donors might have, and to plan appropriate recognition.

Major Donor Recruitment

Author and consultant Kay Sprinkel-Grace (2005) recommends a ten-step process for the solicitation of major gifts (see Figure 13.4). In using this framework it is important to stress that every stage of the process benefits from a partnership among board, staff, and fundraising volunteers, to provide each with what Sprinkel-Grace refers to as "opportunities to be a resource, catalyst and implementer" (p. 55). It is also worth noting that only

FIGURE 13.4. THE MAJOR GIFT DEVELOPMENT PROCESS

Identify and Qualify

↓

Develop Initial Strategy

↓

Cultivate

↓

Involve

↓

Evaluate and Determine Final Strategy

↓

Assign

↓

Solicit

↓

Follow Through and Acknowledge

↓

Steward

↓

Renew

Source: Sprinkel-Grace, K. (2005). *Beyond fundraising: New strategies for nonprofit innovation and investment* (2nd ed.). AFP Fund Development Series. San Francisco: Jossey-Bass. Reprinted with permission of John Wiley & Sons, Inc.

two of the ten steps actually involve asking for money. Major gift solicitation is characterized by patient research and attention to detail in developing relationships. Very little time is spent actually asking for money.

Identify

There are three primary routes to identifying potential major gift prospects. The first route is to draw prospects from a nonprofit's existing supporter base, the argument being that many major donors will begin their association with the cause through lower-value giving. They may have responded to an item of direct mail, a campaign advertisement, or a low-value solicitation from a campaigner or volunteer. They could thus have a great interest in the work of the nonprofit but have given only small sums to date because that is what the nonprofit has asked for.

"A person may give ten times the amount they give through the mail if they're asked face to face. Gifts through the mail are impulse gifts—when asked in person the donor must give a major gift more serious consideration. You will have potential major donors hiding on your donor base" (Reuther, 1998). The issue then becomes how to find these individuals. Nonprofits with a sizeable database can pay to have it profiled by a specialist agency whose role is to identify individuals who by virtue of their name, address, or zip code are potentially wealthy.

The second approach (often used simultaneously) begins with the careful identification of peer networks. Existing staff, volunteers, and particularly board members can be asked to suggest individuals whom the organization might approach. Indeed, major gift fundraising is unique in the degree to which the involvement of senior staff, high-level volunteers, and executive board members is required at every stage of the process. All can help in researching and providing links to high-level prospects, and in the solicitation and cultivation of these individuals over time. Some organizations also appoint an advisory board to support a major gift or capital campaign. The purpose of such a board is to assist the fundraiser in putting together the campaign, identifying suitable prospects, and building relationships with prospective donors. Members are also expected to lead by example and contribute leadership gifts to the campaign themselves.

The third approach is the least cost-effective because the individuals identified have had no prior link to the organization. It involves a fundraiser in independently identifying members of the community who might have an interest in the work of the nonprofit. Although they have not given previously, an analysis of the other organizations they are known to support suggests that they may have an interest in one or more of a nonprofit's programs. Prospect research can be conducted in both the local and national press, online, or on specialized databases (Hart and others, 2006).

Qualify

For the fundraiser faced with a list of potential major gift prospects, it is necessary to find some way to prioritize those who would be most worthy of further research and fundraising effort. Typically this is done by appraising the likelihood of an individual making a donation. This is a function of linkage, ability, and interest.

Linkage

Linkage is a strong connection between the prospect and the organization. Linkage occurs when someone is already actively involved in a cause or organization or is benefiting from its work. Linkage also exists where the prospect is well known to someone currently involved in the organization. It is no accident that in higher education the majority of gifts come from two groups: alumni who are successful and businesses that need the employment resource. For hospitals the major gift prospects come from the grateful patient, families of grateful patients, and those who benefit economically from the hospital.

Linkage is key to success. As the following example illustrates, it is important *not* to focus effort on families that happen to be affluent, local philanthropists, and the like. What matters is a genuine link to the nonprofit.

Ability

Ability is the financial wherewithal to contribute a sizeable gift. Prospect researchers specialize in sourcing information about wealth, and there are now a plethora of resources that can be used to estimate an individual's wealth, as well as to gain other insights into their motives and behaviors.

A Cautionary Tale

Many years ago a metropolitan university president was hired to raise program and building dollars for the campus. His foundation was filled with local notables, but few of them were alumni or persons who benefited from the university. The gifts were nice but modest. The chairman of a local bank, an alumnus of another university in that state, was on the foundation's board. He saw the local university as something nice but hardly worthy of substantial giving. Similar profiles populated the board. In a year all the local notables had been removed and the successful alumni who had feelings for the university and who were seeking employees now populated the board. Every member of the new board gave at least a million dollars or more in an outright gift or an estate designation. The university completed one of only thirty $100 million campaigns being conducted by public universities in the country at that time. They succeeded because they identified the right donor base.

There are a few directories that estimate the wealth of very rich people, such as the *Guide to Private Fortunes* and *Who's Wealthy in America*. These can typically be found in Foundation Center libraries and in the libraries of large nonprofit organizations. In addition, newspapers and magazine articles sometimes estimate a person's wealth, and some run lists of the world's wealthiest people, most notably *Forbes* (click on the Lists link at http://www.Forbes.com for links to the Forbes 400 and other lists). There are also online databases that can be used, such as KnowX (at http://www.knowx.com), AutoTrackXP (http://atxp.choicepoint.com), and LexisNexis (at http://www.lexisnexis.com). All allow a financial profile of an individual to be compiled, but cross-referencing is always advisable. Such systems are not infallible and can on occasion miss persons of substantial wealth.

Interest

By interest we mean a belief in and passion for the cause or project (Irwin-Wells, 2002).This is difficult to appraise *a priori,* but not impossible. When donors are existing supporters, their interests may be apparent from the pattern of campaigns they have elected to support. Where they are known personally by a member of the board, they may provide insight, but there are also online tools that prospect researchers may use. Sites such as http://NNDB.com and http://Pipl.com can add value.

NNDB stands for Notable Names Database Weblog and is hosted by Soylent Communications, based in California. This free Web site calls itself an "intelligence aggregator" that tracks the activities of people they have determined to be noteworthy. NNDB has interesting tidbits of information on more than 35,000 living and deceased high-profile individuals, including how they connect to other individuals.

Pipl.com is a free people-search-engine Web site that claims to dig deep into the Web to pull in wide swaths of individual data from social networking sites such as Facebook, LinkedIn, and Plaxo; photo sites; blog mentions; public records; and Google searches; and content from many other sites. It is possible to search Pipl.com by a person's first and last name and location (city and state) only. Pipl.com can provide data on personal or business contacts, Secretary of State Division of Corporations notices, legal case information, property records (from various county property appraisers' sites), official Securities and Exchange Commission filings, information from Rootsweb's Social Security Death Index information, and news articles and other publications. Although Pipl.com may be good at aggregating information that's available through public sources and databases, the data may not always be accurate and usually benefit from cross-referencing.

Sprinkel-Grace (2005) recommends the use of a *silent prospecting* exercise to aid in the qualification process. Because most prospects will already be known to the organization, members of the board, volunteers, and so on, it can be valuable to involve these individuals in conducting an appraisal of the names submitted. Each participant in a silent prospecting session is provided with an identical list of one hundred to two hundred names. They must review the list silently, writing down comments about linkage, ability, and interest. At the end of the session, lists are turned in to staff for evaluation. It is essential that this kind of review be conducted in person because a list of potential major donors is an incredibly valuable asset and should *not* be allowed out of the organization.

A sample instruction sheet for a silent prospecting exercise is provided in Exhibit 13.1. The exhibit also illustrates what an entry for each of the names to be evaluated might look like.

Exhibit 13.1. Silent Prospecting Exercise

Thank you for agreeing to participate in our silent prospecting program. This is a vital step in our ability to identify those individuals in the community who will have the greatest interest in our organization and be most willing to contribute through our giving program. *The process is silent and confidential.*

The enclosed lists were drawn from existing and new lists put together for fundraising purposes. They include current donors, likely prospects, and others who have shown interest in our organization. In each case the name and address are noted, and opposite the name are boxes for you to check and places to comment. *Each person participating in the process has the same list.*

1. We are asking you to evaluate each individual according to connection. (Do you know this individual, and how well [primary link]; or does someone else [secondary link] know them who might be willing to contact them?) Also, please indicate whether you are willing to contact the individual.
2. We would also like to know (of course) your estimate of their *capacity* to give. We have set this up to make it easy for you—just circle a number opposite each name (these will vary according to goal).

A: $10,000 or more
B: $5,000–$9,999

C: $1,000–$4,999
D: Less than $1,000

3. Interest or concern is a big factor; choose from the following checklist (suggestions for various organizations, such as arts education, historical societies, and human services).

Dance	Piano	Vocal
Preservation	Special collection	Archives
Family service	Respite program	Child care

A sample entry looks like this:

Mr and Mrs John Doe	Primary link?	Yes/No
2222 Jackson Street	Secondary link?	Yes/No
Hillsborough CA 94010	Name of best contact:	
Phone:		
Known or suspected interest:		
Ability: A B C D		
I am am not willing to ask this person.		
Comments:		

Please work silently. If you have questions, ask a staff or board member for help. Be sure your name is on the envelope when you turn in your list. Thank you so much. Please keep this process confidential.

Source: Sprinkel-Grace, K. (2005). *Beyond fundraising: New strategies for nonprofit innovation and investment* (2nd ed.). Hoboken, NJ: Wiley. Reprinted with permission of John Wiley & Sons, Inc.

Develop Initial Strategy

In developing an initial strategy there are two primary considerations. The first is deciding what levels of gift (and how many) the organization might solicit. The second is prioritizing the list of prospects from the screening process for cultivation and development. In regard to the former, many major gift fundraisers in the United States utilize gift range charts. These are statistical representations of patterns of giving generated through the experience of major giving campaigns. They can guide the fundraiser in determining the numbers of gifts required of particular dollar levels if the campaign target is to be reached. An example is provided in Table 13.3. In this case the campaign target has been set at $10 million.

In preparing a gift range chart the following rules are applied:

1. The first two gifts of the campaign are set to equal 10 percent of the goal (that is, 5 percent each).
2. The next four gifts are set to provide a further 10 percent of the goal.

The remainder of the chart is developed flexibly, taking into account the experience of the nonprofit in running such campaigns. The figures given in the example are not untypical, and they serve to illustrate that it would generally be expected that 60 percent of the total would be provided by 10 percent of the donors and that 80 percent of the goal would be provided by 20 percent of the donors. This pattern of performance is very common.

When developing the gift range chart, it should be noted that the ratio of prospects to gifts tends to fall as one moves down the pyramid. It is typically necessary to identify five prospects who might give at the

TABLE 13.3 GIFT RANGE CHART: $1 MILLION GOAL

Gift Range ($)	Number of Gifts	Cumulative Number of Gifts	Prospects Required	Cumulative Number of Prospects	Per range ($)	Cumulative ($)
50,000	2	2	10 (5:1)	10	100,000	100,000
25,000	4	6	20 (5:1)	30	100,000	200,000
10,000	10	16	40 (4:1)	70	100,000	300,000
7,500	20	36	80 (4:1)	150	150,000	450,000
5,000	30	66	120 (4:1)	270	150,000	600,000
		10% of donors			60% of goal	
3,000	67	133	201 (3:1)	471	201,000	801,000
		20% of donors			80% of goal	
Under $3,000	333	466	666 (2:1)	1,137	199,000	1,000,000
		100% of donors			100% of goal	

highest level in order ultimately to acquire one donor. At the lower end of the pyramid it will typically be necessary to name only two prospects who might provide the requisite gifts, assuming of course that they are solicited in person (direct mail response rates are much lower).

The construction of a gift range chart should allow the fundraiser to ensure that an adequate number of qualified prospects are available to meet the goal, and that the overall financial goal is realistic. One of the most common causes of failure in major gift fundraising is the lack of adequate prospects. The gift range chart can provide a useful summary of how many might be needed.

In practice, the gifts range chart should be prepared or revised in line with the results of the screening process. This approach will provide the fundraiser with a sense of what gift levels are realistic and whether enough prospects exist for gifts at each level.

Major gift prospects then have to be prioritized for action. The prospect list should be organized into three parts:

1. *Tier 1* prospects are already close to the organization and have been supporting it for a while, although possibly at lower gift levels. These individuals and their interests are well known because a relationship may have been under cultivation for some time. The goal with this group is to move them toward a solicitation in an appropriate and timely manner. They will form the bedrock of the support for the current year's campaign. The initial strategy may include assigning the ideal solicitor (the person who will ask for the gift), setting a target level of gift (from the gift range chart), and selecting a date by which the solicitation will be made.

2. *Tier 2* donors are donors with the capacity and interest to make a significant gift but presently lack sufficient connection to the organization for an "ask" to be made directly. A plan for the cultivation of these individuals will thus be essential, to develop their links to the nonprofit and foster a knowledge of the ways in which it can help them pursue their interests.

3. *Tier 3* donors are potential donors about whom very little is known. It may be necessary here to commission additional research from a prospect researcher, and it will certainly be necessary to pursue a program of careful cultivation.

Cultivate and Involve

In the cultivation stage of the solicitation the goal is to learn more about the interests of the donor and to explore ways in which the organization might enable the individual to pursue one or more of these interests with the nonprofit. It is common for nonprofits to regard the process of cultivation as educating prospects about the institution and the giving opportunities that are available, but such an approach can prove disastrous. Although donors will want to learn about the work of the nonprofit, it is also an opportunity for them to teach the institution why they want to give and what impacts they want to achieve. Frequently fundraisers don't hear the donors' interests, only their own, and opportunities are lost as a consequence (Hartsook, 1999). Listening is a key skill, as the vignette at the bottom of the page illustrates.

Many major gifts include an aspect of an individual's estate, so it is critical to understand the donor's family situation. One common tip is for the fundraiser to learn something new about the prospect every time they meet (Hartsook, 1999). The fundraiser should identify whether the donor is married, divorced, widowed, or single, and the names and ages of any children or grandchildren. These aspects of life are essential elements in understanding a donor's needs. Fundraisers can also seek new information about the donor's business or profession and about what the economy is doing to his or her success. It is critical, of course, that the fundraiser get to know the particular interests the donor has in the work of the nonprofit and the rationale for these.

Education can take a significant amount of time, but seldom has a prospect reported being overeducated or overcultivated. Although some may not encourage extended cultivation activities, it must be remembered that the donor always has the opportunity to say no.

The Importance of Listening

A vivid illustration is a meeting with a major gift prospect named Oliver Elliott in which he had been identified as a donor to a university's business school. Conventional wisdom was that Oliver, who was an entrepreneur who bought and sold businesses, would of course want to give to the field of business. However, when he was asked, "How did you become successful?" his response wasn't all the good work that had been done teaching him finance or accounting or any of the other business subjects he had studied as a business student. No, the reason for his success, he had discerned, was his ability to communicate. It was his ability to write a sales proposal and his ability to present an idea. Well, clearly he was not a prospect for the business school at all but rather a prospect for the school of communications. He later gave a multimillion-dollar gift to endow and build a new building.

Understanding Donor Motives

Understanding donor motives for giving is key. When a major donor prospect offered a new fundraiser a million dollars to have his name put on a building, the fundraiser sensed that there was something more to this donor's needs than a simple naming opportunity, and rather than accept the gift right away, the fundraiser asked for the opportunity to get to know the donor better.

What followed was a very long and wonderful relationship that continues to this day. As the fundraiser was getting to know the prospect, he learned of the death of spouses, children, remarriage, and a host of other life events that made it clear that this prospect was not interested in a building but rather in some sense of immortality. Although buildings certainly last for a long time, they do not ensure immortality for the donor. It was therefore suggested to the donor that he consider establishing an endowment. The purpose of endowment is, after all, perpetuity. After a period of more than eighteen months, this donor ultimately made a $13 million gift to endow a school of business. Implicit in this arrangement was recognition that the school of business would always carry his name, no matter what building the school was located in. What could have been a story about a fundraiser who picked up a million dollars without even asking turned into a record gift for his institution.

What constitutes appropriate cultivation will vary with each individual donor. Some will want to tour a facility, meet regularly with senior staff, serve on a board or committee, attend key events and dinners, or even volunteer as an advisor. Others may want to meet the beneficiaries and the service provision team, and possibly travel to one or more of the sites where the service is provided. All this can take time to accomplish and the relationship must be deepened only at a pace with which the donor feels comfortable.

Evaluate and Determine Final Strategy

At some point during the cultivation process it will be necessary to evaluate the relationship being developed to determine how best to secure an appropriate gift. The fundraising team will want to review the personnel or volunteers who have been meeting with the donor and determine whether these are the right individuals to move the relationship forward or whether additional connections need to be built.

The team will also want to review the original work that was done to identify the donor's likely interests, concerns, and motives. Have these changed as the relationship has developed? Similarly, was the original work that the team conducted on the donor's financial means accurate, or does this need revising as well? On the basis of this analysis, what amount should be solicited and for which specific projects or goals, and what form might this gift take? It would also be usual to plan the form that the solicitation itself might take and who should be involved.

Assign

As a consequence of the review it should be clear which individual or individuals will be assigned to close the gift. Those who are new to fundraising might assume that the solicitation will be made by the fundraiser, but this isn't necessarily the case. Major gift fundraising is built on peer-to-peer "asks," so it may well be the executive director or a volunteer board member who makes the request. Equally, it may be appropriate to involve a senior member of the service provision team. In the context of medical research, for example, the "ask" could be made by the scientist who will actually conduct the work; or in the context of international aid, the request could be made by the country manager who is responsible for getting aid into a war-torn community.

Such individuals can be very powerful assets in asking for the gift because they, by definition, will be experts in a field that the donor cares passionately about and thus someone whose opinions the donor will appreciate and respect. Of course none of these individuals may be entirely comfortable asking for money, so the fundraiser will always be a critical member of the solicitation team. His or her role will be to solicit the gift if the planned member of the team can't quite bring him- or herself to do so.

Solicit

In theory a fundraiser should never fail in a major gift solicitation. They should know that they are talking to the right person, that the prospect has necessary resources to meet the objective, and that the prospect cares about the project for which the funding is being sought. They should also be confident that the organization has the capacity to deliver the promised benefits to the issues or projects the donor cares about. Asking for support should flow naturally from such a scenario.

As we have just made clear, identifying the right person to make the "ask" is essential. A team of people may be involved in the close, but nominating an individual to do the asking is key. It is also important to give adequate consideration to the environment. Taking the donor out for a meal will rarely be the right thing to do. Restaurants can be noisy and the timing of the service can be unpredictable. Many a solicitation has been ruined by an untimely request for a food order or the delivery of drinks. It is far better to pick an environment where distractions can be controlled and where attention can be focused on the solicitation. This might be an office, a home, or a room in a facility that the donor is visiting.

Finally, the solicitation team also has to think through timing. Will the solicitation take place at the end of a visit to the nonprofit's offices, after meeting with a particular person, or after seeing a particular program? Timing will usually be under the control of the nonprofit, but not always. Sometimes the donor herself will provide a signal that the deal may now be closed. The vignette at the bottom of the page provides an illustration.

In closing the gift it is essential to work with the donor to meet his or her concerns, not only for an impact with the nonprofit, but also for any financial needs the donor may have. Major gifts can be made in many ways:

1. Gifts can be either outright or pledged in a series of installments.
2. Such pledges don't have to be paid in equal increments. It may suit the donor to begin by making lower payments and then building these up

Signaling the Close

A major gift prospect for a university had been cultivated to the point that he was now a regular attendee of the university president's pre-football-game buffet, of course on a Saturday. This donor was the cofounder of a large publicly held national business, but because he owned 40 percent of the shares, his holdings were a matter of public record. On the Friday before the next buffet, the fundraiser read that the donor's business had just lost about $14 million in stock value. Because he knew the donor well and they shared a common sense of humor, he joked at the Saturday buffet that he'd just seen the gift to the university disappear in Friday's news—$14 million. The donor looked up from his plate and said, "Oh, that is just paper, it goes up and it goes down." The fundraiser realized that the donor had just affirmed his donation and closed the gift the following Monday at lunch.

over time. Equally, if the donor's business is having a good year, the converse may be true and the donor may prefer to make larger payments up front. It is essential that the organization offer some flexibility where required.

3. *Quasi endowments* can be established that allow the donor to pay out commitments in the form of the distributable amount followed by the capital at an agreed-on point in the future—perhaps on the distribution of a donor's estate. For example, it would be possible to accept a million dollar donation today if the donor would agree to pay what would be the distributable amount on the capital (perhaps $50,000 per year) and then fund the actual $1 million endowment at some date in the future.
4. Gifts of stock and estate designations are both common in major gift fundraising.

The act and completion of solicitation is a wonderfully satisfying success for both the donor and the fundraiser. It should be celebrated and recognized as a great achievement for both. The number of million dollar (or more) gifts announced publicly is in the low thousands. To be part of making one of those gifts happen is a spectacular achievement.

Follow Through and Acknowledge

A successful solicitation must be immediately followed through in writing. The organization should also plan to thank the donor for his or her support. Panas (1984) recommends doing this a minimum of seven times. Opportunities to thank include the following:

1. In person at the close of the solicitation.
2. In a follow-up phone call from the CEO the next day.
3. In an informal note from the fundraiser.
4. In a formal letter from the chair of the board.
5. In press releases issued by the nonprofit.
6. By extending private invitations to events and other meetings.
7. By setting up for the donor a private presentation of the work being conducted.
8. By offering (where appropriate) naming opportunities.
9. By offering a small gift or token of appreciation. This should not be high value, but it should be high quality and related in some way to the mission of the nonprofit.

Although individuals offering small gifts in response to direct mail or telephone approaches are unlikely to expect a high level of recognition for their support, and although they often insist that the whole of their gift should go directly to the programs they are supporting, people giving significant gifts are more likely to expect that their gift will be marked and that they will receive some acknowledgment or recognition in return for their donation.

In theory, the potential recognition need of a donor should be discussed as part of the donor cultivation process. By the time a gift is pledged the fundraiser should have a good idea of what level and type of recognition would be appropriate. Recognition of the biggest gifts can involve the naming of buildings or projects; devices such as framed certificates, citations in publications and reports, and publicity through press announcements are also used. Special events may be appropriate in recognition of a particularly significant contribution or of a group of contributors. Donor recognition events, societies, and activities tend to focus on exclusivity and privileged access, whether to an event, to information and feedback, or to senior staff. The key to recognition is that the donor should feel genuinely special and valued. Achieving this doesn't usually require the provision of a neon sign. Much of donor recognition is conducted in private.

That said, the provision of tokens such as donor plaques are a commonly employed and probably overused vehicle for recognition. It would be rare for this to be the only form of recognition offered, but plaques can be a very visible acknowledgment of a donor's support, and because they are typically given a place of pride in the entrance to a building or facility, the nonprofit can ensure that all visitors are aware of the achievements of their most significant supporters. They can thus serve the dual purpose of rewarding donors and inspiring others. Plaques frequently vary in quality and style as the level of the gift increases.

Steward

Stewardship—the idea that, as best practice, fundraisers should become responsible guardians of donor assets that are held in trust for the public good—is a key concept in fundraising. Stewardship is the means by which an institution exercises ethical accountability for the use of contributed resources (Tempel, 2001). Stemming from Judeo-Christian tradition, stewardship implies a deep burden of trust, responsibility, and accountability for the proper management and administration of the resources under the steward's care (Jeavons, 1997). Within the context of contemporary nonprofit governance and management, the role of steward and its corresponding obligation of stewardship applies to any person in a position to manage or account for financial resources: board members, the chief executive officer, the chief financial officer, and senior fundraising staff.

"Major gift stewardship is the continuous personal interaction and information exchange that you and others from your organization have with your donors. It paves the way for your donors to make repeat larger gifts. It is a form of cultivation" (Fredricks, 2001). In practical terms, stewardship of major givers could include the provision of regular feedback on how the gift has been used and on the effect it has had, a regular program of communications such as annual reports and newsletters, plus invitations to participate in a range of events both large scale and private. The key to successful stewardship, as in all aspects of fundraising, is to follow the needs and interests of the donor. Some individuals have a higher need for continuing contact and feedback than others (Ingraham-Walker, 2006).

Renew

The successful solicitation of one major gift isn't the end of the fundraising process. As we have already made clear, the nonprofit will want to practice good stewardship and keep the donor informed as to the impact his or her gift is making. Good stewardship is an ongoing activity that will pave the way for the relationship with the donor to deepen and be renewed periodically with additional donations over time. As relationships are developed it can be perfectly acceptable for an organization that has been given a major gift one year to go back to the same donor for a subsequent gift in the next. As Sprinkel-Grace (2005, p. 75) notes, "Those who fear going back to the same donors in the following year miss the point. An organization does not seek funds because it has needs, but because it *meets* needs" (emphasis in original). These needs are usual multiple and ongoing and most major donors will want to do what they can to help on a regular basis. Donors can be requalified on the basis of their previous donations, and the solicitation of subsequent gifts can usually proceed more quickly, always assuming of course that the organization genuinely has multiple ways in which it can further the donor's interests and concerns.

Summary

In this chapter we have provided a framework for the solicitation of major gifts. Although major donors share the common characteristic of holding (often great) wealth, they are otherwise very diverse and motivated to give by a wide range of individual reasons. Although the majority of these motives are very similar to those for lower-value giving, hyperagency distinguishes the major gift context. Only high-value donors may achieve hyperagency, as a function of their wealth and the influence it brings—that is, the genuine difference it makes in the structural causes of a problem or concern.

In this chapter we introduced a ten-step process for solicitation, beginning with prospect research and identification and ending with stewardship and renewal. As we highlighted earlier, it is worth noting that only two of these ten steps are associated with actually asking for money. The majority of a major gift fundraiser's time is spent either conducting painstaking research on potential prospects or building high-quality relationships with the individuals the research highlights.

Building such relationships takes time and an organization new to major gift solicitation will also need time to develop a successful program. It is not unusual for it to take five years for an organization to break even on its investment in this area. Fundraisers expected to develop a program for the first time must therefore be careful to manage the expectations of their board. They will probably not generate a return in the short to medium term.

That said, the significance of major gift fundraising should not be underestimated. As we noted at the beginning of this chapter, major gifts typically provide 80 percent or more of an organization's revenue. Nonprofits therefore ignore this potential source of income at their peril.

Discussion Questions

1. Why might a nonprofit establish an advisory board for a major gift campaign?
2. How might a local animal shelter set about establishing a major gift program for the first time?
3. How can a prospect researcher identify the likely level of an individual's wealth?

4. Why is it so critical to appraise linkage, ability, and interest in the qualification of major gift prospects?
5. What is hyperagency? Why is it an important motive for major gift fundraisers to consider?
6. What is meant by the term *stewardship*? Why does the practice have particular relevance to the domain of major gifts? What might a stewardship program for a nonprofit hospital's major gift program entail?
7. What advice would you offer a fundraiser planning to close a major gift for the first time? What factors should he or she consider while planning for this event?
8. Visit the Center on Philanthropy's Web site (http://www.philanthropy.iupui.edu) and access the data on the million dollar list. Examine how many million dollar gifts have been made per month over the past couple of years. What patterns do you notice?

CHAPTER FOURTEEN

BEQUEST, IN MEMORIAM, AND TRIBUTE GIVING

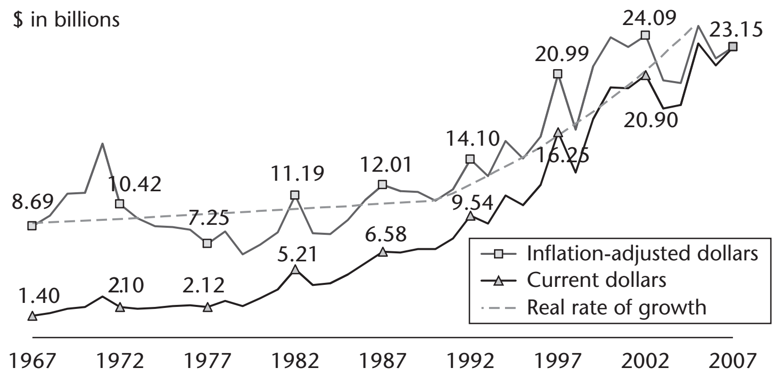
By the end of this chapter you should be able to:

1. Conduct an assessment of the potential for bequest fundraising in your own organization.
2. Identify the demographic, lifestyle, and behavioral characteristics of bequest pledgers.
3. Plan a bequest solicitation campaign.
4. Develop appropriate bequest solicitation materials.
5. Solicit in memoriam and tribute fund giving.

In 2007, Giving USA Foundation (2008) tells us, $23.15 billion was donated in the form of bequests to the nonprofit sector, accounting for around 8 percent of overall charitable giving. Figure 14.1 illustrates how bequest income has developed over time. Although figures do vary from year to year, the proportion of overall giving accounted for by bequests has remained remarkably constant. Bequests are a highly significant source of income for the sector.

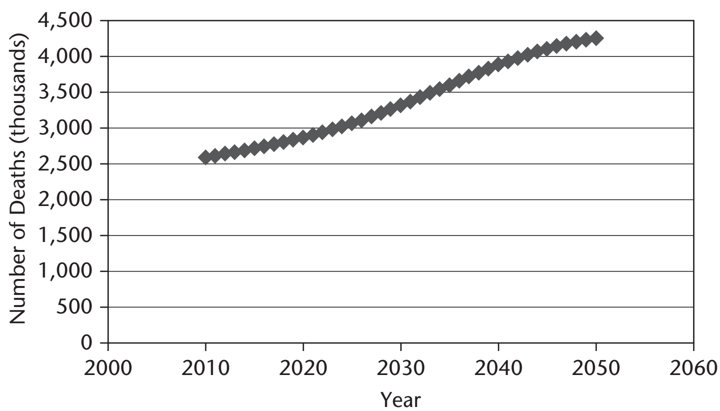
The good news for bequest fundraisers is that they are working in what appears to be an expanding market. Data from the U.S. Census Bureau indicate that the number of people dying in the United States will almost double in the coming forty years (see Figure 14.2), with the

FIGURE 14.1. GIVING BY BEQUEST, 1967–2007



Source: Giving USA Foundation (2008). Reprinted with permission.

FIGURE 14.2. PROJECTED NUMBER OF DEATHS, 2010–2050



Source: U.S. Census Bureau (2009).

annual mortality rate climbing from 0.8 percent to almost 1.4 percent in that period. This rise will be due primarily to the passing of the Baby Boom generation (that is, those born between 1946 and 1964). A significantly large proportion of society will soon be facing retirement, old age, and eventually death. A great time to be a bequest fundraiser!

There are two additional pieces of good news for bequest fundraisers. First, it appears that making a will to indicate how one's assets should be disposed of is actually good for one's health. Those without a will die at an average age of sixty-nine, whereas those with a will die at an average age of seventy-nine. Interestingly, the content of the will would also appear to make a difference, with individuals electing to leave a charitable bequest surviving, on average, to the ripe old age of eighty-two (Radcliffe, 2006). There is no reason, then, that everyone in society shouldn't consider offering a bequest; we would all live, on average, three years longer if we did! Well, maybe. There are, of course, other factors at work here, but it's certainly a sublime case for support.

The second additional piece of good news is that the Baby Boom generation will have significantly more wealth to transmit than previous generations. In their latter years they will undoubtedly spend more on their lifestyles and on generally having fun. They are healthier than their forebears and will not regard themselves as "old" in the same way as their parents and grandparents did. Eventually, as this cohort ages they will also spend significant sums on health and nursing care. Even accounting for this expenditure, however, forecasters are predicting a significant bulge in the transfer of wealth. In 1999, Schervish and Havens, two researchers from Boston College's Social Welfare Research Institute, famously calculated estimates of the wealth transfer that would take place over the next fifty years. They ran three sets of analyses with different sets of assumptions about how the environment might change over the period. Given recent developments in the stock market and a lower-than-predicted death rate, it is now the most conservative of these estimates that is most commonly cited. These predictions are reproduced in Table 14.1. What this information indicates is an approximately $41 trillion transfer of wealth between 1998 and 2052 from a predicted eighty-eight million estates.

Of particular interest for our purposes is that Schervish and Havens estimate that $6 trillion will be transferred to charity. Assuming that they are correct and that this pot of money does materialize, it would seem to be very good news. After all, it is an enormous pot of funds from which the sector can draw benefit. Unfortunately, however, this is where the good news stops. The figures mask a number of very depressing statistics.

First, only around 18 percent of the nation's wealthiest individuals presently leave a gift to charity in their will. In 2003, the last year for which data is available, Joulfaian (2005) reports, 73,000 estates were required to file estate tax returns and a mere 18 percent of these

TABLE 14.1 WEALTH TRANSFER: LOWER-LEVEL ESTIMATES

	Negative or Zero	$1–$0.9M	$1M–$4.9M	$5M–$9.9M	$10M– $19.9M	$20M or more	Total
Number of Estates	4,981,782	76,593,322	5,325,055	495,067	240,750	203,336	87,839,311
	5.67%	87.20%	6.06%	0.56%	0.27%	0.23%	100%
Value of Estates	($50,856)	$13,933,317	$11,361,859	$3,338,664	$3,334,276	$8,687,635	$40,604,894
		34.27%	27.95%	8.21%	8.20%	21.37	100%
		100%	100%	100%	100%	100%	100%
Estate Fees	$784	$523,820	$464,098	$147,692	$153,640	$302,147	$1,592,182
	0.05%	32.90%	29.15%	9.28%	9.65%	18.98%	100%
		3.76%	4.08%	4.42%	4.61%	3.48%	3.92%
Estate Taxes	$0	$270,524	$2,521,800	$1,289,458	$1,445,628	$2,956,108	$8,483,517
	0.00%	3.19%	29.73%	15.20%	17.04%	34.85%	100%
		1.94%	22.20%	38.62%	43.36%	34.03%	20.89%
Bequest to Charity	$0	$717,542	$924,960	$463,626	$526,158	$3,389,897	$6,022,182
	0.00%	11.91%	15.36%	7.70%	8.74%	56.29%	100%
							14.83%
Bequest to Heirs	$0	$12,421,430	$7,451,001	$1,437,888	$1,208,851	$2,039,483	$24,558,653
	0.00%	50.58%	30.34%	5.85%	4.92%	8.30%	100%
		89.15%	65.58%	43.07%	36.26%	23.48%	60.48%

Note: Figures below estimates are percentages by category and read across. Figures in smaller type below the dollar amounts are percentages of the value of estates and read down. All dollar values are in millions of 1998 dollars.

Source: Schervish, P. G., & Havens J. J. (1999). *Millionaires and the millennium: New estimates of the forthcoming wealth transfer and the prospects for a golden age of philanthropy.* Boston: Social Welfare Research Institute. Reprinted with permission.

provided for charitable bequests. The estate tax is currently being gradually phased out and catches a smaller percentage of increasingly valuable estates each year. The percentage of estates about which we have reliable data is therefore falling, but it is estimated that in aggregate only around 8 percent of Americans will remember a charity in their will whereas more than 80 percent of us will give during our lifetime (LEAVE A LEGACY, 2009). Given the sector's success in other fundraising contexts, this is a pretty miserable pattern of performance. Why should it be?

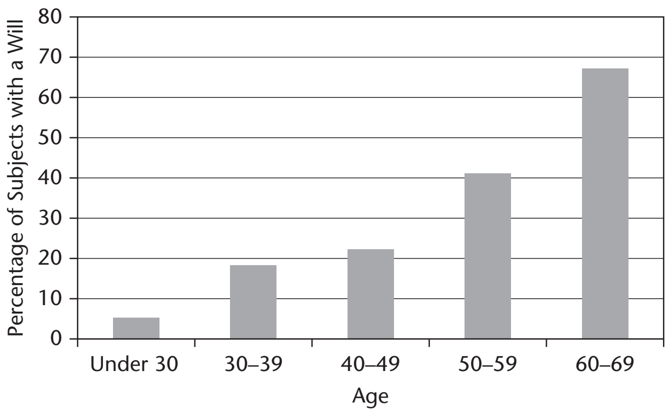
Commentators such as Wilberforce (2001) and Sargeant and Warwick (2004) have argued that many nonprofits neglect to maximize bequest income simply because they fail to ask for it. Historically, the solicitation of bequests in the United States has been the responsibility of the planned giving function, with the focus of the effort being applied to the solicitation of gifts from the wealthy. As a consequence, only a relatively small proportion of supporters have been solicited for bequests, particularly through the medium of *solus* (dedicated) communications. As Caldwell (1998, p. 25) notes, other classes of professional fundraisers "hesitate to seek legacy income" because they fear it will cannibalize their annual fund and capital appeals, because they dislike alluding to death, or because they have difficulty justifying the expenditure on bequests when the resultant income streams may not accrue for many years. They are also generally hampered by a lack of understanding with respect to the motives and determinants of bequests (Joulfaian, 2001), making it significantly more difficult for them to design and target appropriate solicitations.

For all these reasons we believe that a separate chapter on the relevant research and best practices on bequests is warranted.

Will Making

One of the biggest barriers to the solicitation of bequests is that an astonishingly high percentage of Americans do not have a will (i.e., are intestate). A recent survey by FindLaw (http://www.findlaw.com) determined that 57 percent of Americans do not have a will, and DiRusso and McCunney (2008) found that the figure was even higher, at 69 percent. The latter authors also showed that there were significant variations by age (see Figure 14.3) and race in that only 17 percent of minorities were found to have a will compared with 36 percent of white people. The authors blame the legal profession, at least in part, and identify numerous shortcomings in the way wills are promoted.

FIGURE 14.3. WILL MAKING BY AGE



Source: Developed from DiRusso and McCunney (2008).

From a fundraising perspective it is important to understand why people make wills and the barriers that can be perceived or encountered. To begin, Rowlingson (2004) identified a series of triggers for an individual making his or her first will:

1. Illness of the individual him- or herself or the illness of a relative or friend
2. Death of a relative or friend
3. Difficulties associated with having to sort out the estate of a family member
4. Some form of family change, such as marriage, divorce, remarriage, and so on
5. Planning long-distance travel
6. Purchase of a house

Finch and Mason (2000) identify the following potential barriers to making a will:

1. The perception that intestacy legislation will give people the outcome they want anyway
2. The fact that property is jointly owned and would be transferred anyway
3. Existing agreements with family about the distribution of property and the feeling that a will would therefore be redundant

4. The intention to make gifts to heirs during their lifetime
5. The belief that there were, or would be, no assets to leave
6. The time and cost implications of making a will

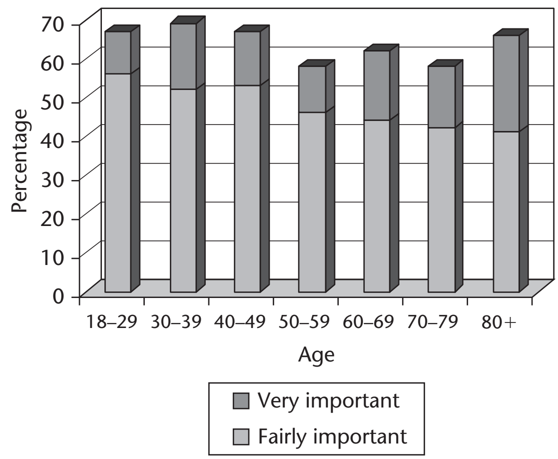
What is striking about the first list is that there is no way *a priori* for a fundraiser to be aware of these factors and thus to target a bequest solicitation at the precise moment a decision is being made. Bequest messages must therefore be pervasive so that there is an ambient level of awareness among the supporter base that the bequest is an additional way in which they could support the organization. In this way, when the opportunity arises they may be prompted to take action.

Looking through the second list, there are certainly two barriers that can be addressed by fundraisers. Many individuals believe (and currently with good cause) that charitable bequests are the preserve of the wealthy, that somehow the value of their estate wouldn't make offering a bequest worthwhile. The reality, of course, is that everyone can make a difference and as a consequence, when promoting bequests, organizations need to celebrate all sizes of gift, citing examples of both wealthy and not so wealthy donors.

The last point on the list also bears some elaboration. Inevitably some people may be put off by the inconvenience or costs of making a will. This is clearly a sensitive issue, but there is certainly no reason that nonprofits shouldn't consider promoting the benefits of making a will and thus influencing the mental calculations in which many supporters may engage. There are certainly costs, but the costs of inaction might be substantially greater. Donors can therefore be reminded of the issues at stake and the problems that inaction might cause. For example, the Sharpe Group, a leading firm specializing in gift planning, has created a helpful set of Bequest Awareness materials that nonprofits can tailor for use with their own supporter base. The materials can be found at http://www.sharpenet.com/pubs/bequest. One strong caveat here: state laws do vary concerning the requirements for a valid will. Donors should always be directed to seek professional legal advice in the preparation of a will and to secure counsel on all estate-planning issues.

Finally, the data we have presented about age and testacy might suggest appropriate age groups to target with a potential bequest message. That said, part of the equation is missing. What the data in Figure 14.3 don't tell us is how motivated individuals might be to offer an inheritance at each stage in their life (including a bequest to family or friends and potentially a charitable bequest), and thus how motivated they might be to

FIGURE 14.4. HOW IMPORTANT IS IT TO YOU TO LEAVE AN INHERITANCE?



Source: Rowlingson and McKay (2005). Reprinted with permission.

make or change a will. Rowlingson and McKay (2005) have explored this issue and their findings are reported in Figure 14.4. Younger people regard the leaving of an inheritance as fairly important (possibly because they may stand to benefit from the generosity of others!), but as these individuals hit their fifties their enthusiasm wanes. It is possible that at this age their children start to become independent and the minds of individuals turn to the issue of retirement. At this point, reality dawns and they become concerned about their standard of living in retirement, perhaps feeling that they will need the money themselves. Equally, they may feel that the years are passing them by and they want to enjoy life a little more than they had previously thought. As individuals age into their sixties and beyond, the percentage who view leaving an inheritance as "very important" climbs steadily. These differences can be taken into account in the targeting and content of communications.

Charitable Bequest Giving

In an analysis of estate tax returns, Joulfaian (2005) tells us that the propensity to give a charitable bequest increases with wealth and with the age of the decedent. The fraction of estates reporting charitable bequests rises with age and peaks at 29.7 percent for decedents age eighty-five and over. Similarly, the fraction of wealth bequeathed to charity peaks at 17.8 percent for the oldest group. In 2003, donors left an average of 29 percent of their wealth to an average of 3.5 organizations. The average number of recipient charities rises with the propensity to give, but interestingly some 40 percent of donors support only one organization.

As indicated in Table 14.2, the largest beneficiaries of these bequests are the philanthropies (usually private foundations), educational institutions, and religious institutions. Combined, these three categories account for 70 percent of all charitable bequests reported on federal estate tax returns. The majority of donors, some 55 percent, give to religious institutions, but these account for less than 9 percent of total charitable bequests.

TABLE 14.2 CHARITABLE BEQUESTS REPORTED ON ESTATE TAX RETURNS FILED IN 2003

Type	Number of Estates	Amount ($Millions)
Arts, culture, humanities	1,553	750
Educational institutes	4,716	2,645
Environmental quality, protection	504	155
Animal-related activities	896	215
Health—general, rehabilitative	2,684	788
Mental health, crisis intervention	160	33
Disease, disorder, medical disciplines	1,602	354
Medical research	533	129
Public protections, legal services	120	23
Employment—jobs	197	12
Food, nutrition, agriculture	187	17
Housing—shelter	439	73
Public safety, disaster relief, preparation	256	6

(Continued)

TABLE 14.2 CONTINUED

Type	Number of Estates	Amount ($Millions)
Recreation, leisure, sports, athletics	252	56
Youth development	383	33
Human services, other multipurpose	3,336	808
International	216	63
Civil rights, civil liberties	179	10
Community improvement, development	377	65
Philanthropy, voluntarism	2,546	6,324
Science	79	27
Social sciences	12	0
Public affairs, societal benefit	213	15
Religion, spiritual development	7,250	1,301
Mutual membership benefit organizations	196	18
Unknown	1,621	851
Total, charitable bequest deduction	13,399	14,772

Source: Joulfaian, D. (2005). *Basic facts on charitable giving.* OTA Paper 95. Washington, DC: U.S. Department of the Treasury. Reprinted with permission.

Of course the difficulty with these figures is that they take no account of the majority of estates that are not now subject to the estate tax. There are therefore no accurate statistics in the United States that map out the kinds of people most likely to leave an estate gift. Instead we have to rely on the experience of sector agencies and suppliers such as the Sharpe Group or Blackbaud Analytics. Sharpe, for example, tell us that the average bequest (about $30,000 to 40,000) comes from the estate of a retired woman, who either has no living children or feels they have enough money of their own. This is certainly a profile that has resonance with other countries, such as the United Kingdom, where estate data are routinely recorded (Radcliffe, 2006). Women live significantly longer than men and the absence of children has been well established as the primary driver of charitable bequests. Lawrence Henze (2005), managing director of Blackbaud Analytics, provides other clues for fundraisers, arguing that there are actually three key segments of supporters of interest:

1. Older retirees on fixed incomes who still give to the organization, although the size of their annual donation may have plateaued or gone down. They are likely to make a bequest because they want to make a final gift to the organization they care about the most.
2. Younger married couples in their forties and fifties. They typically have children at home, have moderate to upper-moderate incomes, and are active consumers.
3. Anniversary gift donors—who tend to give at a set time on the calendar—might typically donate because they are giving in memory of a loved one or a significant family or life event. These are also powerful motives for bequests (p. 8).

Henze argues that nonprofits should tailor their approach to bequest marketing on the basis of "lifestyles and loyalty, not wealth" (p. 9). We concur. In our experience it is typically the donors with greatest longevity who are the best bequest prospects, as are individuals who have multiple connections with an organization—so folks who are donors but also volunteers, campaigners, or service users.

Although data on actual bequest givers are sparse, there have been numerous surveys of donor *intentions,* which allow us to paint a picture of a typical bequest "pledger," that is, someone who has pledged to include a bequest in his or her estate. The National Committee on Planned Giving (NCPG), for example, publishes detailed information on this topic. In a large-scale survey, more than two out of five individuals who were setting up gifts to charity in their wills were found to be under fifty-five. Their data are reported in Table 14.3.

NCPG also determined that the average age when most donors made a will was forty-four, and the average age at which the first charitable bequest is included in a will is forty-nine. Although only 31 percent were found never to have revised their wills, nearly 75 percent were found never to have revised their charitable bequests. Among those who had, most had increased the amount of the bequest. Fewer than one in ten were found to have decreased the amount, and this was most common among those on lower incomes (that is, earning $35,000 or less). The most common reason for changing the amount of the bequest was a change in assets.

Table 14.4 provides the income profile of bequest pledgers and illustrates that they are evenly drawn from the majority of the income categories listed, with a slight concentration among those on incomes of $50,000 to $75,000. Reinforcing an earlier point, NCPG also found that more than 80 percent of bequest pledgers have no children under eighteen living at home.

TABLE 14.3 PERCENTAGE OF CHARITABLE BEQUEST DONORS

Age	%
18–34	3
35–44	14
45–54	26
55–64	22
65–74	20
751	15

Source: "Percentage of Charitable Bequest Donors," National Committee on Planned Giving 2001, Partnership for Philanthropic Planning (formerly National Committee on Planned Giving).

TABLE 14.4 INCOME PROFILE OF BEQUEST PLEDGERS

Income	% of Bequest Pledgers
Under $20,000	11
$20,000–34,999	12
$35,000–49,999	13
$50,000–74,999	22
$75,000–99,999	14
$100,000–124,999	12
$125,000–149,999	5
$150,000–174,999	4
$175,000 and over	8
Median income	$60,400
Mean income	$75,900

Source: "Income Profile of Bequest Pledgers," National Committee on Planned Giving 2001, Partnership for Philanthropic Planning (formerly National Committee on Planned Giving).

Motives for Charitable Bequest Giving

Having looked in the previous section at who gives, in this section we consider the critical issue of why. Of all the facets of bequest giving, this one has received the most attention from researchers. To structure the discussion of this section, we examine what should be regarded as "general" charitable motives, in the sense that they are equally applicable to other forms of giving, and "specific" motives, which perhaps apply only in the context of bequests.

General Motives

Chapters Four and Five have already examined the topic of donor motivation in some depth. Many of the motives for annual giving described there are of equal relevance in the domain of bequests. Many donors give, for example, because they want to pay back the nonprofit for service they have received, because they want to make a difference, or because they feel it is their duty to support the organization in this way. Other motives include the following:

Tax Avoidance

Given recent moves by the United States Congress to reduce and ultimately remove the estate tax, it is not surprising that there has recently been a lot of interest in the impact of taxation on charitable bequests. Recent work by Joulfaian (2001) has attempted to quantify this relationship and suggests that charitable bequests may decline by about 12 percent in the absence of an estate tax—perhaps not as much of a reduction as one might expect. Indeed, this figure suggests what many fundraisers have recognized for some time: that for most donors tax issues are a basis for opening a dialogue rather than a motive in their own right. After all, whatever way one looks at it, a donor's estate will always be more valuable to its heirs in the absence of a charitable donation.

NCPG data on pledger motives support this hypothesis. The desire to reduce taxes is cited by only a third of the respondents as a contributory factor in their decision. By contrast, 97 percent claim a genuine desire to support the work of the charity, and 87 percent give because of the ultimate use to which the gift will be put. This latter finding suggests that simply offering the opportunity to give to "general" funds may be relatively less attractive to bequest givers. Donors may prefer to give for specific reasons or to specific programs or projects.

Social Norms

There is now evidence that the concept of social norms may play a role in legacy motivation. Konkoly and Perloff (1990), in a study of 245 college students, had subjects complete a questionnaire that assessed attitudes and subjective norms regarding intent to create a charitable bequest in a will. The authors found that attitude (toward the charity) and "subjective norms" accounted for significant amounts of variance in behavioral intentions. In plain English, their findings suggest that in deciding whether or not to leave a charitable bequest, individuals consider what is "normal" behavior for their societal group. The authors speculate that "perhaps the views of significant others are of greater importance when individuals are confronted with future choices about which they have little knowledge or insight" (p. 93).

There are good grounds for this suggestion. The psychology literature tells us that the elderly do depend on others to make complex decisions, so perceived norms may well be an issue (Cicirelli, 1998). In practical terms, individuals can be influenced by both the perceived views *and* the behaviour of others. Thus, in seeking to persuade, charities would need to provide evidence of societal norms and demonstrate practical instances when individuals have made favorable decisions. The American Cancer Society, for example, offers on its Web site a section entitled "Meet Our Donors," which offers a selection of individual bequest stories.

Reciprocation

The motive for giving to a specific nonprofit may be related to the level of involvement an individual might have with the problem or issue addressed by the cause. Those individuals who suffer from a particular complaint or who attended a particular school will be somewhat more disposed to giving than those that have no such association. Schervish (1997) refers to these links as *communities of participation*. Such effects are particularly noteworthy in the case of service users, who may feel that they should donate or give something back in return for help they have received. Reciprocation can obviously be a motive for annual giving too, but it has been identified as particularly prevalent in the case of bequests (Sargeant, Wymer, and Hilton, 2006). This result suggests that service users, information seekers, and those who have come into contact with the service provision could be particularly good prospects for a bequest solicitation. Although this may sound obvious, many nonprofits continue to neglect this possibility for fear of causing offense. This fear is unfounded. Only 7 percent of individuals feel it is inappropriate for charities to actively seek bequests (Sargeant and Hilton, 2005).

Performance

Sargeant, Wymer, and Hilton (2006) also identified that perceived "performance" could be a powerful motive for charitable bequests. Again, although all categories of donors may be concerned about this issue, performance has considerably more impact in the context of bequests. It operates on two distinct levels. First, we know that bequest pledgers are significantly more interested in the achievements of the organization than nonpledgers are and will spend more time reading communications to develop or confirm their view. Much like in the for-profit world, where we know the overwhelming majority of readers of advertisements for cars already own a vehicle, bequest pledgers seek reassurance that they have made the right decision. Bequest donors have a strong need to be sure that their gift will make a significant difference.

Second, research tells us that pledgers are significantly more demanding of the organization than nonpledgers. They expect that, having committed to what for many of them will be the single largest gift they will ever make, the organization will respond appropriately as a consequence. Given that donors have many choices of organizations to support in this way, and that legacy gifts are revocable, investing in a differentiated standard of care and adding value for this category of supporter is a sensible approach. We return to this notion later in the chapter.

Legacy-Specific Motives

Legacies are a distinctive category of gift. The donors won't be around to appreciate the impact of their generosity firsthand and the gift frequently involves the disposal of assets that the donors hold dear. As a consequence the decision involves a higher degree of involvement than would typically be the case in annual giving and a variety of other motives are relevant.

Need to Live On

McGranahan (2000) found that testators who gave more to individuals outside their immediate families were more likely to give charitable bequests. This finding suggests that people who make charitable bequests may be significantly more concerned about influencing how they will be remembered than those who don't. This conclusion was confirmed by Sargeant, Wymer, and Hilton (2006), who identified that some bequest donors are motivated by the need to "live on" through the work of the charity. This finding suggests that nonprofits should identify ways in which they can provide a lasting "legacy" for those donors—and particularly high-value donors—who desire it. Fundraisers need to clarify the exact nature of this need and the forms of recognition that would be deemed most appropriate to meet it. For some this may be as simple as a mention in a book of remembrance; for others a more public expression of gratitude may be desired.

Lack of Family Need

The lack of family need is the reason most commonly cited by pledgers for offering a charitable bequest. When the needs of close relatives and friends have been taken care of, a charity may be entered as a beneficiary in a will. Although this response is intuitive, it is also a little sad. It is difficult to believe that the majority of beneficiaries of a will would "regret" the donation of a few thousand or even a few hundred dollars to a lifetime passion of the decedent. A will is the last opportunity each of us has to express who we are. In our view, bodies such as LEAVE A LEGACY (http://www.leavealegacy.org) have a clear role to play in challenging the assumption that a nonprofit should always be the last consideration in a will.

Spite

There can be little doubt that a small but significant number of bequests are also motivated by spite. Wills have a fine tradition in this regard. Historically, some have conditioned bequests on the cutting of hair, beards, and moustaches. Other wills have dictated lifestyle choices for the would-be beneficiaries, such as choice of residence, school, occupation, hobby, attire, and even spouse. The poet Heinrich Heine, for example, left all of his fortune to his wife, but only on the condition that she remarry. He conditioned his bequest in that fashion, he said, so that "then there will be at least one man to regret my death" (Menchin, 1963, p. 79). Whether the condition was complied with and, if not, whether the money went to charity is not recorded. However, a number of charities undoubtedly benefit from bequests because the individual has fallen out with his or her immediate family and as a consequence desires that they should not benefit from the individual's estate. For some, spite can be a powerful motive, but probably not one for the fundraising profession to advocate.

Soliciting Bequests

Nonprofits can solicit a variety of forms of bequest:

- A *specific* bequest can be included as an outright gift in an individual's will. This might be a specific asset such as securities, real estate, or tangible personal property.
- A *pecuniary* bequest is a fixed sum of money. It is worth noting that pecuniary legacies tend to decrease in value over time due to rises in inflation and should be reviewed in order to maintain their original intended value. For example, a bequest of $1,000 written into a will in 1980 would now be worth less than $380.
- A *residuary* bequest leaves all or a percentage of the remainder of the estate to the nonprofit after all other provisions of the will have been fulfilled and all estate-related expenses paid.
- A *contingent* bequest names the nonprofit to receive a bequest but only in the event of the death of other named beneficiaries. In this way, donors can guarantee that their loved ones are cared for first and that their charitable wishes are honored if there are sufficient assets to do so.

From a nonprofit's perspective, a residuary bequest is likely to be of substantially greater value than a specific or pecuniary bequest. In the United Kingdom, for example, where the value of all bequests is recorded, the value of a typical residuary gift is $77,000 whereas the average value of a pecuniary gift is currently closer to $4,200—a huge difference.

To solicit bequests, organizations should do the following:

1. *Ensure that board members, fundraisers, and volunteers lead by example and sign up to support their nonprofit in this way.* Encouraging these individuals to talk to others who might be willing to offer support is also a good idea. It costs little and can be highly effective. People tend to get involved only with organizations they feel passionate about, and this passion, when communicated, can be highly infectious and persuasive.

2. *Integrate bequest solicitation messages with the organization's newsletter or annual communications.* News and information on the benefits of making or revising a will can easily be provided, possibly authored afresh by a lawyer or including some of the plethora of free bequest material now available online. Case studies of the difference that previous donations have

made and of pledgers or celebrity endorsers who have now included the organization in their will can also be provided. The aim with all this material is to raise the ambient level of awareness that the bequest is another method that may be used to support the work of the organization.

3. *Consider an occasional solus solicitation.* In other words, occasionally send information about bequests to relevant sections of the organization's supporter base. You might choose to send the information to everyone, or it could be targeted at those donors who data modeling has determined would be most likely to take action. At a minimum we would suggest targeting individuals who have supported the organization for five or more years. The organization can celebrate its commitment and at the same time solicit the gift. A sample solus solicitation from Human Rights Watch is provided in Figure 14.5.

FIGURE 14.5. HUMAN RIGHTS WATCH SOLICITATION

Dear Mr. Sample:

Because you are a loyal and generous supporter, I am inviting you to become part of Voices for Justice, the Legacy Society of Human Rights Watch.

Each year, many of our most committed supporters join Voice for Justice through some sort of planned giving, such as a bequest, an estate gift, or a charitable trust.

These gifts benefit you, your children, and the cause of human rights in so many ways. To help you explore these potential benefits, I've enclosed a brochure describing how participating in Voices for Justice can be a good match with your financial goals.

Your Voices for Justice contribution can be one of the easiest and most thoughtful ways to leave a lasting tribute to your belief in human freedom and dignity.

If right now is a good time for you to be thinking about a legacy gift, please let us know. If not, please remember that we will continue to value your generous support of the human rights cause.

Sincerely,
Kenneth Roth
Executive Director

Source: Human Rights Watch. Reprinted with permission.

After a fifteen-year study of records at a large national nonprofit with a mailing program of one million recipients, DameGreene (2003) emphasizes how effective this approach can be. She concluded the following:

- Donors who received a letter directly asking them for a bequest were seventeen times more likely to give a bequest than donors who were not asked.
- Donors who were asked and thanked gave twice as much as those who were not thanked.
- Those who were cultivated (with notes, letters, visits, and so on) after the thank-you gave three to four times as much.

Nonprofits often shy away from marketing bequests in this way because the costs appear difficult to justify. Unlike annual giving solicitations, which generate an immediate return, bequest solicitations bear fruit only in the medium to longer term. In times of budgetary constraint, bequest solicitation can therefore be the first component of fundraising to suffer. It should be the last.

Given these measurement issues, some nonprofits elect to count pledges and ask donors to notify them when they have made a change to their will. Although this may sound intuitive, it is still a problematic way of assessing bequest campaigns. Many donors consider their will to be a highly personal and private matter. As a consequence, only around 40 percent of those who actually change their will notify the nonprofit (Sargeant, Jay, and Radcliffe, 2003). The effectiveness of bequest fundraising is therefore routinely understated.

4. *Develop information provision online.* An organization that is serious about raising money from bequests should ensure that adequate information is also provided online. The Nature Conservancy, for example, provides a wide range of support, including a legacy planner, a gift calculator, and a series of beautiful stories about the contributions of other supporters (see www.nature.org).

5. *Consider the development of a bequest society.* The Animal Welfare Association, for example, has created the Forever Friends Society, which can be joined by pledging a bequest to the organization. Members then receive benefits such as the placement of a plaque inscribed with their name at the organization's facility, and invitations to a series of exclusive events. The goal here is to make supporters feel special—as they should. For most pledgers, it will be the single biggest gift they will ever make to a

good cause. Nonprofits have a responsibility to respect and celebrate this achievement. Regrettably, data from the NCPG (2001) tell us that only 25 percent of donors who inform a charity of their bequest intention report being treated any differently as a consequence.

Crawford and Hartwick (2001) argue that bequest societies provide four clear benefits:

a. They provide a forum for the charity to express appreciation to its members.
b. They serve as an incentive for nonmembers to make similar plans.
c. They can provide a regular reminder to donors of the importance of their future gifts, because most estate plans can be changed at any time before the donor dies.
d. They can bring members closer to the charity and provide the opportunity to ask for current gifts.

Crawford and Hartwick argue that club members should receive the following:

a. *A membership gift for all new members,* something not expensive but tied in some way to the charity's work. There is support for this in the wider literature, and such gifts are genuinely effective at building commitment *if* they are linked to the nature of the cause.
b. *An annual event*—perhaps a tour of a facility or a talk by a key member of the service delivery team. In the authors' view, these must be billed as exclusive so that only members are invited. They further advocate that after the event its success should be advertised in the general newsletter, to encourage others to do what is necessary to join the next year.
c. *Special newsletters and communications,* to make members feel like insiders. If there is a special piece of news or a news release, mail a copy to members as soon as possible.
d. *Birthday and holiday cards.* For a number of bequest pledgers, this may be the only card they receive. Crawford and Hartwick also argue that holiday cards may work better than Christmas cards, because if they are sent in the New Year, for example, they have a greater likelihood of standing out.

6. *An occasional bequest promotion event.* Unlike the previous category, this event would not be billed as exclusive. Rather, it would be open to

any long-standing supporter of the organization. The purpose is to add value for individuals by deepening their understanding of the organization's work, but also by indicating how vital bequests are to supporting this work in the future. Such an event should not be undertaken as a "hard sell," nor should the promotional section of the presentation be long; the goal is simply to promote awareness of an additional gift-giving opportunity.

In designing all such events and communications, great care should be taken to reflect the likely needs and interests of the target audiences. It is worth considering here that the fundraising team may be many years younger than the target audience and thus not well placed to design appealing messages and materials. At the very least, the communications should be subject to a reality check by at least a few members of the target audience. In this way, inappropriate or insensitive communications may be avoided.

This is becoming a real issue. Legacy fundraising guru Richard Radcliffe (2006) has conducted focus groups with many thousands of potential bequest supporters. He reports that many individuals can be antagonized by inappropriate communications and can easily be persuaded either to not include a charity in their will or, in extreme cases, to take it out of one already formulated.

Ken Burnett (2004) illustrates all too well what can go wrong:

> My favourite example of how this task can go painfully awry in the hands of marketing types was found in the early days of bequest marketing, when Britain's Save the Children Fund wrote to their donors with, emblazoned on their outer envelope, the starkly poignant message DO YOU BELIEVE IN LIFE AFTER DEATH? The example I saw of this pack, addressed to a Mrs Crosby, had been returned to SCF simply marked 'deceased'. Mrs Crosby, I guess, could have answered the question but I doubt she did, even for that worthy cause.

That is not to say that one cannot have fun in bequest solicitations. The test is whether the fun is appropriate given the target audience. A bequest solicitation from Greenpeace Australia featured a beer mat that was distributed in bars across the country, something entirely appropriate given the youthful nature of their supporter base. Its caption read: "When you come back as a whale you'll be bloody glad you put Greenpeace in your will."

Talking the Language of Bequest

Before leaving the topic of bequests, it is worth conducting a brief review of research conducted in the domain of temporal decision making. Such research acknowledges that donors making decisions about the future will make those decisions rather differently from donors deciding to give now to an annual campaign. People think differently about decisions that will be actioned in the future (Trope and Liberman, 2003) and in essence there are five key differences.

Abstract Versus Concrete

When making decisions about the present, individuals prefer to think in terms of concrete information. Asking for a one-time donation by indicating what a donation at specific levels will buy is therefore a good strategy to adopt. Telling a donor that $20 will buy a tent or immunize two children would be an example of a *concrete* appeal. When making decisions about the future, individuals prefer to think in the abstract and will thus pay more attention to the general approach that would be taken to providing aid. This general approach should play to the abstract values of the organization—for example, compassion in international relief, human respect and dignity in health and welfare provision, and so on. All of these themes work better in soliciting legacies than talking about specific and immediate needs.

Superordinate Versus Subordinate

This is a fancy way of saying that, in focusing on the present, informing people about the mechanics of how an organization is achieving its goals would be the optimal strategy. For a hospice, talking to donors about the medications, the number of beds, the number of nurses, and so forth would all be appropriate. These are the nuts and bolts that allow a hospice to pursue its mission. In persuading individuals to leave a bequest, however, research suggests that stressing the superordinate, or what the successful achievement of the mission will deliver, would be a better approach. Promotional messages stressing the organization's ability to improve the quality of the end-of-life experience and the support provided for families would therefore be more appropriate. *Why* is more important for the future focus than *how.*

Decontextualized Versus Contextualized

Giving in the present can be bolstered by focusing on the organization and the help it is providing now to beneficiaries. The rationale offered for support is very much set within the context of the organization. We can help X number of beneficiaries, touching their lives in the following ways. . . . For bequests, the organization should give consideration to illustrating why the work of the organization is of broader social significance. For example, sticking with the hospice example, the rationale could be stated, "Society has a duty to provide the best terminal care it can," "*Our* loved ones might one day benefit from palliative care," "No one should be allowed to suffer unnecessarily," and so on. Rather than talk about the immediate benefits of patient care per se, the benefit to the local community and the wider society should be emphasized.

Promotion of Primary Values

Legacies can also be stimulated by appealing to a donor's sense of self and, in particular, their moral identity. As individuals we all have an "ideal" moral identity, which is our desire to become a compassionate, caring, kind, friendly, honest, generous, fair, and helpful person (Shang and Reed, 2008). When thinking about the future, people focus more on what they ideally would like to become than on who they think they are now. As a consequence, it is more important to appeal to people's ideal self-definitions than to their actual selves (Kivetz and Tyler, 2007).

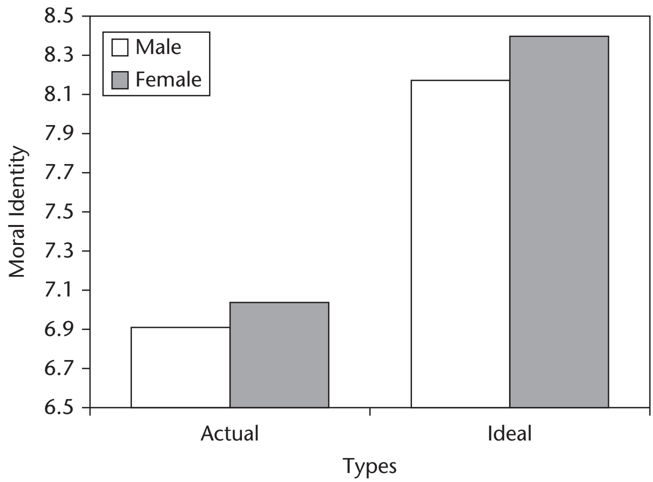
Shang and Reed (2008) were able to measure an individual's actual and ideal moral identity using the scale presented in Exhibit 14.1. They were then able to calculate average scores for individuals participating in their research. Their results are presented in Figure 14.6 and demonstrate the average scores attained for both male and female subjects. It is clear that there is a marked gap between the actual and ideal moral identity. Figure 14.7 focuses on this gap and presents the gaps for both genders. Females have a significantly larger gap between their actual and ideal moral identities than males.

So, how is this relevant to bequests? Well, we have already established that when thinking about the future, individuals are more focused on who they would like to be than on who they are. That being the case, fundraisers can assist donors in achieving their ideal by suggesting that leaving a legacy will help them become more caring, compassionate, and so on. They can do this by using some of these words to describe others

Exhibit 14.1. Measuring Moral Identity

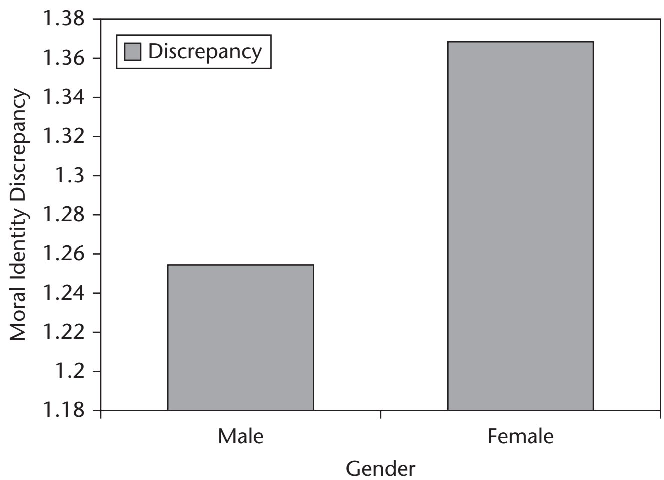
Caring	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Compassionate	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Fair	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Friendly	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Generous	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Helpful	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Hardworking	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Honest	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely
Kind	Actual:	Not at all 1 2 3 4 5 6 7 8 9 Completely
	Ideal:	Not at all 1 2 3 4 5 6 7 8 9 Completely

FIGURE 14.6. MORALITY: SURVEY RESULTS



Source: Shang and Reed (forthcoming).

FIGURE 14.7. MORALITY DISCREPANCIES



Source: Shang and Reed (forthcoming).

who have already made the decision to leave a gift. Many charities use case studies of existing legacy pledgers or of celebrate individuals who have already left a legacy to the organization. Seeding these cases with the moral words listed earlier or seeding the solicitation with these words can greatly increase the efficacy of the communication. So, phrases such as the following would be effective:

Caring donors like you. . . .
Elsie's generous gift has helped us to. . . .
Through the kind support of donors like. . . .

Shang and Reed's work suggests that this approach would be particularly effective with female donors, which is good news for legacy fundraising because, as we already know, females live longer and will thus always be the critical bequest audience.

Structured Versus Unstructured

Finally, in seeking to promote take-up of bequests, nonprofits should think through their long-term mission for the organization. Whereas annual appeals can be undertaken in a relatively unstructured way, focusing on the most immediate and pressing of needs, appeals for legacies need to articulate a longer-term and more coherent plan for what the organization is trying to achieve.

There are two further findings from the research on temporal decision making that are of relevance to fundraisers. First, emotion discounts faster than logic. What this means is that when people make decisions about the future, they pay more attention to the logic underlying their decisions. As a consequence, although charities might use messages that evoke an emotion in their donors, for this emotion to offer utility in prompting a bequest, donors need to be encouraged to think through the logic of why they experience that emotion.

Second, when thinking about the future, messages about well being tend to work better than messages about the prevention of suffering (Mogilner, Aaker, and Pennington, 2008). Organizations working in the field of international aid, for example, would therefore be advised to focus on the positive difference their work has made and will make in communities around the world. This approach will be more effective at soliciting bequests than messages emphasizing how people will suffer if the gift isn't forthcoming.

Memorial and Tribute Fundraising

People have long been motivated to give in memory or tribute following someone's death, yet this type of fundraising remains underdeveloped in most of today's nonprofits. The urge to mark the passing of a life is a part of the natural grieving process, yet memorial fundraising remains one of the most underdeveloped areas of charity fundraising. This valuable fundraising tool is often mistakenly seen as being too intrusive—yet it can both deliver significant income and offer a valuable focus for grieving donors.

Memorial Giving

Memorial gifts can be sent to the nonprofit directly from the donor or they can be given as a consequence of a collection by the next of kin (or a close friend or relative) or from a collection undertaken on behalf of the family by the funeral home. These days such collections can also be handled online, with individuals logging in to the selected organization to make their gift.

With memorial giving it is important to remember that these individuals are not necessarily supporting the cause; they are giving as an expression of personal grief, as a mechanism for coping, or simply because the family asks. It is therefore inappropriate to treat these individuals as regular donors. Memorial giving is not about the charity but about the donors and their memories. Understanding this is key.

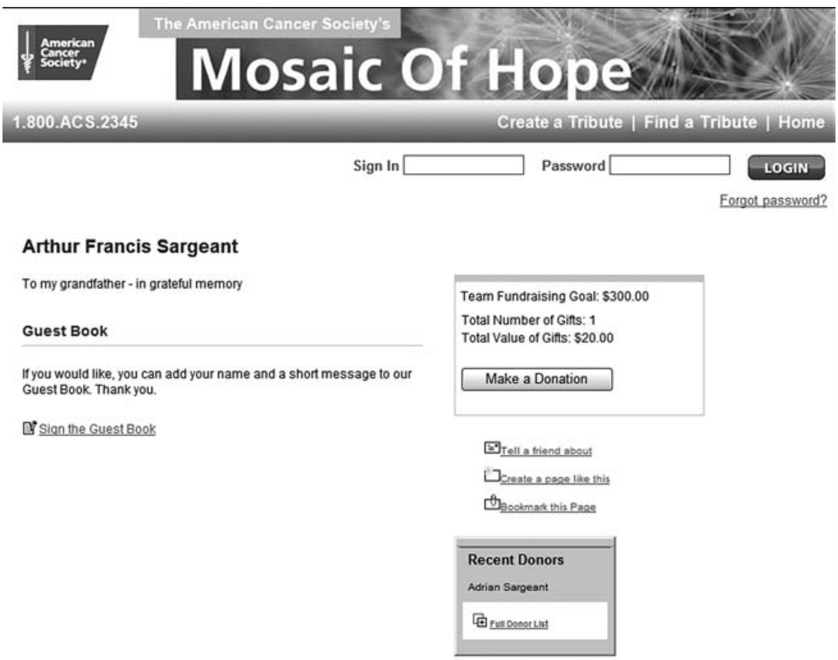
Consequently, many organizations now develop specific memorial programs. Gifts, particularly online, can be routinely offered in memory of a friend or loved one. Organizations such as the Red Cross allow the donor to have the family notified of their gift and for a personalized message to be attached. This is an incredibly powerful form of giving, and the nonprofits that provide this service add genuine value for certain categories of donors by doing so. Opportunities can also be created for secondary and subsequent gifts, respecting the genuinely distinctive nature of this form of giving.

Tribute Funds

Tribute funds offer the bereaved the opportunity to create a lasting memorial that they can manage at their own level. These funds are particularly effective when a life has been cut short. Modern tribute funds managed online offer the fund holders a range of options for engagement, from posting memories and pictures to effective support in fundraising on behalf of their chosen charity through sponsored events, special occasions, and so on. The opportunity to see the fruits of their fundraising efforts embedded in the lasting memory they have created for the person who has died is very motivating and can help with the grieving process. An example is provided in Figure 14.8. In this case, once the tribute page is created on the charity's Web site, friends and relatives can be invited to give toward an appeal total decided on by the bereaved. In this case, the appeal has been set at $300. Progress in this case is recorded in words, but some sites offer a barometer or other visual graphic. Messages of love can also be posted on the site, and a tribute to the life of the deceased can be created in words and pictures.

From the charity's perspective, tribute funds offer a way of building lasting relationships with memorial donors, and not just with the fund

FIGURE 14.8. EXAMPLE OF A TRIBUTE PAGE



Source: American Cancer Society Mosaic page, http://www.cancer.org/docroot/DON/DON_2_Mosaic_of_Memories.asp.

holders but also with those who support the funds through fundraising activities. A dedicated communication process maintains enthusiasm for the fund, ensuring longevity and ultimately, perhaps, a bequest. A tribute fund is a very personal and powerful bequest proposition. It's not just about the nonprofit, but about the family too.

Summary

In this chapter we have explored the topic of bequests. We have identified a significant opportunity, noting that comparatively few Americans currently elect to offer this form of gift. We have looked at the characteristics of the bequest marketplace and at the profiles and motives of bequest givers and pledgers. We have also examined the realm of bequest solicitations, arguing that bequest information should pervade all organizational communications. All categories of supporters should be encouraged to consider a gift of this kind.

We closed by examining memorial and tribute giving, aspects of fundraising that have yet to develop fully in the United States. With many agencies now offering the facility for organizations to manage both forms of giving online, this option looks set to experience rapid growth in the coming years. Tribute funds in particular have proved to be phenomenally popular in Europe as people have combined their giving with an expression of family and a celebration of the lives of their loved ones.

Discussion Questions

1. How would you characterize the bequest market in the coming decade? What opportunities and challenges can you see in developing this category of income?
2. Given current stock market conditions, your board has suggested that your organization should cut back on bequest fundraising activity. They are worried about your inability to demonstrate tangible returns. How might you make the case for continued investment?
3. Distinguish between pecuniary and residuary bequests. Which should form the focus of fundraising attention? Why?
4. Review the bequest solicitation materials from your own organization or one you're familiar with. To what extent do these materials reflect the motives for giving outlined in this chapter? To what extent does the

language employed follow the "rules" outlined in this chapter? What changes would you recommend?

5. What is a tribute fund? Visit http://breakthrough.tributefunds.com and search for the Arthur Francis Sargeant tribute fund there. Compare this approach with the approach shown in Figure 14.8. Which do you prefer? Why?
6. What work does the organization LEAVE A LEGACY conduct? How might this service be relevant for your organization?

CHAPTER FIFTEEN

PLANNED GIVING

Matthew J. Beem and Adrian Sargeant

By the end of this chapter you should be able to:

1. Define planned giving.
2. Describe the operation of a range of planned giving vehicles.
3. Describe donor motivation for offering planned gifts.
4. Explain how nonprofits currently solicit planned gifts.
5. Describe the role of stewardship and recognition in facilitating planned gifts.
6. Describe the role of the board in soliciting planned gifts.

Planned giving is a form of philanthropy that is given a variety of names. Also known as *deferred giving* or *charitable gift planning*, it is a form of philanthropy that is generally distinguished by the following characteristics:

- A planned gift is created now for the future benefit of a nonprofit organization.
- A planned gift's future benefit could occur later in a donor's life, at the donor's death, or at some point after the donor's death.

- A planned gift's future benefit could be a one-time distribution, the regular payment of a specific amount, or the regular payment of a variable amount.
- Some planned gift commitments are revocable and others are not. Donors are permitted to change the specific nonprofit organizations that benefit from revocable and some irrevocable planned giving devices.
- The donor may receive tax benefits as a result of his or her gift provision.

In the United States, the National Committee on Planned Giving (2009) defines planned giving thus:

> A variety of charitable giving methods that allow you to express your personal values by integrating your charitable, family and financial goals. Making a planned charitable gift usually requires the assistance of the charity's development professional and/or a knowledgeable advisor such as an attorney, financial planner, or CPA to help structure the gift. Planned gifts can be made with cash, but many planned gifts are made by donating assets such as stocks, real estate, art pieces, or business interests. Planned gifts can provide valuable tax benefits and/or lifetime income for [the donor]) and [their] spouse or other loved one. The most frequently-made planned gifts are bequests to charities, made through a will. Other popular planned gifts include charitable trusts and charitable gift annuities.

Some writers, such as Klein (2001, p. 219), define planned giving more broadly as "any donation that requires a lot of thought on the part of the donor," while others, such as Andreasen and Kotler (2003, p. 210), regard planned giving only as "a euphemism for charitable gifts that are made at the time of the donor's death." For our purposes, this latter definition is too narrow, for as we shortly demonstrate, some mechanisms for offering planned gifts do deliver a benefit to the nonprofit during the donor's lifetime.

What is common to these varying definitions, however, is the idea that planned giving is a structured approach to planning a donor's long-term support of a nonprofit. This approach involves the fundraiser in detailed consideration of the financial affairs and aspirations of the donor, with the goal of offering a tax-efficient financial product that will meet the needs of organization and donor alike. The sums of money, and hence the size of the gift involved, are often very large and the decision of which particular "product" to invest in is inherently complex. The donor's cash as well as other assets may be involved. In making such decisions, donors will want to ensure that they and their family will be financially secure in their lifetime, and that upon the donor's death the needs of any friends and family will also be adequately taken care of. Equally, in considering offering a planned gift, the donor is signaling that he or she has a passionate interest in the cause and cares deeply about the work the nonprofit is undertaking. The donor will thus be looking to manage his or her financial affairs in a way that can provide the maximum possible benefit to the nonprofit as well.

In attempting to reconcile these potentially conflicting needs, there is the additional consideration of tax. There is a plethora (as we shall see later) of financial products that donors can invest in to manage their finances and support good causes simultaneously. Each product works in a slightly different way and offers different tax advantages to donors, in essence lowering the cost of making a particular gift. Ensuring that donors optimize their positions in terms of tax deductibility is therefore key and requires the input of skilled financial professionals. Indeed, the whole process of negotiating an appropriate planned gift is technical and complex, and the input of both financial and legal professionals is required.

The role of the fundraiser in all of this is to find prospective donors, interest them in the cause, involve them in the work of the organization, and ultimately ask for the gift. The fundraiser may then facilitate the process that ensues and liaise with the legal and financial professionals to ensure that donors' needs are met, but the fundraiser would usually not be involved in offering financial advice to donors.

Planned giving is a significant and growing source of philanthropy to nonprofit organizations in the United States. In the last several decades, development offices have added fundraising professionals who focus solely on identifying, cultivating, soliciting, and stewarding planned gifts and their donors. Today there are professional associations devoted solely to planned giving, such as the National Committee on Planned Giving (NCPG) and the Canadian Association of Gift Planners, and numerous publications on the topic, such as the *Journal of Gift Planning* and *Give and Take,* published by the NCPG and the Sharpe Group, respectively.

In this chapter we consider the primary vehicles for offering planned gifts, discuss donor motivation, and close by looking at the critical issue of board support and involvement.

Planned Giving Vehicles

Although the definitions of planned giving may vary, the menu of planned giving vehicles is set. We begin by describing the most common of these.

Bequest

A simple provision in a will can allocate a gift (bequest) to a designated charity. The most common gifts to nonprofit organizations through wills are cash, securities, and real property, including homes and personal property. Most wills are written in formal language, along the lines of "I give, bequeath, and devise the sum of fifty-thousand dollars ($50,000) to Christ United Methodist Church, 123 Liberty St., Independence, MO." Gift amounts in wills are usually stated in one of the following ways:

1. A specific amount, as in the example just given
2. A percentage amount, such as "ten percent (10%) of my estate to Christ United Methodist Church"
3. A remainder amount, also called the *residue*, such as "After all specific bequests have been paid, I give, bequeath, and devise the remainder of my estate to . . ."

A bequest is revocable, with donors retaining complete control until death. They can therefore change their minds at any time. Because a bequest is revocable, no part of the income from the gift is accessible to the nonprofit until the death of the donor (Tueller, 1994). If a donor's estate is of taxable size, the estate can deduct the amount of the bequest as a charitable donation.

We dealt with the solicitation of bequests at length in the previous chapter.

Revocable Trusts

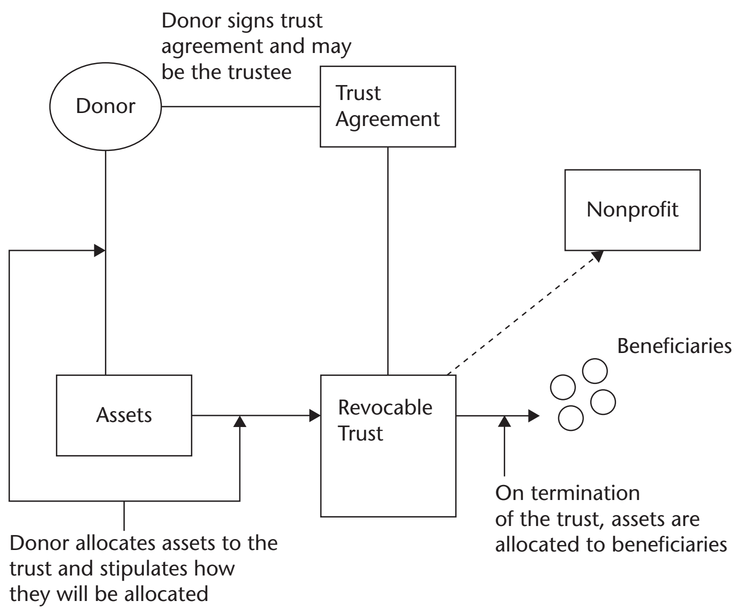
In the United States, a revocable or "living" trust is a trust that may be set up or revoked by its creator, or *grantor* (sometimes referred to as the settlor). Living trusts are often used because they may allow assets to be passed to heirs without going through the process of probate, thereby saving a family substantial cost. These trusts are of interest to fundraisers because they can also contain a charitable component, in much the same way as a will. Nonprofits may stand to benefit from gifts of a fixed amount, a percentage of the total, or a remainder amount.

To establish a basic living trust, the grantor signs a document called a *declaration of trust,* which is similar to a *last will and testament.* In the document, the grantor typically names himself as trustee and transfers assets to that trust (that is, the transfer is actually made from the grantor to himself, as trustee). Because the grantor is named as the trustee, he maintains full control over the assets. After the grantor (or the grantor and the grantor's spouse in the case of a joint trust) dies, the person identified as successor trustee in the trust document generally assumes that role. The successor trustee transfers ownership of the assets in the trust to the beneficiaries named in the trust document. The process is illustrated in Figure 15.1.

Charitable Gift Annuities

A charitable gift annuity is created through the irrevocable transfer of property (cash, securities, or real property) in exchange for a contract to pay the donor or the donor's designee an annuity for life. The person who contributes an asset for the annuity is called the *donor,* and the person who receives payments is called the *annuitant* or *beneficiary.* Usually the annuitant is also the donor, but this is not always true. The maximum number of annuitants

FIGURE 15.1. REVOCABLE TRUST



is two, and payments can be made to them jointly or successively. The mechanism is illustrated in Figure 15.2.

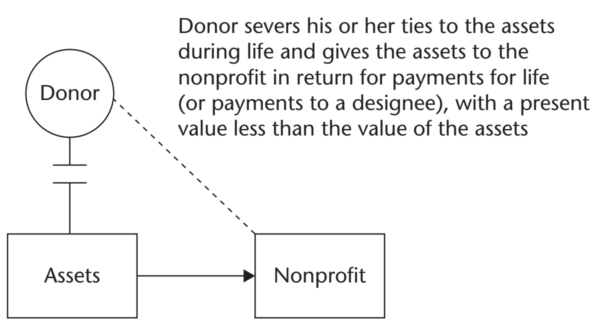
Gift annuity programs are governed by state law and are typically regulated by state insurance departments or commissions. Payments from a charitable gift annuity are fixed from the outset. They will neither increase nor decrease, regardless of what happens to interest rates or the stock market. A charity is contractually obligated to make the payments, even if it has to dip into its general funds to do so. These payments are significantly lower than the donor could obtain by purchasing an annuity from a commercial provider, but this is by design so that a significant benefit will also accrue to the nonprofit. In this way, the donor can establish an income while simultaneously supporting a favored cause.

The size of the payments from a charitable gift annuity depends on the following factors (American Council on Gift Annuities, 2009):

- The gift annuity rate offered by the charity (most charities follow rates recommended by the American Council on Gift Annuities)
- The value of the contribution
- The number of annuitants
- The ages of the annuitants

Because the value of the property exceeds the value of the annuity, charitable gift annuities are considered partial gifts to nonprofit organizations. Taxpayers who itemize deductions can therefore claim a charitable deduction for a portion of the original gift. This deduction is equal to the amount of the contribution minus the present value of the payments that will be made to the donor or other beneficiary during life. The present

FIGURE 15.2. CHARITABLE GIFT ANNUITY



value of these payments is determined using IRS tables regarding life expectancy and assumed earnings, and taking into consideration the amount contributed and the gift annuity rate.

When the final income beneficiary has passed away, the *residuum* (that is, the remains of the initial gift plus any interest income) is distributed to the nonprofit to be used according to the contract's directions. This is usually for general use by the charity but may be restricted by the donor for a particular use, such as a student scholarship or biomedical research.

Most charitable gift annuity contracts are established between the donor and the specific nonprofit receiving the remainder gift amount. It is possible, however, for community foundations to be given permission to issue gift annuity contracts on behalf of qualifying charitable organizations.

Deferred Payment Gift Annuities

A deferred payment gift annuity is the same as a charitable gift annuity except that the payments to the donor are deferred, typically until retirement age, thus facilitating the use of the annuity as a retirement income plan. This arrangement can be of benefit to a donor who does not require additional income at the time of the commitment; they can make the gift now and receive immediate income tax deductions while in a high-tax bracket. Because payments are deferred, when they come through, the payments will be higher (rates, again, are provided by the American Council on Gift Annuities).

The amount of future payments depends on a donor's age at the time of the gift and the length of time he or she chooses to defer payments. Because the deferral often results in higher payout rates and a higher income tax deduction when compared with an immediate annuity, deferred payment gift annuities often appeal to younger donors, who need the benefit of a current tax deduction but also are interested in providing for future income needs. They can also appeal to older donors who are willing to delay their payments in order to secure a higher payout rate (Vassar College, 2008).

Pooled Income Fund

A pooled income fund is a trust established and maintained by a public charity. It receives contributions from individual donors that are combined for investment purposes within the fund. Each donor is assigned *units of* *participation* in the fund that are based on the relationship of the individual's contribution to the overall value of the fund at the time of contribution. The arrangement is irrevocable; donors cannot withdraw their assets from the fund.

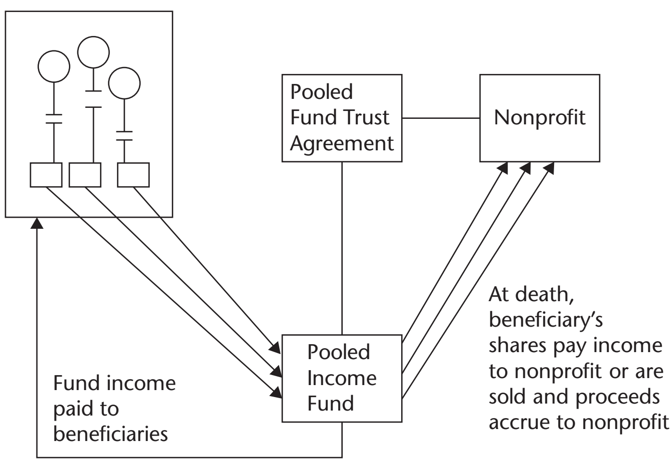
Each year the fund's entire net investment income is distributed to fund participants according to their units of participation. Income distributions are made to each participant for his or her lifetime, after which the portion of the fund assets attributable to the participant is severed from the fund and used by the charity for its charitable purposes. The arrangement is illustrated in Figure 15.3.

Contributions to pooled income funds qualify for charitable income, gift, and estate tax deductions. The donor's deduction is based on the discounted present value of the remainder interest. Donors can also avoid recognition of capital gain on the transfer of appreciated property to a pooled income fund (Planned Giving Design Center, 2009).

Charitable Remainder Trust

A charitable remainder trust (CRT) is an irrevocable trust that pays a specified annual amount to one or more people for a fixed period of years (often the life of the individual or individuals). At the end of the term of the trust the remaining trust assets are distributed to a charity or charities.

FIGURE 15.3. POOLED INCOME FUND



Donors sever ties to assets and give them to the fund. Fund pays each donor a proportionate part of its earnings annually.

CRTs can be funded with cash but often are created with such appreciated, illiquid assets as real property and securities (Swank, 2008).

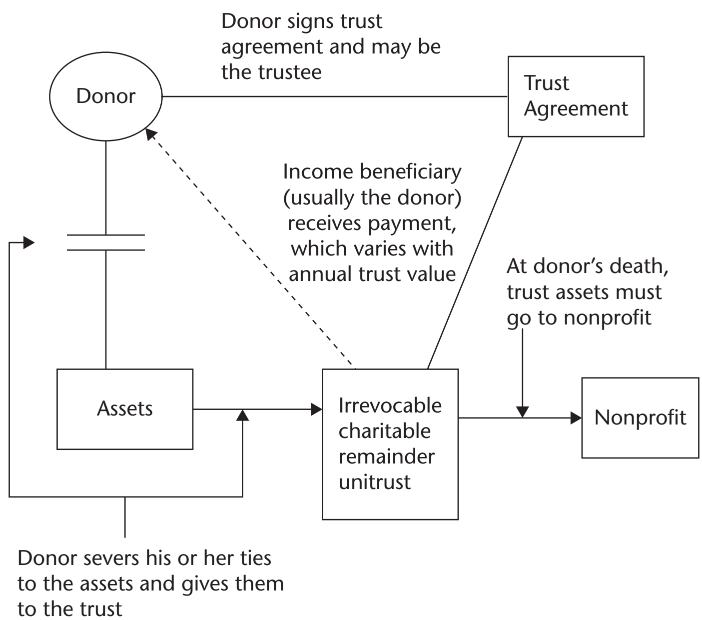
Planned giving is typically conducted through one of three types of CRTs:

Charitable Remainder Unitrust

The charitable remainder unitrust (CRUT) is the most versatile of the planned giving instruments, but it has to meet strict Internal Revenue Code requirements in order to be tax exempt and achieve a charitable deduction. The CRUT is a stand-alone entity, an irrevocable trust that, once it is set up, cannot be changed by its donor or beneficiaries.

When the CRUT is established, the donor transfers assets to the trust. The use of this asset by the charity is deferred. The trust must make annual payments, equal to a fixed percentage (at least 5 percent and not more than 50 percent) of the trust's value each year, to one or more beneficiaries. The beneficiaries are usually the donors of the trust, or specified family members, or both. CRUTs must last for as long as the beneficiaries live or for a set period (not more than twenty years.) This process is illustrated in Figure 15.4.

FIGURE 15.4. CHARITABLE REMAINDER UNITRUST



A CRUT can take one of three forms:

- *Standard.* It must make annual payments of a fixed percentage of the trust's annual value, whether or not earnings from the trust's assets are sufficient to make the payments. If the earnings are insufficient, the difference would have to come from the trust's principal.
- *Net income.* It must make annual payments of a fixed percentage of the trust's annual value, but never more than the amount earned by the trust in any given year.
- *Net income with makeup provisions.* It must make annual payments, but with an added provision: that in years when the trust's earnings exceed the percentage that must be paid, the excess earnings must be used to make up for any payments less than the fixed percentage in earlier years.

Donors can claim an income tax reduction for the present value of the assets they place in the trust. Assets placed in the trust are removed from the estate of the donor and hence avoid estate tax and probate costs. CRUTs can operate without incurring capital gains tax.

CRUTs can be set up by the donor in any of the three versions, enabling donors to invest many different types of assets. A CRUT established to pay net income with makeup provisions can effectively be set up as a retirement plan.

Donors can, if they choose, manage the trust themselves and retain complete control of investment decisions, and they can establish trusts without involving nonprofit beneficiaries; they do not even have to name the charity beneficiaries until the trust is about to terminate. Additional contributions can be made after the CRUT is established.

Charitable Remainder Annuity Trust

A charitable remainder annuity trust is the same as a CRUT, with the following exceptions:

- An annuity trust may take only one form.
- It must make annual payments regardless of the trust's earnings in any given year.
- It must annually pay a fixed amount that is established at the inception of the trust and never varies.
- Additional contributions cannot be accepted.

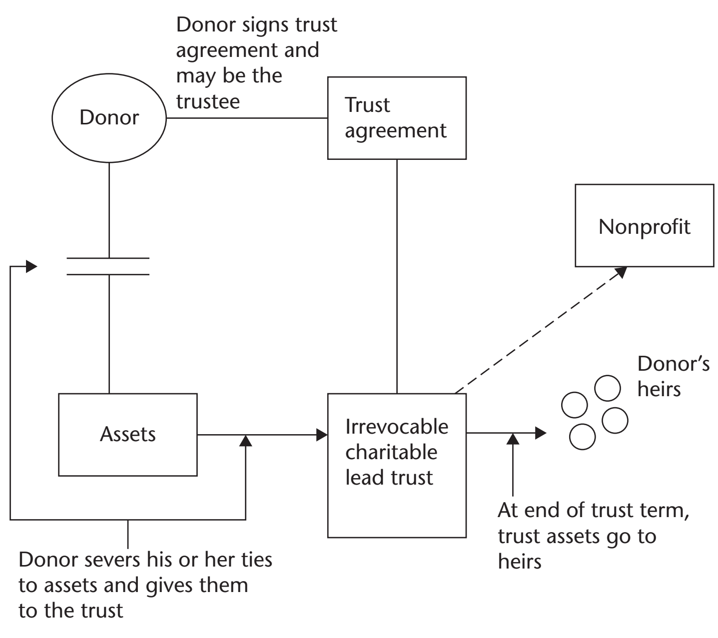
From the donor's perspective, a charitable remainder annuity trust carries the same advantages as a CRUT. Additionally, because annual payments are fixed, they will receive a predictable income stream. The disadvantage of this vehicle for the donor is that, if necessary, the principal has to be used to meet the annual payment, so the principal may be eroded over time. If the trust eventually lost all of its assets, the donor would receive nothing. Also, the annual payment does not rise with inflation. A remainder annuity trust is a less flexible giving vehicle than the CRUT, thus facilitating the investment of a smaller range of asset types.

Charitable Lead Trust

A charitable lead trust is, in essence, the opposite of a CRUT in that the annual payments of the trust (the "lead" interest) are received by the charity and the remainders (the assets) are received by the donor. This concept is illustrated in Figure 15.5.

The payments of charitable lead trusts may be either unitrust payments or annuity payments. The donor makes an annual trust payment to the charity for a period specified by the donor. At the end of that period the assets return to the donor or to another beneficiary named

FIGURE 15.5. CHARITABLE LEAD TRUST



by the donor. The annual distributions to the charity are immediately tax deductible for the donor. The donor can stipulate the amount that the trust pays to the nonprofit beneficiary—either a fixed percentage of the annual value or a fixed amount.

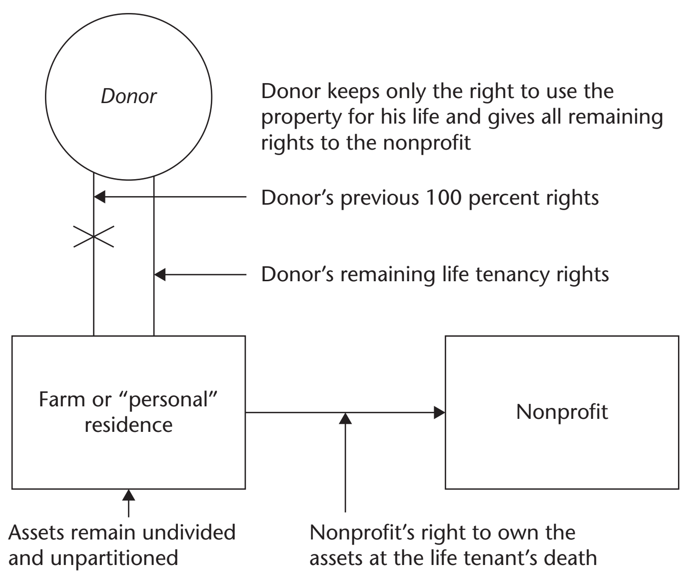
Donors who wish to pass assets to heirs with reduced tax liabilities—for example, gift, estate, and generation-skipping transfer taxes—commonly use a charitable lead trust. They can retain control of the trust, that is, they can be the trustee and thereby administer and invest the assets they place in the trust themselves. Donors also have some flexibility in terms of the form the trust takes (much like CRUTs).

The charitable lead trust feeds income to the beneficiary charity within a year of establishment, so donors have the additional benefit of being able to see the nonprofit use their gift immediately.

Retained Life Interest or Life Estate Gifts

The gift of a remainder interest in a personal residence or farm is described generally as a transaction in which an individual irrevocably transfers title (that is, ownership) to a charitable organization, with a retained right to the use of the property for a term that is specified in the gift agreement. This approach is illustrated in Figure 15.6. At the conclusion of the term,

FIGURE 15.6. REMAINDER DEED GIFTS



all rights in the property are transferred to the benefiting charitable organization. Gifts of a remainder interest in a personal residence or farm can be measured by the life of one or more individuals, by a fixed term of years, or by a combination of the two. They are, however, most frequently established to operate for the life or lives of the residents of the contributed property. Accordingly, they are frequently referred to as *life estate agreements* (Planned Giving Design Center, 2009).

Life estate gifts can be made of any type of property, but a tax deduction can be claimed only if the property is a "personal residence." If this is the case, donors qualify for an immediate income tax deduction to the value of the charitable remainder interest. The donor's estate will be reduced by the gift, reducing estate tax and probate costs. The gift is irrevocable. This sort of gift is relatively simple to give and involves little in legal or advice costs.

Life Insurance Gifts

Life insurance policies can be contributed to a charity as a planned gift. Making the gift is a very simple process, essentially involving only one action: the naming of the nonprofit as a beneficiary. The gift can be for part or all of the proceeds of the policy. Beneficiaries of a life insurance policy can be primary (the first ones to receive benefits) or contingent or secondary (receiving benefits only if one or all primary beneficiaries cannot receive them, usually because they have died).

A donor can also transfer ownership of the policy to the nonprofit, in which case the gift becomes irrevocable. The nonprofit must be the owner and beneficiary of a policy for the donor to be entitled to receive an income tax deduction against the gift.

When ownership of an existing paid policy is gifted, the donor can claim a tax deduction equal to the cash value of the policy. If the policy has premiums to be paid, the premiums are considered a deductible charitable gift. To obtain maximum tax benefit, the donor should make the annual premium payment to the charity, which then makes the payment to the insurer. The same arrangement can be used for the donation of retirement plan proceeds, though ownership of such plans cannot be gifted; donors can only make nonprofits beneficiaries of their plan.

Among the advantages of this category of gift is that if the donor becomes disabled, the policy can remain in force through the *waiver of premium* feature (if elected). This feature guarantees the ultimate death benefit to the charity and, in some cases, the same cash values and dividend buildup that would have been earned had disability not occurred. Even if the donor dies after only a few premium payments, the charity is assured a full gift. The death proceeds can be received by the designated charity, free of federal income and estate taxes, probate, and administrative costs, and without any delay, fees, or transfer costs. Large gifts to charity made in this way are also less subject to challenge by heirs because of the contractual nature of the life insurance policy. The death benefit is also guaranteed as long as premiums are paid. This means that the charity will receive an amount that is fixed (or perhaps increasing) in value and not subject to the stock market risk (Planned Giving Design Center, 2009).

Bargain Sale

A bargain sale is just what its name implies: the sale of something for less than it is worth. For example, a donor may be willing to sell stocks or bonds to a nonprofit for less than their real worth. The amount that the nonprofit pays is termed the *sale,* and the difference between the sale and the true purchase price is the *bargain.* Donors may claim the bargain portion of their gift as a charitable deduction. They may reduce the value of their estate by the bargain portion of the gift.

This category of gift can become complex depending on the amounts and types of assets being sold, how the nonprofit pays the donor, and if the donor wishes to impose restrictions of any sort on the gift. In certain circumstances, donors may incur a tax liability because of the sale (for example, if the assets have appreciated they will be liable for a portion of the capital gains tax).

Donor Motivation

The bulk of the literature and support available to planned giving fundraisers concentrates on the technical aspects of that area of fundraising. Many texts point out that the "human dynamic" is often missing; it seems that comparatively little is known about why donors choose to give in this way, with most studies of donor behavior focusing on annual giving (White, 1995; Ashton, 1991).

However, it is generally recognized that donors may be attracted to planned giving for the following reasons:

- There is a tax incentive. Planned giving vehicles are structured to be advantageous to donors in terms of leveraging maximum tax deductions.

- It offers them a mechanism to express significant affinity with the nonprofit, perhaps because they or a family member have benefited from the work undertaken.
- Donors may eventually be able to make larger gifts than would be possible for them if they were to give an immediate and outright gift.
- It offers recognition and social standing. A large gift can be used to create a permanent memorial to the donor or to someone chosen by the donor.
- Gifts can be made where income is retained, providing secure income for the donor or beneficiaries or both.
- Nonprofits may be seen as providing free financial, estate planning, or investment advice, and may manage assets at little or no cost to the donor.

The issue of whether tax avoidance is a motive is a matter for debate. Although it is universally recognized that tax avoidance is a key attraction, several surveys of planned givers, and of the largest givers in the United States, point to the fact that the work of the organization and the desire to make a difference to that work are far more important (see, for example, Harris, 1999; National Committee on Planned Giving, 2009). It should be remembered that although planned gifts confer some tax advantages, they will never cheat the taxman totally or actually save the donor money. Not making the gift will always leave the donor with more money in his or her pocket or estate. Such gifts do, however, reduce the tax burden, and this is often seen as a significant advantage. One donor cited in a recent study conducted by Sargeant and Shang (2008), for example, was clear that she wanted to make sure that "Bush or his equivalents get their hands on as little of my money as possible." Tax considerations are therefore key and likely to affect the timing and size of a gift even though they may not be the main rationale for the donation itself.

The issue of recognition as a motive is also somewhat clouded. Although many donors undoubtedly use a planned gift to provide a memorial and actively seek public recognition, the literature also cites anonymity and control as reasons for considering some forms of planned gift. Planned gifts can be confidential, and certain types of gifts can be established and controlled by the donor and their professional advisors until the final transfer is made (Barrett, 2002).

One of the reasons cited for the current growth in the appeal of planned giving is that many of the features of the donation mechanisms mesh well with the needs of a growing section of the U.S. population. Planned giving vehicles are flexible; they allow donors to be creative in how they choose to give. They can also engender a more businesslike relationship with the nonprofit, which many individuals prefer.

Planned giving can also appeal to the wealthy because they tend to be comfortable and familiar with the notions of long-term capital investment and endowment; it is what they do with their own money. A section of donors is increasingly financially "sophisticated," and such donors are likely to require that a variety of giving options be made available to them as part of the solicitation process (Jordan and Quynn, 2009).

Soliciting Planned Gifts

Planned giving opportunities are marketed to existing donors and to other prospects primarily through face-to-face contact. Advertising is used to a limited extent, with creative executions commonly focusing on the financial advantages of a planned gift for the donor. As with major gift solicitation, direct mail and the telephone may be used in the initial stages to introduce a prospect to the concept of planned giving and to set up appointments for face-to-face contact. With the exception of outright bequests, gifts are always "closed" at a face-to-face meeting and are usually the fruits of an extended period of solicitation.

Several standard stages are followed in the solicitation of a planned gift. First, prospective donors are identified and researched, especially in terms of their financial situation and philanthropic interests. The research may be part desk-based, but it may also involve face-to-face interviews that are fact-finding and begin the cultivation process. Prospects are then evaluated and ranked, in terms of net worth, likelihood to make a planned gift, closeness to the nonprofit and its mission, and so on. A prolonged and intimate one-on-one cultivation process is then undertaken, sometimes by the fundraiser but often by a senior volunteer or board member of the nonprofit.

The cultivation process is different from that for other forms of giving because it may have to include an element of education about the mechanisms available to make the gift. Again, this is likely to happen in a face-to-face charitable gift planning interview, where the planned giving fundraiser may be joined by the donor's financial advisor.

When the time is judged to be right the solicitation is made, usually by a fundraiser or board member (or both), and often in the presence of the financial advisor. If a gift is made, the last stage is a process of thanks and recognition, which is likely to be high level and perpetual, because a planned giving donor has made a significant investment in his or her chosen organization.

Planned giving fundraisers also promote their work to the financial and legal professional advisor community. This effort is undertaken through direct mail, advertising, the setting up of committees and volunteer networks, and the provision of seminars and events. As Table 15.1 clearly indicates, the significance of the role of the financial advisor in stimulating planned giving has increased sharply in recent years and fundraisers need to be aware of this trend.

Making a Face-to-Face Solicitation

Asking a donor to make a planned gift commitment to an organization is not always easy. The possibility of rejection can fuel hesitation on the part of the fundraiser. For longer-term supporters of the organization, however,

TABLE 15.1 HOW DONORS FIRST LEARNED ABOUT GIFT OPTIONS

Source	2000 %	1992 %
The charity through its published materials	34	5
A legal or financial advisor	21	4
Family or friends	20	8
The charity through an individual visit	11	2
A speaker at a financial planning seminar	8	n/a
General knowledge/self	7	7
Another donor	6	n/a
Other	6	n/a
Don't know	9	n/a

Source: "How Donor First Learned About Gift Options," National Committee on Planned Giving (2001), *Planned Giving in the United States 2000: A Survey of Donors*, Partnership for Philanthropic Planning (formerly National Committee on Planned Giving), Indianapolis.

the approach should not be unexpected. Here more than at any other stage in the relationship, confidence must be apparent. To get to this point the fundraiser has done the following:

- Targeted likely planned giving prospects with information about specific types of gifts
- Responded to a prospect who has responded favorably either to a written offer for information or to a verbal invitation to discuss the topic
- Had a series of "dates" that have brought the prospect closer to the organization, and knows from the discussions what mission components most interest the potential giver
- Told the story of their own planned gift and described the various ways that the organization accepts funding
- Shared information about the levels of funding that are needed to support the potential donor's areas of interest
- Introduced the prospect, where appropriate, to organizational leadership and key players

It is important for the fundraiser to remember that the solicitation is just part of the ongoing conversation he or she has been having with the prospect. The fundraiser may find, although rarely, that the first meeting is the right time to ask the question; conversely, a series of meetings may be more appropriate. If someone is being asked to consider a very large planned gift commitment, the fundraiser should treat the cultivation and solicitation as with a major donor, and the solicitation will most likely be formal and may include a written proposal. In most instances, though, the fundraiser will probably make a verbal request. This may be along the lines of the following:

- As you plan for future gifts, would you consider making a planned or legacy gift to us?
- In addition to your ongoing gift support of our mission, would you join me as a member of our Legacy Society by making a planned gift?
- Of the types of planned gifts that we've talked about, which one would you consider?

If the response is positive or tentative, it is important to set a reasonable follow-up date. Making a planned gift takes time, and day-to-day activities can take precedence. It is therefore necessary to be persistent and helpful.

The fundraiser should address only the specific giving vehicle that has been settled on in discussions, using the following questions to create the next steps (Swank, 2008):

- What assistance can I offer you?
- Do you have a financial or legal advisor to whom I should forward information on your behalf?
- Would examples of specific giving opportunities be useful?
- I have specific examples of language that might be helpful. May I share them with you?

Planned Gift Donor Stewardship

Sprinkel-Grace (1997) regards stewardship as the most important practice in the development process. It is important to practice good stewardship of all the organization's relationships with supporters, but particularly in the context of planned giving. Donors offering planned gifts are making substantive psychological and financial commitments to the organization. Nonprofits therefore have a duty to behave in a manner that is respectful of this commitment and considerate of the individuals' needs. The starting point for fundraisers in soliciting planned gifts and managing a donor relationship is thus "an explicit interest and concern for the donor's ability to fulfill their own moral or ethical needs in relation to the cause and within the broader context of their own financial and social well being" (Sargeant, Jay, and Lee, 2002, p. 23).

Donors should be encouraged to make only those gifts that reflect their own best interests, both financially and in terms of the kinds of work that best suit their own passions and concerns. This attitude is not only respectful but also in the long-term interests of the organization. Allowing donors to follow their interests increases the feelings of self-worth and achievement that can follow from making a gift, thereby greatly increasing donors' satisfaction with the experience. This can in turn lead to individuals acting as ambassadors for the organization, to encourage others to give and to give again themselves when the time is right.

Ensuring a good match between donor and gift is important, but so is the quality of after-gift care. Fundraisers need to thank and recognize donors appropriately (see next section) and then ensure that all subsequent correspondence is timely and that obligations such as charitable trust and charitable gift annuity payments are met appropriately and on time. Value can also be added in relationships by bringing donors closer to the organization, giving them access to senior personnel, and keeping them close to the work being undertaken and the changes achieved (Dove, Spears, and Herbert, 2002). A fundraiser can also add genuine value by becoming the go-to person in the organization, the person donors call first when they have a question or a problem. Major contributors are thus given special access to the fundraiser, which makes them feel that they are part of the inner circle of the organization's leadership.

If the fundraising team has the time and the resources, it can even be appropriate to assist donors in other ways that add value. When the daughter of a donor moves into town, for example, and is trying to find ways to get involved in the community, a staff member can reach out to her. If a donor is visiting town and wants admission to a museum or to arrange for a tour, someone might assist them. Of course it is important to know where to draw the line with all of this. Small nonprofit organizations can be quickly overwhelmed if they do too much. It may be appropriate, for example, to decide that only the top ten or fifteen donors and their families will be entitled to this special treatment, and to specify where the boundaries of this treatment lie.

Planned Gift Donor Appreciation

Planned giving is essential for nonprofits as they foster long-term growth and seek to secure their futures. But as important as planned givers are, many organizations don't know how best to thank donors who make bequests or set up trusts. Many times even planned givers are uncomfortable at events designed especially for them, because often the only thing they share with their fellow attendees is a commitment to make a donation after their deaths.

As planned giving gains prominence, more organizations are finding ways to express their appreciation in ways that do not make donors feel uncomfortable. One way is to include them in special events for other types of donors; another is to mention them in annual reports and special mailings. These gestures not only makes planned givers feel that their donation is appreciated, but they also give them an opportunity to network with other donors and bring up planned giving as a future option.

Another method is the donor-recognition society, a special group that includes living donors who have made commitments as well as donors who have died. Usually the name of the society hints at the history or mission of the organization, underscoring the fact that planned givers have invested in the organization's well-being over the long term.

One example of such a society is that created by Wing Haven, a nonprofit garden and bird sanctuary in Charlotte, North Carolina. Wing Haven consists of the house and garden of Elizabeth Clarkson, longtime gardener and nature lover, and the grounds of Elizabeth Lawrence, the first woman to receive a degree in landscape design from North Carolina State University. In honor of these two women who invested so much in their gardens, Wing Haven named its society of planned givers the Elizabeths' Legacy Society.

The Carolina Raptor Center, an organization in Huntersville, North Carolina, that rehabilitates injured and orphaned birds of prey, established the Eyrie Society to recognize those donors who have supported the organization through a planned gift. The word *eyrie,* which means newborn eagle, communicates the message that planned givers have set up a "nest egg" for the organization. Eyrie Society members are displayed prominently on the planned giving section of the Carolina Raptor Center's Web site, along with personal stories from some of the organization's most generous planned givers.

There are several things to consider when setting up a donor-recognition society for planned givers. When it comes to posting names of society members, the more names the better. Usually six to ten members is a good starting point. Also important are the names themselves. The more recognizable the individuals are, the more likely it is that other donors will consider the organization a safe bet. In compiling a list of society members, however, the donors' wishes must come first. If they prefer to be omitted, it is never acceptable to thrust them into the limelight.

Although donor-recognition societies are designed to show gratitude to generous donors, they have other benefits as well. When Wing Haven created its legacy society, other donors quickly sat up and took notice. The Carolina Raptor Center capitalized on its donor-recognition society by enlisting members to help get the word out to potential donors. The volunteer planned giving committee, established in December 2008 to educate volunteers on the benefits of planned giving, is made up of six members, including three donors who have made bequests to the organization (Vail, 2009).

Managing the Planned Giving Function

The establishment of a planned giving department requires the support and involvement of the board because planned giving is by definition a long-term project that requires investment and full institutional support and endorsement before any "spendable" income is attained. It is likely to take at least three years on average before any income is forthcoming, and it may take substantially longer for the organization to break even (Greenfield, 1996). Board members need to understand the timescales involved in establishing a planned giving program and to manage their expectations of it accordingly.

Board involvement and support are also required in practical terms because, just as with major gift solicitation, planned giving works through face-to-face solicitation by donor peers. Board members are therefore required to do the following:

1. Suggest likely contacts who might be approached for planned gifts
2. Undergo sufficient training to learn how to handle introductory solicitation of the prospects
3. Meet with prospects face-to-face to talk about planned giving opportunities

Some organizations might also expect board members to lead the planned giving program by themselves by making a "leadership gift" or by underwriting the costs of the program personally.

In a survey of nonprofits, Sargeant, Jay, and Lee (2002) identified the pattern of board involvement shown in Table 15.2 as typical. The percentage of board members who are required to offer planned gifts themselves is particularly noteworthy.

Elsewhere in the same survey, the authors identified that the "typical" form of a newly established planned giving department is as follows:

1. One full-time staff member, usually a legal or financial professional.
2. Secretarial support.

TABLE 15.2 BOARD INVOLVEMENT IN PLANNED GIVING

Board Involvement	Percentage
Endorsed the program	77.1
Made a gift	62.9
Helped to solicit gifts	31.4
Actively monitored progress	25.7

Source: Sargeant, Jay, and Lee (2002).

3. A planned gifts committee made up of volunteers trained in the direct solicitation of planned gifts; reports to the board and includes the CEO. About 37 percent of organizations have established such a committee and it appears that organizations that do have such a committee perform better than those that do not.

In nonprofits where planned giving is a large concern, legal and financial advisers may also be employed directly or retained for specialist advice, and an investment committee may be set up or investment advisers retained for advice. The largest planned giving players may also be able to establish volunteer groups of professional advisors (or professional advisor committees).

Planned giving is typically a low-profile part of U.S. fundraising, relying as it does on long-term development and a permanent presence, compared with many capital campaigns, which involve fixed-date targets, high-profile PR campaigns, and sizeable events. The nature of planned giving is such that it works to projections rather than to fixed income goals. It is thus impossible to budget its income with any precision, and the process is characterized by patient long-term development and investment. In accounting for planned gifts, a distinction is commonly made between revocable and irrevocable gifts, with income from revocable sources such as legacy bequests categorized as very much a secondary output to planned giving activity. Capital rather than cash flow is the aim of planned giving programs, with nonprofits seeking to build the value of their endowments.

Summary

In this chapter we have introduced the concept of planned giving, which we defined as a gift involving greater thought on the part of the donor, and probably involving specialist input from a gift planner or other financial service advisor. We outlined a wide range of planned giving vehicles, explaining the operation and benefits of each. The bequest is by far the most common form of planned giving (hence our focus on this topic early in the chapter), but other methods of giving, such as charitable remainder unitrusts and charitable gift annuities, are becoming increasingly popular.

We have also stressed the significance of concepts such as donor stewardship and recognition. These were introduced previously as pivotal in the realm of major gifts and they are equally relevant here. Planned giving is, after all, just one way a donor can support an organization with a major gift. The approach to solicitation is therefore almost identical, although the planned giving fundraiser must also deal with the plethora of often very complex giving vehicles to ensure that donors receive the specialist advice they need to make the best decision for themselves and the organization.

Finally, we examined the way in which planned giving is typically organized, stressing the critical role played by the board in identifying potential prospects and demonstrating leadership by participating in the program themselves. We also stressed the long-term nature of planned giving and the need for boards to manage expectations of the pattern of performance that is likely to be achieved. For many organizations, planned giving can be a highly profitable component of the fundraising mix, but it can take many years for such returns to be realized.

Discussion Questions

1. What is meant by the term *planned giving?* What is the relationship between planned giving and major gift fundraising?
2. Why might organizations see an increase in planned giving in the coming decade?
3. What advice would you give a small nonprofit looking to establish a planned giving function for the first time? How might they go about this?
4. How might a hospice promote awareness of planned giving as a legitimate way of supporting the organization?
5. What is a charitable lead trust? How does it operate? What advantages might there be to a donor in establishing one?
6. As the newly appointed head of fundraising for a nonprofit, prepare a brief presentation to your team about the concept of stewardship and explain why it is critically important in the domain of planned giving.

CHAPTER SIXTEEN

CORPORATE GIVING AND FUNDRAISING

Dwight F. Burlingame and Adrian Sargeant

By the end of this chapter you should be able to:

1. Describe key trends in corporate giving.
2. Assess the motives for corporate support of nonprofits.
3. Describe a variety of different forms of corporate support.
4. Research and identify potential corporate partners.
5. Secure, develop, and retain a variety of different forms of corporate support.

Giving USA reports that corporate donations totaled $14.5 billion in 2008. Although this might sound like an impressive figure, it represents an 8 percent decrease (in real terms) from the previous year. The longer-term trend is depicted in Figure 16.1. As the reader will note, a significant spike of support was present in 2005, when corporations offered high levels of support in response to appeals for disaster relief in the aftermath of Hurricane Katrina.

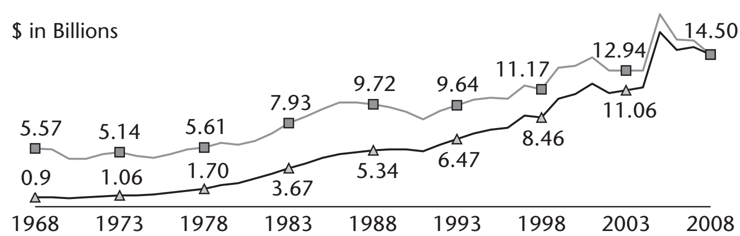
Data from Giving USA (2009) also tell us that corporate support of the nonprofit sector represents only a small percentage of donated income, at a mere 5 percent of all voluntary giving. This amount includes the value of cash support, corporate foundation grantmaking, and in-kind donations. It does not include several key forms of corporate support, such as sponsorships and cause-related marketing. These are not included in the Giving USA figures.

Giving as a percentage of corporate pretax profits has fluctuated, a function of movement in *both* parts of the calculation:

- Profits sometimes change faster than giving changes.
- Giving sometimes changes faster than profits change.

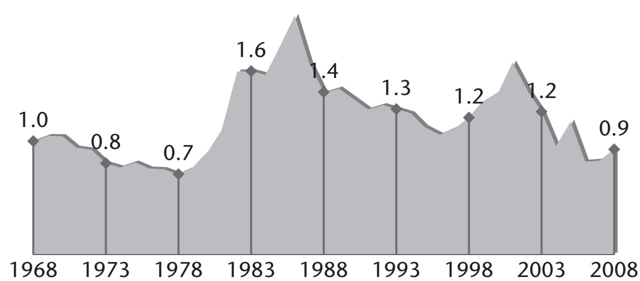
From 1993 through 1998 and 2004 through 2005, giving and profits both increased at similar rates. In 2008, corporate profits declined, and giving, although it dropped, did not fall as much. Therefore, giving as a share of corporate profits is estimated to have increased slightly in 2008 to 0.9 percent. The longer-term trend is depicted in Figure 16.2.

FIGURE 16.1. CORPORATE GIVING, 1968–2008



Source: Giving USA Foundation (2009). Reprinted with permission.

FIGURE 16.2. CORPORATE GIVING AS A PERCENTAGE OF CORPORATE PRETAX PROFITS, 1968–2008



Source: Giving USA Foundation (2009). Reprinted with permission.

Statistical analysis from the Center on Philanthropy at Indiana University tells us that the determinants of the level of corporate giving are as follows:

1. Corporate income and profit this year and last
2. Gross domestic product this year and last
3. Giving the previous year
4. Corporate tax rates

In this chapter we review the history of this giving in the United States, explain why corporate support is offered and the forms it might take, and suggest a structured approach to corporate fundraising that can be adopted by nonprofits looking to solicit funds from this sector.

History

For all practical purposes, corporate support of charitable activities is a twentieth-century invention. In the nineteenth century, most court rulings rendered corporate giving for charitable purposes unlawful unless such giving was business related. Laissez-faire arguments of the time were not unlike the argument put forth by Milton Friedman (1970) that company management should not give away stockholders' money. It is the "social responsibility of business . . . to increase its profits," nothing more (p. 122).

Many point to business support of the YMCA by the railroads in the early twentieth century in order to provide "safe" housing for workers as the beginning of corporate philanthropy. Indeed, given the consequences of this activity, we might prefer the terms *strategic corporate giving* or *enlightened self-interest*. For all practical purposes, the majority of corporate support of nonprofit organizations over the last century could be characterized as self-interested rather than as interest for others or the public good. This is an important realization for anyone conducting fundraising, because it provides the context for building a successful corporate development program—one that is built on seeking gifts that benefit both parties.

The development of regular giving programs by companies began in l936 with what Hayden Smith (1997) refers to as the "modern era." It was in 1935 that the Internal Revenue Code was amended to allow for deductions by companies for charitable gifts that support the promotion of business purposes. In l936 the recorded figures of corporate giving on federal corporate income tax forms was around $30 million. We have already noted its value today. According to Giving USA (2009), most of the growth in corporate giving has taken place in the last thirty years and can be explained by the removal of certain historical legal obstacles and growth in the size and number of companies.

The most significant legal case was *A. P. Smith Mfg. Co.* v. *Barlow,* in which the New Jersey Supreme Court, in 1953, refused to overturn the decision of corporate management in regard to a gift made to a charity that had no known benefit to the business. This case reflected the growing importance placed on the role of business in society—both economic and social. Nevertheless, many companies elect to distribute profits only to shareholders, through dividends, thus passing on the responsibility for giving. Only about a third of all companies claim philanthropic contributions on their federal corporate income tax. Smaller firms generally donate a larger share of their income to nonprofits.

Why Do Corporations Give?

Burlingame and Young (1996) developed four models of how companies approach their volunteering and giving to nonprofits. The utilization of these models provides fundraisers with a context in which to approach businesses for support for their missions:

1. Corporate productivity or neoclassical model
2. Ethical or altruistic model
3. Political (external and internal) model
4. Stakeholder model

Corporate Productivity or Neoclassical Model

This model starts from the basic premise that corporate giving helps companies increase profits and return more value to shareholders. From this perspective, the term *corporate philanthropy* is oxymoronic, and terms such as *corporate citizenship* and *strategic philanthropy* would better convey the purpose of the engagement between the company and the nonprofit. Types of giving that are clearly in line with this model are as follows:

- Projects that help market company products, such as sponsorships, cause-related marketing, and other partnerships
- Projects that improve employee morale and thus increase productivity

- Projects that facilitate the improvement of the public image of the company
- Projects that lower corporate costs, such as grants for research by nonprofits that lower the company's internal expenditures for product development

The opportunity for the fundraiser is to match the organization's mission and activities with the company's desire for improved productivity along the lines just noted. Fundraisers will want to facilitate corporate personnel's understanding of how gifts and support to the nonprofit can contribute to the company's bottom line, whether directly or indirectly. In strategic giving, the benefits sought by a business from its relationship with a nonprofit might include increased sales; brand differentiation; enhanced brand image; improved employee recruitment, morale, and retention; demonstration of shared values with the target market; enhanced government relations; a broadened customer base; and the ability to reach new customer segments (see, for example, Andreasen, 1996; Sagawa, 2001; Wymer and Samu, 2003).

Ethical or Altruistic Model

By contrast, the classical notion of corporate philanthropy is based on the premise that businesses and their leaders have a responsibility to be good corporate citizens, and corporate giving and volunteering are ways to demonstrate this responsibility to society. It also assumes that corporations have discretionary resources. When a company is in difficult economic times, one would not expect giving to be based on this model. The giving program must have the capacity to alert corporate leaders to community priorities and to where the company might be a partner in seeking solutions. Types of giving consistent with this model are as follows:

- Projects that address community need where the company operates or has markets
- Projects that appeal to corporate leadership, individually or as citizens
- Projects that engage employees in community efforts to address local issues

Fundraisers need to be keenly aware of how gifts to their organizations will benefit the community through the engagement of employees and corporate leaders.

Political Model

The political model is played out both externally and internally in many businesses. The external form is based on the idea that corporations use giving to build relationships that protect corporate power and influence, thereby limiting governmental control over companies. Types of giving that are consistent with this model are projects that build closer bonds between the nonprofit and the company. Efforts that substitute for government action are typical, and a joint project between a manufacturer and an environmental charity to benefit the environment would be a good example.

The internal paradigm is built on the premise that the corporate giving officer has a political agenda of his or her own and seeks to justify his or her work to the internal corporate community. From this perspective, corporate giving programs must therefore facilitate the building of alliances with human resources, marketing, research, and public relations so that these aspects of the business can see the value of nonprofit support to them. Giving that is consistent with this model includes employee volunteerism, sponsorships, cause-related marketing, partnerships, and educational programs for employees.

From this perspective, fundraisers will want to be strategic in assessing how they engage with all units of the company, not just the corporate giving unit. Projects that are relevant and that meet the needs of the nonprofit while also meeting the needs of the company become foremost. Building a multifaceted case for support is crucial in maximizing giving.

Stakeholder Model

The stakeholder theory of corporate giving is based on the idea that the corporation is a complex entity that must respond to the needs and pressures of a variety of key stakeholders, including shareholders, employees, suppliers, customers, community groups, and governmental officials. Under this framework, managing the company is best accomplished by managing the various stakeholder interests. Thus, to be effective, corporate giving activities need to address various stakeholder interests. Types of giving consistent with this model are as follows:

- Employee benefit or volunteerism projects
- Community education or environmental projects
- Projects that help consumers of company products or services

This model can apply to all businesses, irrespective of size. Whether in a large business or a small one, management interacts with a variety of interested parties. Fundraisers should concentrate their efforts on the identification of key stakeholder groups and on developing project proposals that will articulate the nonprofit mission in a way that appeals to these groups.

These models provide a theoretical framework for understanding corporate engagement efforts. They are not mutually exclusive. Burlingame and Young (1996) recognize that all or some of the models may be operating within a corporation at any one time.

Other authors, such as Sargeant and Jay (2004), have adopted a more simplistic perspective on the rationale for corporate giving. They only distinguish between philanthropic giving that does not directly benefit the corporation, and giving of a self-interested kind, which does. Many authors have noted a significant trend toward the latter in recent years. Writers such as Mescon and Tilson (1987) and Wokutch and Spencer (1987), for example, call this a shift toward *dual agenda giving* or *strategic giving*, which we referred to earlier, whereby organizations are predisposed to giving to charities whose strategic objectives fit well with their own. For example, the cereal brand Cheerios, which positions itself as a heart-healthy breakfast, donated $1 to the nonprofit Women Heart for every promotional code from its product packs that was entered on its Web site. Similarly, Chanel, when it wanted to launch an exclusive new fragrance to wealthy, "elite" consumers, sponsored an opening night dinner and fashion show connected with a performance at the Metropolitan Opera. The Met received $1.2 million in donations, and Chanel was able to gain the exposure it required for its product.

The Committee Encouraging Corporate Philanthropy (CECP), whose membership comprises companies that account for about 45 percent of reported corporate giving, draws a distinction between three categories of motives:

1. *Charitable:* Little or no business benefit is expected (such as matching gift programs and undirected bulk gifts made to an in-kind distributor)
2. *Community investment:* Gifts serve the dual purpose of supporting the long-term strategic goals of the business and meeting a critical community need
3. *Commercial:* Benefit to the corporation is the primary motivation, such as cause-related marketing and sponsorship of charity events

CECP (2008) has noted a shift from 2005 to 2007 toward a greater percentage of giving motivated by community investment and away from the charitable designation. Table 16.1 provides the details.

TABLE 16.1 TRENDS IN MOTIVATION OVER TIME

	2005	2008
Charitable	47	42
Community investment	42	51
Commercial	11	7

Source: Committee Encouraging Corporate Philanthropy (2009, p. 37). Reprinted with permission.

The CECP also sheds light on the sources of corporate donations, breaking down giving into three source categories:

1. *Corporate community affairs* (35 percent of overall giving). This is giving from one centralized *philanthropy* budget. It may also be referred to as *community relations* or *corporate contributions.* A corporate giving program of this type has no independent endowment and its budget is typically administered by corporate staff and directed by the CEO or an advisory committee of management staff members. A corporate giving program is not subject to the rules and regulations governing private corporate foundations.

2. *Corporate foundation* (37 percent of overall giving). A company can create a corporate foundation as an independent, tax-exempt, private foundation. A corporate foundation is usually started with a single gift that can become the endowment, to which the company can add future contributions as it wishes. The foundation's officers are usually the company's owners and key executives, although leaders from headquarters communities are sometimes included. At some companies, employee committees make giving recommendations about projects that they believe are worthy of support. The corporate foundation is subject to the same rules and regulations as other private foundations. Fundraisers should be aware that, consistent with self-dealing laws, foundations cannot pursue commercially motivated grantmaking.

3. *All other groups* (28 percent of overall giving). This category includes giving through other budgets, including regional offices, marketing departments, research and development units, human resources, and so on. Sponsorship and cause-related marketing activities, for example, would typically be handled by the marketing team.

For the sake of completeness, some companies may also elect to create their own donor-advised fund at a community foundation of their choosing. More information can be found at the Council on Foundations' Web site (http://www.cof.org).

Forms of Business Support

Whatever the initial motive is for engaging with a nonprofit, there are a variety of forms of corporate support that can be solicited. Following is selection of the most common forms.

Cash donations. These remain the most common form of corporate support of nonprofits, and in many countries (including the United States) they are popular partly because corporation tax benefits can accrue as a consequence of the gift.

Donations of stocks and shares. In some countries, corporations can elect to give stocks and shares to a nonprofit of their choice. Again, this is typically tax efficient, because the gift accrues a tax deduction equal to the value of the shares at the time of donation.

Publicity. Nonprofits can gain from association with a business because the business may promote its link to the cause and thereby heighten public awareness of the issue and the organization. Häagen Dazs, for example, has created a campaign to help endangered bees. It has set up a microsite at http://www.helpthehoneybees.com that promotes the fact that honey bees are in danger and offers the opportunity to help them by buying Häagen Dazs's "bee-dependent" flavors (see Figure 16.3). Häagen Dazs then makes donations to Pennsylvania State University and the University of California at Davis, which have two of the world's leading honey bee research facilities.

Gifts of products and services (also known as gifts-in-kind). Frequently the goods or services produced by a corporation can be of value to the beneficiaries of a charity. The donation of food at or near its "sell by" or expiration date to soup kitchens is one such example. The donation of computer equipment to schools and colleges is also common, and gifts of office equipment, furniture, computer supplies, or even photocopying facilities have been reported. There are now specialist charities that encourage corporations to provide gifts of this type; they act as clearinghouses for organizations that wish to find appropriate recipients.

Staff time. Some corporations agree to send loan staff to a nonprofit where specific expertise, such as management expertise or technical

FIGURE 16.3. HÄAGEN DAZS PROMOTIONAL MICROSITE

Source: http://www.helpthehoneybees.com/

expertise, is being sought, to assist in improving the service provision to beneficiaries. Other corporations are willing to release staff who can work as volunteers with the nonprofit in whatever way is desired (Sagawa and Segal, 2000; Smith, 1994.) Indeed, some companies have even created their own volunteer departments, complete with budget and staff. US Airways employees, for example, are involved in making a difference in the community. Through the "Do Crew," the airline's volunteer corps, employees volunteered more than twenty thousand hours with 150 nonprofit organizations in 2008 (US Airways, 2009). The most successful employee volunteer programs have several elements in common. First, employees drive the effort, and those doing the volunteering are allowed to select the causes they support. Second, successful programs are vigorously supported by the company, with volunteers featured in the corporate newsletter and recognized in other ways by management.

Sponsorship. Corporations are often willing to sponsor a particular aspect of a nonprofit's service provision in return for an acknowledgment or perhaps placement of the organization's name or logo at an event or on the nonprofit's communications or Web site. Organizations may also sponsor events or gala dinners that offer brand enhancement to the corporation while also facilitating fundraising for the nonprofit from those present (Marconi, 2002). U.S. sponsorship spending on cause marketing will hit $1.57 billion in 2009, up from a mere $120 million in 1990 (IEG, 2009).

Employee fundraising. As we noted earlier, corporations sometimes open up access to their workforce for other forms of fundraising. A variety of activities may typically be organized to solicit funds from members of the workforce. Each of these activities may be established either as a standalone program or as part of an integrated pattern of corporate support in which the organization too will participate in giving, perhaps through a variety of the methods already discussed.

Employee fundraising can be initiated either by the corporation itself giving a nonprofit access to its workforce or by individual members of the workforce putting pressure on the employer to support the philanthropic activity in which they are already engaged. Both forms are common and a variety of activities come under this general heading.

Workplace giving or federated funds. A federated fund is a cooperative enterprise owned and controlled by the nonprofit members, whose purpose is raising program and operating capital for each member agency. It serves as a contribution vehicle for donors to direct charitable dollars to the groups and issues they care about. A payroll gift to the federation is usually distributed to all of the member organizations, or donors can target gifts to specific groups in the federation.

The most familiar federated fund is probably the United Way, but there are many others. A selection of those available in the state of Minnesota, for example, is provided in Figure 16.4. Many federated funds are statewide or communitywide. Most are distinguished by the ability to partner with employers and execute workplace giving programs that usually feature payroll deductions. Federated funds are popular with businesses because they provide a safe and convenient way for employees to contribute to charities. Companies sometimes match gifts that their employees make through workplace giving programs. The downside of federated funds is that new or small nonprofits or those with unique or offbeat missions are often not included.

Employee matching gifts. Employee matching gifts are contributions from a corporate employer that match contributions to a charitable organization by a corporate employee. The Foundation Center (2009) notes the following key characteristics of employee matching programs:

FIGURE 16.4. MINNESOTA FEDERATED FUNDS

Community Health Charities, Minnesota

Promotes employer and employee support for community health through contributions to specific charities dedicated to preventing, managing, and curing chronic health conditions.

Community Solutions Fund

Represents thirty-nine of the area's leading community self-help and activist organizations, serving as a central funder and resource developer for the Twin Cities social change community.

Minnesota Environmental Fund

Supports vital environmental protection, preservation, and conservation efforts of organizations working throughout Minnesota.

Open Your Heart to the Hungry and Homeless

Assists Minnesotans with life's most basic needs: food and shelter. Each year OYH awards approximately $500,000 in grants to food shelves, food banks, on-site feeding programs, shelters, and transitional and permanent supportive housing programs.

United Negro College Fund

UNCF is a national higher-education assistance organization that raises funds for thirty-nine private accredited four-year historically black colleges and universities in the United States.

- Companies frequently match their employees' monetary contributions to particular charities.
- Companies may also contribute financially to match employees' volunteer efforts.
- Many corporations offer employee matching gift programs in higher education to stimulate their employees to give to the college or university of their choice (usually their alma mater).

It is a relatively simple matter for employers to match gifts made through payroll deductions. Where employees make additional or one-time gifts, it is normal for them to request and complete a matching form from their company. The form is submitted to the nonprofit with their gift for validation. The validated form is then returned to the corporation and the matching gift is completed.

Some matching gift programs are open ended, matching any support that might be offered. More usually, however, an annual ceiling is imposed, either for the program as a whole or for the amounts that individual employees can have matched. There may also be restrictions on the categories of nonprofit that can be supported in this way.

Workplace events. The employer may donate time or space for the hosting of a charity event in which members of the staff may participate. This may be a social gathering or dinner, but it may also be an activity such as a sponsored walk or a golf, tennis, swimming, or challenge event. Although it is the employees themselves who fundraise, often an employer will donate funds too, perhaps matching the funds generated by the employees.

Workplace collections. Where particular members of the staff have a link or commitment to a particular cause, they will often raise funds simply by collecting cash donations from their peers. Typically permission would be sought from the employer for this to happen on the work premises and on the employer's time (Scanlan, 1997).

Group presentations. Another common form of employee fundraising involves the nonprofit in making a presentation to groups of staff who have expressed an interest in the cause. The goal here is to explain to members of staff how they can get involved with the work of the organization or in fundraising for it and to suggest activities in which these groups of individuals may engage. Such presentations are usually made on the company's premises and on company time.

Cause-Related Marketing

Varadarajan and Menon (1988, p. 60) define cause-related marketing (CRM) as "a process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue providing exchanges that satisfy organizational and individual objectives." McDonalds is credited with being the first organization to develop CRM activity, by linking the purchase of their products to a donation to the Ronald McDonald House Charities. It was not until 1983, however, that the term *CRM* was used for the first time. American Express partnered with the Statue of Liberty restoration committee and donated one cent for each transaction on its credit card for a three-month period. The program resulted in a $1.7 million "donation" to the Statue of Liberty fund and a reported 28 percent increase in the use of American Express credit cards over the previous year—truly doing well while doing good (Himmelstein, 1997).

In CRM the link with a nonprofit is used to assist the business in increasing sales of its product. Its motivation is not philanthropic, because such arrangements often make considerably more money for the corporate partner than they do for the nonprofit. As the senior vice president of American Express noted in 1984, "if your primary goal is to make money for a worthy cause, stay away from it. It's not meant to be philanthropy. Its objective is to make money for your business" (Josephson, 1984, p. 10).

There are many recent examples of successful CRM partnerships. In 2009, Yoplait repeated a promotion in which it donated 10 cents to the Susan G. Komen Breast Cancer Foundation for every pink lid from a Yoplait product mailed to them before the end of the year. The promotion promised a minimum guaranteed donation of $500,000 and a cap of $1.5 million. Further examples are illustrated in Figure 16.5.

The evidence from the United States is that CRM continues to grow in popularity, with companies spending $1.3 billion on CRM programs in

FIGURE 16.5. EXAMPLES OF CAUSE-RELATED MARKETING

Note: TOTAL® is a registered trademark of General Mills and is used with permission. TIDE® is a registered trademark of Procter and Gamble and is used with permission.

2006, a 20 percent increase over the previous year (Chiagouris and Ray, 2007). It is important to note that the money spent on a CRM campaign is a business expense, not a charitable donation, and is expected to produce a return on investment. Many states regulate this activity to protect consumers from fraud and to ensure that the charity monies are indeed applied as advertised. The commercial partner of a cause-marketing partnership is generally termed a *commercial co-venturer* and onerous reporting obligations are often imposed at the state level on both parties. For example, one of the states to recently pass new laws regulating commercial co-ventures is New Jersey (Perlman and Chang, 2007, p. 12):

> Effective July 8th 2006 every commercial co-venture that is promoted in the State must be pursuant to a written contract, which the charity must file with the state at least 10 days prior to the start of the marketing campaign. At the conclusion of the campaign the co-venturer must certify the amount of funds raised during the charitable sales promotion, and the amount remitted to the charity in connection with the promotion, which the charity must submit to the state, along with a copy of each advertisement used for the promotion. The advertisements must disclose the dollar amount or percent per unit of goods or services purchased or used that will benefit the charitable organization or purpose.

The Better Business Bureau (2009) recommends that such disclosures should include the following:

1. The actual or anticipated portion of the purchase price that will benefit the charity
2. The duration of the campaign
3. Any maximum or guaranteed minimum contribution amount

Interestingly, the attorneys general of sixteen states and the District of Columbia have suggested that no products bearing the nonprofit's name should be sold once a cap is reached (Attorneys General, 1999). This is unlikely to be practical, however, because it would prove very difficult to remove such products quickly from all the outlets in which they are sold.

Before leaving the topic of CRM it is important to note that such schemes are not without their critics. Work by Webb and Mohr (1998) has identified that some segments of consumers are highly skeptical of CRM activities. More recently, Eikenberry (2009), who refers to this class of giving as *consumption philanthropy,* has prompted considerable debate in the sector by arguing that such arrangements do the following:

- Individualize solutions to collective social problems, distracting our attention and resources away from the neediest causes, the most effective interventions, and the act of critical questioning itself
- Devalue the moral core of philanthropy by making virtuous action easy and thoughtless
- Obscure the links between markets—their firms, products, and services—and the negative impacts they can have on human well-being

The last point warrants a little elaboration (Eikenberry, 2009):

> Did the energy used to create that Endangered Species Chocolate bar destroy another acre of rain forest, and therefore hasten the endangerment of yet another species and the warming of the planet? Was that SpongeBob Pink Pants toy [purchased in support of cancer research] really worth the petroleum—and the environmental degradation that came with extracting, refining, and transforming it—that went into it? Rather than raising these questions about our purchases and their consequences, consumption philanthropy encourages people to buy more by making them feel better about it.

Equally, writers such as Corkery (1989) and Levine (1989) see CRM as little more than a shallow sales ploy that will leave consumers largely unimpressed. More recent empirical work suggests that how consumers feel about a particular scheme is likely to be a function of the degree of benefit that accrues to the nonprofit. Where only paltry sums are donated relative to the value of the product or service, consumers are significantly more likely to react negatively to the scheme. There is thus a strong case for both partners to a CRM initiative to sit down together to work out a mutually beneficial arrangement. There is nothing to be gained on the part of the business by being seen as exploiting the nonprofit partner (Daw, 2006).

Finally, it should be noted that the sector's use of terminology is changing. Although we continue to view CRM as a very specific form of corporate-nonprofit partnership, many writers and practicing fundraisers now use the term to refer to all categories of relationships that a business might have with a nonprofit. Cause-related marketing is thus morphing into a blanket expression referring to all forms of corporate engagement (Atkins, 1999).

Who to Ask? Selecting the Right Organization

Pick up any good practitioner's how-to guide on corporate fundraising and it will be guaranteed to exalt the need for a careful process of research to identify suitable corporate partners. Scrutiny of the local and national press, business directories, and online data from Web sites and so on are suggested as means of identifying the interests of particular organizations and thus the likelihood that they might be willing to support the fundraiser's nonprofit.

Although this process may well yield results, research into corporate fundraising has suggested a number of ways in which fundraisers can focus their prospecting efforts.

Profitability. Profitability is key to whether donations will be offered and to the level of such donations. Less profitable organizations are less likely to engage in philanthropy (McGuire, Sundgren, and Schneeweis, 1988). The fundraiser may thus find it useful to look at the recent financial performance of potential supporters and use this data to narrow the list of potential prospects.

Turnover. Turnover is also key. Larger organizations are significantly more likely both to participate in giving and to offer higher-value support (Adams and Hardwick, 1998). Writers such as Watts and Zimmerman (1978) and Lenway and Rehbein (1991) have argued that this is because larger companies are likely to be more visible in their communities and also to government. Support of the nonprofit community may thus serve to enhance these companies' reputation and mitigate any risk that the government might intervene in their sector with higher taxes or compliance costs. There are many advantages to being seen as a responsible corporate citizen.

Longevity. The longevity of both the nonprofit and the corporate partner is positively related to donations. In other words, firms that were created some decades ago are significantly more likely to offer support to nonprofits than firms created more recently. It also appears that nonprofits that have been around a while are more likely to attract support. Although it would be wrong to speculate in the absence of research, it does seem likely that these older nonprofits have had more time to establish a reputation and brand, and may thus have more to offer any potential corporate partner.

Business sector and country of ownership. Adams and Hardwick (1998) have identified that participation in giving and the level of giving vary considerably depending on the sector of business in which a particular firm might be operating, and on the country of origin of its owner. There are big differences in giving between the manufacturing and service sectors (the former are significantly more generous), but patterns of support also vary within these broad headings, reflecting the various needs of different sectors and subsectors. Firms that are owned by other companies in countries with a strong tradition of corporate support also tend to be more generous than those without such links.

Nature of the shareholding. Firms with widely dispersed shareholdings are also felt to be more likely to donate money to nonprofits. The rationale here is that managers will often give not for business reasons but rather to enhance their own standing and influence in the community. A nonprofit association can enhance its reputation capital in both internal and external labor markets (Haley, 1991). As Hart (1993, p. 16) notes, "it is not clear that [donations] … are made with the consent of the firm's owners or whether they are a form of self-aggrandizing or self promoting behavior by management." Companies with dispersed shareholdings present managers with more power in this regard than companies with concentrated ownership (Grossman and Hart, 1980). When stockholding is concentrated, managers are unlikely to pursue strategies inconsistent with shareholders' direct interests (Hill and Snell, 1989). Similarly, Ullman (1985) has argued that diverse ownership may act to increase the pressure for socially responsible behavior, because a breadth of shareholders increases the possibility that one or more of them will have a philanthropic motive. Although these assertions are intuitive, no empirical support has yet been provided in support of them.

Potential fit. Nonprofits may well attempt, quite rationally, to identify potential partners on the basis of simple accounting data, as alluded to earlier. However, the concept of *fit* is also highlighted in the literature on many occasions. The idea here is that an organization ought to look for certain characteristics in a potential partner, leading to a higher probability of successful outcomes. Samu and Wymer (2002) describe *fit* in terms of the degree of congruence between a cause and a business's product or service. For example, Gerber (maker of baby food and products) would have a higher level of fit with the Great Ormond Street Children's Hospital than with Exxon (which makes petroleum products).

Drumwright (1996) views fit between a business and a cause as a type of affinity in which supporters of a cause feel the business partner's core business has some relationship to that cause. More recent work by

Drumwright, Cunningham, and Berger (2000) has operationalized this notion of fit by looking at seven distinctive dimensions:

1. *Mission fit:* the fit between a partner's mission and the purpose of the relationship formed
2. *Management fit:* The level of interpersonal compatibility between partner managers
3. *Workforce fit:* the fit between a company's workforce and the cause the company is supporting
4. *Target market fit:* the fit between the company's target market and the cause
5. *Product-cause fit:* the degree of congruence between the company's product and the cause
6. *Cycle fit:* the degree of synchronization between operational events in the collaborating organizations
7. *Cultural fit:* similarities among partners in norms, behaviors, and attitudes

It is interesting to compare this list developed by an academic team with one developed by a nonprofit professional. Elischer (2001) suggests that fit should be evaluated by examining the following elements:

1. *Values.* Do the nonprofit and corporate partner share the same values base? Does the corporation respect the same issues as the nonprofit? Does the corporation take a strong (and compatible) stand in relation to business ethics?
2. *Brand.* What will be the impact of a partnership on the brands of both organizations? How will this partnership work, look, and feel? How will stakeholders respond to it?
3. *Objectives.* Is there a clear fit between the objectives of both parties? What do both organizations want to achieve? Can both sets of objectives be met?
4. *Structure and geography.* In seeking to build a relationship with a corporation it will be necessary to assess the fit between the structure and geography of both organizations. Are they located in the same city? If they are both international, do they operate in the same countries? Most corporations will expect to engage with a nonprofit that can adequately match their needs and respond at an appropriately local level. In the United Kingdom, for example, UNICEF has a strong relationship with the soccer team Manchester United (in England), even though the charity is based in London. The relationship works because the charity has been able to offer a dedicated (and local) member of their regional fundraising team to manage the relationship and to respond to the needs of the corporate partner (UNICEF, 2002).

The central idea running throughout these two lists is that the greater the degree of fit between the nonprofit and the corporation, the stronger will be the resultant relationship and the more likely it will be to succeed. This outcome presupposes, however, that both parties do want a "relationship," and in fact many forms of corporate support, as we established earlier, do not require this level of engagement.

It is also important to note that although these lists have been offered as a means of appraising potential partnerships, many of the points made by both authors are difficult to appraise a priori. Although they can certainly be appraised in the course of discussions, it is doubtful whether they could genuinely be used to shortlist potential partners for support. Drawing from Drumwright, Cunningham, and Berger (2000), issues of management fit, cycle fit, and cultural fit, for example, would be difficult to research in advance, as would Elischer's notion of a values fit. Thus, although some of these criteria could be used for the purpose of targeting potential new partners, the real utility of these lists probably lies in reflecting on the strengths and weaknesses of various relationships and in fostering an understanding of when and why things may go wrong. They are thus most useful as a framework once discussions are under way and should be borne in mind as a checklist of points to consider before any form of contract is eventually signed.

Benefits and Pitfalls

According to IEG (2009) and others, fundraisers and managers of nonprofits reported that in addition to hoping for increased profits and direct commercial benefits, companies also seek the following "second-order" benefits from their sponsorship and CRM activity:

- Category exclusivity
- Credit on related materials
- Program naming
- Tickets and hospitality for the nonprofit's events
- Access to the nonprofit's database

On the nonprofit side, engaging corporate support may offer several advantages, including the following:

- Increased revenue
- New volunteers

- Enhanced public awareness of the nonprofit's mission
- Connections to the company's network of employees and other contacts
- Diversified income streams
- Access to new audiences and potential donors
- Enhanced knowledge of marketing and other corporate experience

Despite the benefits, the potential negative effects of cross-sector activities also need to be examined closely by nonprofit management. First and foremost should be a concern with how the collaboration with a for-profit will affect donor activity. Will the commercial nature of the activity decrease trust in the nonprofit mission? Will donors or potential donors think they have already contributed their fair share to the nonprofit through their participation in a cause-related marketing activity and thereby cause a decrease in gift income (Andreasen, 1996; Caesar, 1986)? Will potential gifts from other companies in the same industry group decrease if one company enjoys exclusive access to the nonprofit brand? Will the nonprofit actually waste resources if the alliance activity fails?

Sponsorship and CRM activities may cause only temporary effects and not build donor loyalty over time. Ties to the nonprofit may be based on the merits of special-event activity and not lie in the mission of the organization. Traditional fundraising can be neglected because of the focus on earned income activities. Further, concern with the ability of the nonprofit to adjust to the business culture and be an "equal" partner in a cross-sector alliance is an issue. Joint promotional activities can be viewed as the nonprofit "selling out" (Charter, 1994). The private-sector marketer may also insist on more publicity for the relationship than the nonprofit would ordinarily offer.

Marketing relationships with nonprofits can also be problematic for the corporation. The mission of the nonprofit may not be of interest to the consumer, more complicated accounting procedures need to be followed, and the commitment of time and energy from company personnel may not create expected financial payoffs. Some consumers may even view company support of cross-sector activities as exploitation. This is especially true when more money is spent for an ad campaign than is actually donated to the cause.

From the nonprofit's perspective, potential corporate partnerships need to be carefully researched so that the risks to the organization and the true costs and benefits of entering into an agreement can be evaluated. Smart nonprofits can also reflect on the potential pitfalls for the corporation and be prepared to respond to these issues when they are raised. There may well be concrete steps that the nonprofit could take to reduce or eliminate these risks, thereby adding significant value to the partnership.

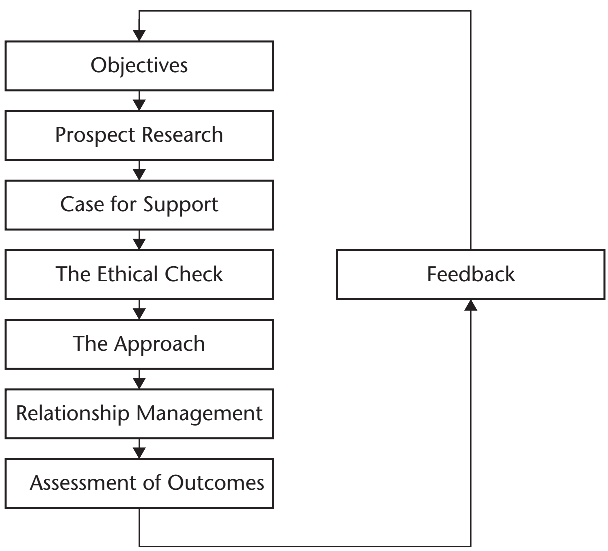
Fundraising Planning

So far in this chapter we have dealt with a range of corporate fundraising issues. In this section, we draw these various strands together and posit a framework for corporate fundraising planning. The model we propose is depicted in Figure 16.6.

Objectives

As with all other forms of fundraising, the first stage in the process is for the organization to set the objectives to be achieved by the corporate fundraiser or team. These objectives will undoubtedly emerge from the detailed fundraising audit we proposed in Chapter Six and may be couched in terms of any of the forms of support we described earlier (cash donations, number of volunteers, volume of gifts-in-kind, and so on). Some organizations just set overall targets whereas others set targets for the development of both new and existing business support.

FIGURE 16.6. CORPORATE FUNDRAISING PLANNING



Prospect Research

If one of the objectives is to generate new corporate business, the organization has to decide which organizations it should target with the fundraising resources available to it. For larger nonprofits, this may involve profiling previous corporate supporters to see whether certain categories of business have a propensity to support the cause. This information can then be used to identify other, similar businesses that might have an interest.

Smaller organizations, or those without a track record in this area, will be forced to begin by examining trade and press reports of the corporate support that has accrued to other, similar nonprofit organizations. This might give them a sense of the kind of organization that might wish to support them too.

Similarly, organizations of every size could begin by looking at what they have to offer a business and work up from this list of capabilities to those businesses that might have the required fit with this profile. Again, data can be gleaned from the trade media, public media, and business directories and journals. The Internet can also offer considerable utility in researching potential corporate partners.

In the United States, the Foundation Center provides a series of resources to assist the fundraiser. Notable here is the online database Corporate Giving Online, which offers access to a searchable database of potential corporate supporters. It is possible to search this resource in three ways:

1. *To search companies.* Users can search companies to find local contacts for corporate donations. Results include subsidiaries, divisions, joint ventures, plants, and offices for the parent company.
2. *To search grantmakers.* This facility can be used to find company-sponsored foundations, direct corporate giving programs, grantmaking public charities, and operating foundations affiliated with U.S. companies.
3. *To search grants.* Users can also search to find descriptions of grants recently awarded by corporate grantmakers.

Case for Support

Once a list of potential supporters has been assembled, an appropriate case for support can be generated. This process requires the nonprofit to consider carefully what it can offer a corporation, what the interests of the corporation are likely to be, the nature of the support the nonprofit will be looking for, and the nature of the relationship, if any, it is looking to establish. It is the marriage of these factors that combine to form the case for support. It should offer a business a strong, clear, and highly attractive set of reasons for why corporate support should be offered.

The Ethical Check

Having delineated a list of prospects and specified appropriate cases for support, many nonprofits then proceed to the solicitation stage. However, nonprofits rushing into relationships with corporate partners have frequently had occasion to regret this decision because it can subsequently become clear that some relationships are wholly inappropriate. This frequently happens because the organization is involved in something that is directly or indirectly at odds with the nonprofit's cause. A children's charity, for example, can find that its corporate partner owns a toy manufacturer in Asia that employs large numbers of children in its workforce. Similarly, an environmental charity might find that it is accepting donations from a company that is actually pumping lethal gases into the atmosphere from one of its chemical plants in Africa. In both cases, should these facts become public knowledge, significant and very damaging publicity could accrue for both the nonprofit and the corporate partners.

It is for this reason that many nonprofits have now generated ethical policies that map out the kind of organizations that the nonprofit will work with, the standards of behavior that are expected, and the consequences of any breach (such as immediate termination of the partnership). Such policies make it clear to fundraisers which organizations they can work with and in effect pre-empt problems by ensuring that the nonprofit works only with enterprises that are compatible with its own mission. An extract from Bioversity International's Ethical Screening Policy is provided as an example in Figure 16.7.

Of course life is rarely this neat and when one attempts to apply an ethical policy, a number of issues commonly arise:

1. *Chain of command.* Although it may be relatively easy to research the activities of a corporate partner directly, it is less easy to research the activities of the companies that might own this partner or be owned by it, particularly in Third World countries. Indeed, it is legitimate to ask, at what point should this research cease? Is it only the partner organization, its parent company, or its subsidiaries that should be addressed by the ethical policy, or should literally every business that is owned or part owned

FIGURE 16.7. AN EXTRACT FROM BIOVERSITY INTERNATIONAL'S ETHICAL SCREENING POLICY

Bioversity International recognizes that the commercial organizations are an intrinsic part of today's world and that these organizations drive economic growth, bring much needed investment, develop new technologies and produce essential goods and services. Bioversity also recognizes that corporations can have significant negative social, economic and environmental impacts on both developing, and developed countries. Bioversity always considers three key criteria when deciding to work with a commercial organization:

- The direct impact of the company's policies, products or services on poor people in developing countries: our primary focus and therefore ethical consideration.
- What the impact of the relationship is likely to be for the organization as a whole and for our reputation in the eyes of the general public, and the people and partners we work with.
- Whether the relationship is likely to cause serious or long term damage to our relationships with our supporters and other partners, who are hugely important to us.

Overall, Bioversity's policy is to consider a range of corporate partnerships with the end goal of building a world where all people enjoy greater well-being through increased incomes, sustainably improved food security and nutrition, and greater environmental health. To this end, corporations can provide valuable financial support for Bioversity's international operations, contribute advice and technical expertise to the organization, and act as programme partners.

Guiding Principles

Bioversity will conduct due diligence on all companies we have, or plan to have, a direct engagement with.

Bioversity will seek to work constructively with companies, both to secure their support for our work and in appropriate circumstances to attempt to influence their policy and practice. Any engagement with business (fundraising or programmatic) must not put Bioversity's brand and organizational values at risk.

Programmatic and fundraising engagement should seek to uphold and should, at a minimum, not violate Bioversity's programme principles.

Bioversity will not solicit, accept donations from or seek to partner with companies whose core products or services are antithetical to Bioversity's mission or inherently harmful to the people and communities we serve.

The perceptions and needs of key stakeholders such as local communities and partner organizations must be taken into consideration when engaging with business. Having the trust and confidence of the people and communities with which we work is paramount. It is this trust which makes our work effective and contributes to our key competences as a research and development agency.

Bioversity will strive to be sensitive to cultural values and norms when accepting funds or partnering with companies that work in a specific geographic area.

Bioversity will seek to avoid short-term benefits of fundraising/programmatic engagement if these could be expected to prejudice longer term/strategic benefits. Therefore, Bioversity will not accept funds from individual corporations where this risks jeopardizing a current operational / programmatic partnership or advocacy engagement with that company.

Donations of below $1000 are accepted without scrutiny unless there is an obvious reputational or other risk to Bioversity in accepting.

Corporate employee matched gifts will be accepted without further scrutiny.

Source: Bioversity International (n.d.). Reprinted with permission.

by the partner be addressed? The wider the scope of enquiry is, the more difficult and thus more time-consuming and expensive the task will be.

2. *Polluter pays?* It is no accident that many major oil companies are keen to invest in environmental charities. When a major oil spill occurs or a tanker sinks on the high seas, unimaginable damage can be done to wildlife and the environment. Some therefore argue that it would be obscene to allow oil companies to fund the charities that may have to engage in the cleanup or that exist to put pressure on companies to enhance their safety procedures. They argue that such nonprofits need their independence and must be free of "tainted money" in order to have the maximum possible impact. There is also the opposite view, that this work would have to be undertaken anyway and thus why shouldn't the oil companies foot the bill for it? After all, they create the problem, so is it not right that they should also contribute to its resolution? There are no right answers to questions of this type; it really depends on one's ethical perspective, and a nonprofit needs to take a clear stance and be ready to defend that stance when necessary.

3. *History.* When does a tainted supplier become untainted? In other words, when a corporation that previously engaged in unacceptable behaviors ceases those behaviors, at what point may donations be accepted by the nonprofit? Immediately on cessation of these behaviors, or at some future date?

None of these issues are straightforward, and a good ethical policy will help fundraisers decide what is and what is not appropriate. Relationships should be sought only with corporations that meet the requirements of the ethical policy. Similarly, unsolicited donations must be accepted only from those companies that meet the requirements of the ethical policy. Both dimensions are of equal importance.

The Approach

The nonprofit must then decide how to approach potential corporate supporters. At its simplest level, this decision will usually be about whether to deal directly or indirectly with the organization. What we mean here is, if the nonprofit has only very limited resources and a large number of corporate prospects and only a weak case for support, it may be appropriate simply to initiate an approach utilizing direct mail. Where a nonprofit has a corporate fundraising team, significant numbers of volunteers, a strong case for support, and highly qualified prospects, it will be appropriate to focus on a more personal approach involving site visits from the fundraising team.

The complexity of the issue is such that it is impossible to be prescriptive, but the form the approach will take will be a function of the likely value of the support, the degree to which the prospects are qualified, the strength and relevance of the case for support to the corporation, the availability of volunteers, the fundraising resources that are available, and so on.

Relationship Management

Once a relationship has been established, the nonprofit needs to create a plan for administering and managing that relationship. This plan will have two key components. The first is the delivery of an appropriate quality of service to the corporate supporter. For some kinds of relationships, this may be as simple as a timely and personalized acknowledgment of a gift. For other categories of relationships, the nonprofit needs to ensure that it is honoring its obligations and that any objectives the corporation might have are likely to be met. If they are not, this needs to be recognized as soon as possible and corrective action initiated.

The second key component is a plan for developing and taking the relationship forward in the way that the nonprofit would prefer. This process might include plans to deepen the relationship, cross-sell other fundraising products, or increase the organization's share of the available donation income. In cases where the relationship is not working out as envisaged, this may also be a plan for withdrawal from, or the ultimate cessation of, the relationship.

Both components of a relationship management plan must be carefully integrated.

Assessment of Outcomes

When a relationship is initiated, it is important to determine from the outset how that relationship will be assessed and measured by both parties. This plan not only serves to reduce the capacity for conflict later, but it can actually serve as an aid to the retention of corporate support. A very high number of businesses do not assess the relationships they have with nonprofits even though these relationships may have been entered into for clear business reasons. Although such relationships might benefit nonprofits in the short term, because they are freed from stringent evaluation, there is a danger that support will be abandoned in times of economic downturn, because no clear business case will ever have been established and any expenditure will thus be rendered impossible to justify. Steckel and Simmons (1992) suggest that businesses should be encouraged to use the following criteria to assess their relationships with nonprofits:

1. Impact on sales
2. Target market results
3. Retailer and distributor activity and response
4. Scope and timing of publicity
5. Employee involvement and attitudes
6. Managerial support and attitudes
7. Public reaction to partnership choice
8. Revenue and expense results
9. The quality of the working relationships with partners

Nonprofits should also assess the quality of any relationship from their perspective and consider factors such as the value of monetary and other support received, the exposure and media coverage generated, the public response to the partnership, and the increased public awareness of the cause.

Feedback

Finally, the nonprofit should reflect on the outcomes obtained and use these data to inform subsequent corporate fundraising planning. At the very least, a knowledge of the characteristics of successful relationships can greatly assist in prioritizing the recruitment resources available for subsequent years' activities. Fundamentally, however, all knowledge gained from the market will have value in informing subsequent planning.

SUMMARY

In this chapter we have examined corporate giving, noting that although the aggregate amount donated in the United States is impressive, it is only a tiny fraction of the overall philanthropic support attracted to the sector. We have also seen that corporations are no more or less generous now than they have been in the past, and that they are contributing a relatively static percentage of their pretax profits to good causes. In recent years, however, there has been a general move away from truly philanthropic support and toward giving that is strategic or dual agenda. Corporations are increasingly regarding their support of nonprofits as a tool to further the interests of their own organization.

The returns from corporate fundraising can be impressive, with Sargeant and Kaehler (1998) and Centre for Interfirm Comparisons (2007) estimating a mean return of approximately \$6 for every \$1 investment. The return will be hard-earned. Nonprofits will need to become increasingly sophisticated in how they approach potential supporters, and they will have to structure a pattern of benefits that will appeal to dual agenda giving. They will also need to become more businesslike in how they support these relationships, focusing on enhancing the quality of service provided (Epstein, 2005). Just as do individual fundraisers, corporate fundraisers need to be sensitive to service-quality issues and to consider measuring this periodically to determine whether improvements might need to be made.

Business engagement with philanthropic organizations for public purposes has been multifaceted over the last one hundred plus years. Motives for giving have waxed and waned during this period. Fundraisers in today's environment will want to demonstrate how corporate support helps the well-being of society, and company giving and marketing personnel will need to demonstrate how their engagement with nonprofits helps the business be a viable economic entity while also producing social good. Helping businesses and nonprofits meet societal needs—economic and social—makes for a challenging and rewarding vocation.

Discussion Questions

1. What is meant by the term *workplace giving?* What forms may this take?
2. "Businesses should leave charitable giving to their shareholders." Critically evaluate this statement. What is your personal perspective?
3. Although the amount that businesses donate has generally increased in recent years (except in 2008), the percentage of pretax profit donated has been relatively static. Why might this be? What steps might the nonprofit sector take to bolster giving?
4. Read the original article by Eikenberry on consumption philanthropy at http://www.ssireview.org/images/articles/2009SU_Feature_Eikenberry.pdf. To what extent do you agree with her arguments? How might you counter them?
5. What advice might you offer the director of development at a small shelter for the homeless about how she might approach corporate fundraising for the first time? How might she find potential supporters? How should she approach them and for what categories of support?
6. Investigate how your own state regulates CRM activity. In your view, does this degree of control seem warranted? Why? Justify your comments.
7. Why is it generally a good idea for fundraisers to encourage businesses to evaluate the effectiveness of their support of a nonprofit?

CHAPTER SEVENTEEN

GRANT FUNDRAISING

By the end of this chapter you should be able to:

1. Describe the foundation marketplace.
2. Conduct research and prioritize potential grant makers.
3. Write proposals or submit applications to obtain grant funding.
4. Describe the “grant cycle.”
5. Understand the importance of feedback and reporting to foundation supporters.
6. Discuss the reasons applications to foundations might fail.

There were 112,959 foundations registered with the Internal Revenue Service in 2008 according to the National Center for Charitable Statistics (Wing, Pollak, and Blackwood, 2008). These foundations contributed $41.21 billion to nonprofit organizations and together account for 13 percent of all philanthropic giving in the United States (Giving USA Foundation, 2009). In this chapter, we review the different types of foundations, explain how to plan for foundation fundraising, and illustrate how fundraisers can build a successful relationship with their target organizations.

Definitions and Categories

There are two main categories of foundations: *operating foundations* and *grantmaking foundations* (Prewitt, 2006). Operating foundations provide their own range of programs. For more than two centuries, operating foundations have funded and managed universities, hospitals, schools, orphanages, cultural institutions, relief agencies, and many other nonprofits. Operating foundations devote most of their resources to carrying out their missions. For example, the Doris Duke Foundation for Islamic Art is an operating foundation. Its mission is to "improve the quality of people's lives through the study, understanding and appreciation of Islamic arts and cultures" (Doris Duke Foundation for Islamic Art, 2009). It operates a museum out of the Honolulu home of Doris Duke, has an extensive collection of Islamic art, and is regularly open to the public for tours.

Grantmaking foundations, by contrast, do not engage in their own service provision directly. They further their mission by funding the work of other nonprofits. Grantmaking foundations are a nineteenth-century phenomenon. Such organizations first appeared in the United States and spread through Western Europe, Japan, India, and Latin America. They are the focus of this chapter. The number of grantmaking foundations in the United States in 2006 was 72,477 (Lawrence and Mukai, 2008). They can be supported by a private source of income or by the public. The former are termed *private* grantmaking foundations; the latter are known as *public* grantmaking foundations or public charities.

Although we distinguish between operating foundations and grantmaking foundations here, it is important to recognize that hybrids are common. Some foundations both engage in service provision of their own *and* provide grants to other nonprofits.

Private Foundations

Private grantmaking foundations receive their funds from an individual, a family, a corporation, or some combination of related parties. Because of the narrow base of their support, private foundations are subject to more restrictive government scrutiny than public foundations. This scrutiny is to prevent the misuse of funds when only one party or several related parties are overseeing the administration of these funds, and to stop people from using foundations as a means to escape taxation. Critically, from a fundraising perspective, these foundations are subject to a minimum annual distribution requirement, or *payout requirement,* that is, they must make *qualifying distributions* of at least 5 percent of the average market value of the assets in their possession in any fiscal year. Qualifying distributions can take the form of grants and direct charitable activities, but the total can also include any administrative expenses the foundation might have in operating its programs (Foundation Center, 2009). This allowance has proven controversial of late because although many foundations avail themselves of this option, they are not always keen to fund the administrative costs of their grantees.

Private foundations may be either *corporate* foundations or *independent* foundations. Because we addressed corporate giving and giving from corporate foundations in the previous chapter, here we focus on independent foundations, often called *individual and family foundations.* They represent about 90 percent of all the foundations in the Foundation Center's database (Lawrence and Mukai, 2008). They vary widely in size, style of operation, and grantmaking interests.

Public Foundations

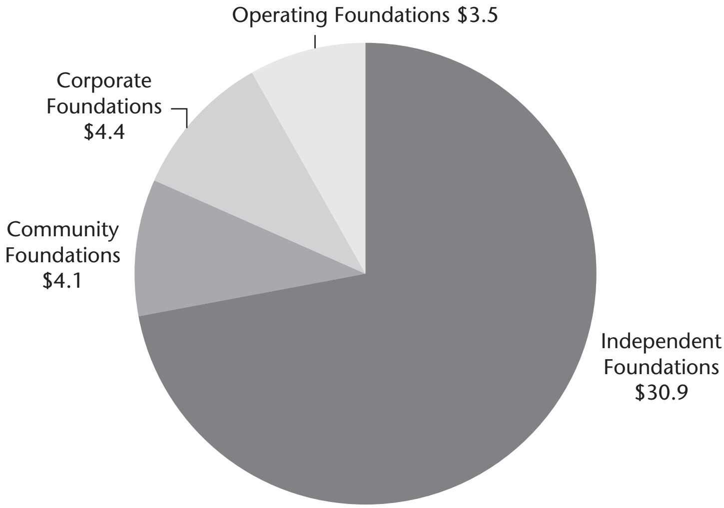
Public foundations are public charities. They operate a grants program as one of their primary purposes. They receive their funds from multiple unrelated donors, which may include private foundations, individuals, or government. To maintain their public grantmaking foundation status, these organizations need to continue to seek diversified public support. The IRS does not have special rules for public foundations (as it does for private ones), so they can be difficult to identify.

There are 650 community foundations in the United States, however, that are rather easy to spot. They are one of the fastest growing segments in the foundation world (Guo and Brown, 2006). Community foundations are hubs for community philanthropic resources and serve to connect local philanthropists with the immediate and long-term needs of a local community (Community Foundations, 2009). The community in question is usually tightly defined and may be a city, county, or state.

Foundation Funding Trends

Giving by foundations rose from $1.6 billion in 1968 to $41.21 billion in 2008 (Giving USA Foundation, 2009). Figure 17.1 shows that independent foundations account for the largest proportion of foundation giving, at $30.9 billion (Lawrence and Mukai, 2008).

FIGURE 17.1. SOURCE OF FOUNDATION FUNDING ($BILLIONS)

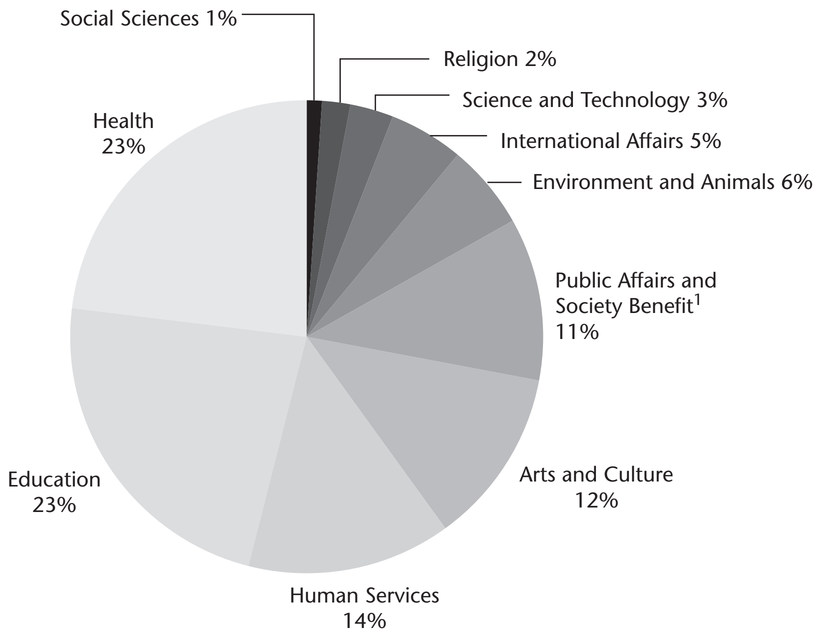


Source: Lawrence and Mukai (2008). Reprinted with permission.

Figures 17.2 and 17.3 indicate that education and health organizations are the largest foundation grant recipients in terms of the total dollar amount, both at 23 percent, and human services lead in the total number of grants received, at 26 percent (Foundation Center, 2008).

Foundation giving has continued to rise for forty years, which on the face of it would appear to be a positive trend. For many fundraisers it is exactly that, but it is important to recognize that not all commentators see it that way. Foundations can create a mechanism for the wealthy to generate substantial funds that will follow their individual and specific interests. This gives them substantial power, thus putting most grantseekers in the position of passively following the money (Prewitt, 2006). For example, in 2008 the Bill & Melinda Gates Foundation alone gave out $2.8 billion in grants. This is great news for fundraisers working in the realms of "helping the poor lift themselves out of poverty, improving health in the developing world, and strengthening education in the United States" (Bill & Melinda Gates Foundation, 2009), but it is perhaps not such great news for fundraisers working in other areas. Because gifts to foundations can be tax effective, one could argue that had the government retained its tax revenues it could have allocated those funds to projects in a manner more consistent with the

FIGURE 17.2. RECIPIENT ORGANIZATIONS BY DOLLAR AMOUNT



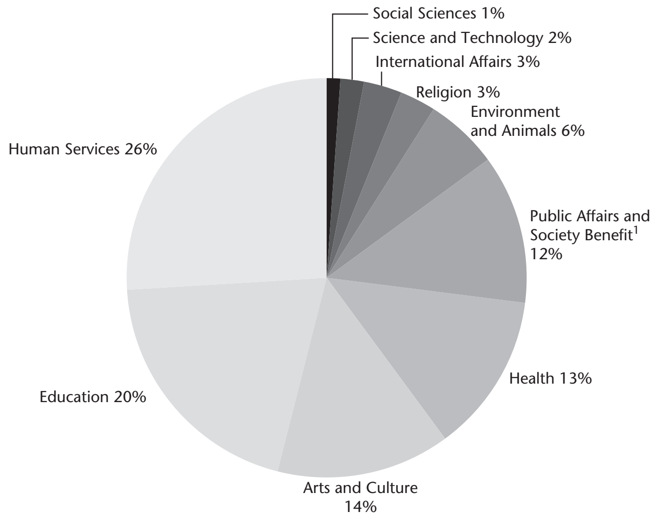
[1]Includes Civil Rights and Social Action, Community Improvement and Development, Philanthropy and Voluntarism, and Public Affairs.
Source: Foundation Center (2008). Reprinted with permission.

wider needs of the society. Of course governments too can have their own agendas, so the argument is not altogether convincing.

Preparation and Planning

Raising funds from foundations is first and foremost a process of building relationships. These relationships start long before the reception of a grant and they rarely end upon its completion. Careful planning is the secret to success in developing such relationships. The planning process should develop a match between a nonprofit's ideas and capacities (such as technical skills, knowledge, expertise, human resources, and geographic coverage) to solve a social problem or advance a cause, with a foundation's mission

FIGURE 17.3. RECIPIENT ORGANIZATIONS BY NUMBER OF GIFTS



[1] Includes Civil Rights and Social Action, Community Improvement and Development, Philanthropy and Voluntarism, and Public Affairs.
Source: Foundation Center (2008). Reprinted with permission.

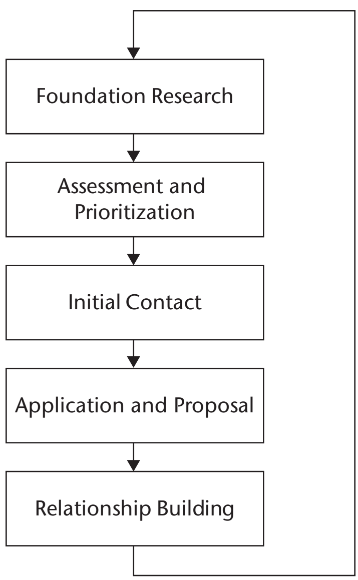
and much-needed financial resources. A successful foundation fundraising solution, like all other successful fundraising solutions, should be a win-win situation for both parties.

The first step in grant planning is to set the organization's funding priorities and come up with appropriate projects and cases for support that can later be tailored to the specific interests or objects of a foundation. Foundation grants can be used to support all aspects of a nonprofit's operations, including the costs of providing a program, buying equipment and facilities, or purchasing a building. A 2006 study conducted by the Center for Effective Philanthropy identified that most foundation grants are restricted, small, and supportive of short-term programs. It is for this reason that proposal writers have traditionally been trained not to include overhead expenses in their project budgets, especially salaries and benefits, but rather to include only the costs directly associated with the implementation of the new project or idea. This approach contrasts with the findings of Rooney and Fredericks (2007), who identified that in fact 69 percent of foundations consider paying overhead costs if properly framed as part of the proposal. The best advice, therefore, is for a proposal writer to read carefully the foundation's rules governing what it will and will not fund. An assumption that overhead cannot be included can be wrong.

Having identified the need, the next step is to identify potential funders, make initial contacts, and cultivate a relationship that will help the fundraiser develop the actual grant application or proposal. The writing of this document follows logically from this process. If the application is successful and the funding is forthcoming, then nonprofits need to make preparations to administer the grant, keeping a detailed record in compliance with the foundation's reporting guidelines so that ultimately they may report back to the funders. If the application is unsuccessful, fundraisers will need to identify the reasons for this decision and use the data gathered to refine their approach. It may be that the same foundation can be approached with a different proposal in the future, or it may be that the foundation was ill chosen and should not form the basis of subsequent solicitation because its objects do not match those of the organization. A formal review will therefore be helpful in directing future effort.

We recommend the foundation fundraising process illustrated in Figure 17.4.

FIGURE 17.4. FOUNDATION FUNDRAISING PROCESS



Foundation Research

There is a range of resources available nowadays to help fundraisers identify their target grantmaking foundations. The search, however, typically begins from researching the Foundation Center's database.

The Foundation Center

The Foundation Center is a critical resource for fundraisers seeking to raise funds from foundation grants. It is a national organization established in 1956. Today, it is supported by more than six hundred foundations and is an authoritative source of information on both foundation and corporate giving. It is recognized "as the nation's leading authority on organized philanthropy, connecting nonprofits and grant makers, supporting them with tools they can use and information they can trust" (Foundation Center, 2009). The Foundation Center's Web site should therefore be the first port of call when researching potential funders because it can assist in the identification of appropriate foundations (Schladweiler, 2001).

The site offers a range of subscription services. For example:

1. The Foundation Directory Online's basic subscription service allows a fundraiser to perform online searches (using keywords) on up to ten thousand grantmakers. It also provides access to an index of more than seventy-three thousand trustee, officer, and donor names.
2. The Foundation Directory Online's Plus subscription service offers the basic service plus access to the records of more than 1.4 million recent grants. The search facility is also expanded.
3. The Foundation Directory Online's Platinum subscription service offers more than ninety-eight thousand detailed profiles of current U.S. grantmakers, access to the records of more than 1.7 million recent grants, access to an index of more than 495,000 trustee, officer, and donor names, and the means to identify potential corporate supporters.
4. The Foundation Directory Online's Professional subscription plan offers access to four comprehensive databases: grantmakers, companies, grants, and Form 990s. The system's interactive maps and charts show a foundation's grants geographically—right down to the zip code—and by recipient type and primary subject, with three levels of detail.

In 2009 these subscription services vary in price from \$19.95 to \$179.95 per month. Discounts are also available for yearly subscribers.

The Foundation Directory can provide a variety of data on potential funders, including the following:

- Name of the foundation and its address, phone number, and Web site
- 990-PF forms from recent years
- Donors supporting the organization (if it's an independent foundation)
- Information about the foundation, including its history
- Funding limitations, including any areas that the foundation will not fund
- Purpose and activities, including mission statement
- Program areas, with detailed information about the foundation's funding programs
- Field of interest, including broad categories of causes that the foundation may support (which are good keywords to use when searching for other foundations serving similar causes)
- Geographic focus, that is, the geographic areas that the foundation supports
- Types of support, that is, the type of organizational initiatives for which funding may be sought
- Publications, including any that the foundation produces regularly
- Application information, including the process by which organizations may make inquiries or submit grant applications and proposals
- Officers and trustees, whose names may become important in networking activities
- Number of staff
- Membership in organizational associations (another important mechanism through which fundraisers can identify potential funders, because associations are usually formed around similar grantmaking interests)
- Financial data, including the total amount of grants given since a foundation's inception
- Selected grants, including straightforward examples of proposal topics

The Foundation Center also provides a free service for grantmaking organizations and nonprofits entitled *Philanthropy News Digest*. This outlet publishes requests for proposals at least five weeks before the deadline of a request, and notices of awards. The Center also operates libraries in Atlanta, Cleveland, New York, San Francisco, and Washington, D.C. All five Center libraries have staff trained to help fundraisers locate potential sources of funds. All Foundation Center libraries and some members of the Foundation's Cooperating Collections offer free access to the Foundation Directory Online. Cooperating Collections are "free funding information centers in libraries, community foundations, and other nonprofit resource centers that provide a core collection of Foundation Center publications and a variety of supplementary materials and services in areas useful to grantseekers" (Foundation Center, 2009).

As should be clear by now, Foundation Center data can be effectively used to identify a list of possible target foundations. These can then be researched directly through the foundations' own Web sites to confirm the accuracy of the information collated. Although Foundation Center data are updated regularly, the most up-to-date data can obviously be obtained from the source.

Other Information Sources

Although the Foundation Center can provide a wealth of information, it is also advisable to supplement this data with other searches for possible funders. Fundraisers can use any standard online search facility to search for relevant funders. They should also follow the local or regional press for news of new foundations or grantmaking programs about to be established. The *Chronicle of Philanthropy* can also be a valuable source of information, particularly for tracking foundation grantmaking activity.

It is also essential to explore all "internal" detection routes and leverage the contacts of staff, board members, and volunteers to identify whether anyone already connected to the organization may have links to or valuable intelligence on possible foundation funders. The significance of this source should not be underestimated, because individuals who are active in one community organization often have substantial links to others.

These informal detection routes are important because, as Renz, Lawrence, and Treiber (1995) note, only about 25 percent of foundations publish guidelines on their programs and interests. The information that is available tends to be provided by the larger foundations; little is known about those with assets of less than $1 million or annual grants totaling less than $100,000. Kelly (1998, p. 586) thus concludes that "many foundations—large and small—treat their giving as a private matter, and some are quite secretive about their operations." Utilizing informal links may thus be the only way to gain information about some potential supporters.

Assessment and Prioritization

Once a list of potential funders has been identified, it is then necessary to prioritize those organizations that appear to be the best prospects for success. Typically, initial lists of potential funders can be quite lengthy and because fundraising resources are always limited, it is important to prioritize the planning effort.

To achieve this, fundraisers need to examine the fit between their own objectives and projects and the mission or objects of the target foundations. This assessment is the most critical factor in the planning process. Effort should be focused on those organizations that appear to have the highest degree of fit. It is also important to assess the match in terms of the size of the grants that might be awarded and the timescales within which decisions will be reached.

Initial Contact

Some foundations permit a limited degree of contact with fundraisers before a submission is made. Where this is possible, it is advisable to explore this option before sending in even an initial expression of interest. Personal contact should ideally happen at or above the level of the program officer who will be directly responsible for reviewing the application. Initial contacts may take the form of a phone call, an e-mail, or even a face-to-face meeting.

The first goal of these initial contacts is to give the representative of the funder your best case for support *in brief* and to get their feedback on how to improve the presentation of the case on the basis of the foundation's strategic grantmaking plans or evaluation criteria. Any tips that may be offered about the organization's current interests or concerns can prove invaluable in drafting the application that will follow.

Where the initial search identified that someone else connected with the nonprofit (such as a board member or volunteer) had a personal link to the foundation, it may be more appropriate for that person to forge the initial contact and make the initial inquiries on the fundraiser's behalf.

It is important to note here that many foundations discourage initial contact and rely instead on their formal application process and procedures to guide potential applicants. There are even a good many foundations that discourage unsolicited proposals of any kind. The boards of such organizations prefer to rely on their own independent searches of need. Kelly (1998, p. 586) takes a dim view of this approach: "Such behavior not only makes fundraising more difficult, but it demonstrates an absence of accountability and a disregard for the society that subsidized the tax benefits received by the foundation donors." We concur. If nonprofits are willing to accept the tax benefits offered by society, the very least they can do is consider applications for funding from qualified organizations.

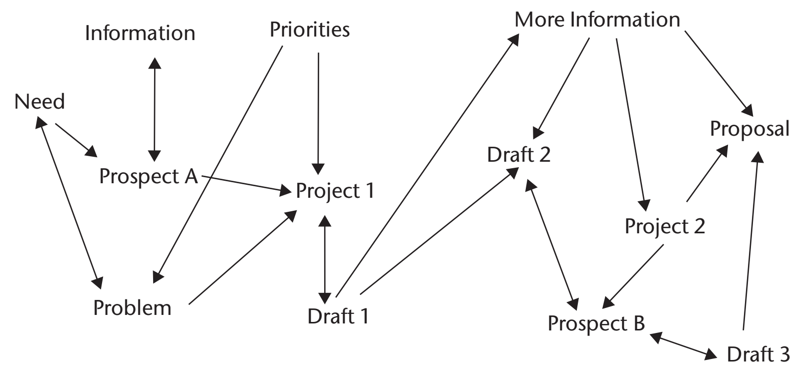
Application and Proposal

Proposals are usually written by one person but they incorporate the perspectives of several individuals, offices, or constituencies. The best proposals usually grow out of complex collaborations between institutional leaders, project directors, and the fundraiser charged with producing the proposal. These collaborations take place against a backdrop of committee meetings, institutional hierarchies, history with the foundation, budgetary constraints, deadlines, departmental rivalries, vacations, lost records, and competing priorities. As a consequence, "the process of developing a proposal is rarely linear. It may begin in what appears to be the middle, go on to the end, loop back to an earlier stage, stall at the halfway point, circle back, then race to the end" (Martin, 2000, p. 86). Thus, rather than an orderly process that moves from priorities to project to information to prospect to proposal, the picture is closer to that depicted in Figure 17.5.

Nonprofits can apply to foundations in a variety of ways. Some foundations require applicants to complete detailed application forms; others allow nonprofits to develop their own free-form proposals (although guidance over content is usually given). It is now increasingly common for application to be a two-stage process, with applicants invited to submit an outline proposal or expression of interest before submitting more detailed documentation later. This mechanism is used to weed out proposals that clearly do not meet the foundation's funding criteria.

In the case of a free-form submission, the length and the style of the actual proposal should be developed according to the proposal guidelines provided by the foundation. Typically, a proposal includes the following components:

FIGURE 17.5. PROPOSAL DEVELOPMENT PROCESS



Source: Martin, P. (2000). Preparation before proposal writing. *New Directions for Philanthropic Fundraising, 28*(Summer), 86. Reprinted with permission of John Wiley & Sons, Inc.

- *Table of contents.*
- *Executive summary.* This should summarize the key points of the whole proposal.
- *Statement of need.* This should explain clearly the needs that will be met and demonstrate the fit between these needs and the overall objectives of the foundation. For example, a soup kitchen may be a venue to promote social justice for one foundation and a mechanism for relieving human suffering for another. It is important, however, not to stretch the notion of fit too far. As Howe (1991, p. 44) reminds us, "look for a fit and don't try to create one where none exists." Doing the latter will ultimately be counterproductive.
- *Objectives.* The proposal should contain a clear set of SMART (see Chapter Seven) objectives for the programs for which funding is being sought.
- *Project description.* This section of the proposal details exactly how the stated objectives will be met. It should include information about the activities that will be implemented, giving only as much detail as necessary and not more. A timeline for implementation should also be provided (see Table 17.1). Fundraisers should always keep in mind that nonprofit service providers are experts

in solving social problems or promoting social causes. In most cases they therefore have more expertise and experience than their funders. It is therefore vital to avoid jargon and explain any necessary technical details (as far as possible) in plain English.

- *Evaluation.* A mechanism for evaluation of the projects should be provided. This should be phrased in accordance with the foundation's own evaluation criteria, where these exist. For example, some foundations may be interested in determining the impact that their grants have on specific groups of individuals; others may focus on the categories of impact that have been achieved. Many foundations also impose deadlines for the provision of these data, so it will be important to work the requisite timelines into the proposal.
- *Organizational expertise.* In an earlier section of the proposal the organization focused on justifying the needs that the proposal would seek to meet. In this section it is important to specify why the focal nonprofit should be the one conducting this work. This may involve stressing relevant aspects of the mission, the qualifications of staff, established service expertise, or particular skills, technology, or capacity. The goal is to establish credibility.
- *Future plans.* In many proposals it will also be appropriate to consider what will happen after the grant ends. Is the need likely to return, and if so, how will it be dealt with in the future? How does the organization intend to develop its provision for the future and build on the achievements of the grant? Where large capital items have been purchased (such as equipment and facilities), it can be helpful to apprise the funder of how these items might be used beyond.
- *Budget.* Both direct and indirect costs can be included in the budget. Direct costs may include the salaries of program staff, supplies, equipment, program-related travel, program-related rent, printing, mailing, and so forth. In estimating the direct costs of staff time, it is important to take into account the costs associated with administering the grant, maintaining relationships, and reporting back to the funder. Most large foundations publish their policies on whether they permit an applicant to claim indirect or overhead costs. As we noted earlier, it is important to pay adequate attention to these costs to ensure that all permissible costs are included.
- *Additional support.* Foundations typically like to see that they will not be the only ones supporting a cause (Delfin and Tang, 2006). It

TABLE 17.1 SAMPLE TIMELINE

ACTIVITY	MONTH 1	2	3	4	5	6	7	8	9	10	11	12
1. Hire staff needed for the program.	—	—										
2. Develop three- and six-month objectives with specific tasks.		—	—									
3. Identify elders with priority needs to be addressed.			—	—								
4. Design outreach strategies to acquaint the targeted elders with the program.			—	—								
5. Begin implementation with persons needing immediate assistance.				—	—	—	—	—	—	—	(ongoing)	
6. Develop individual service plans to meet the needs of each homebound person.					—	—	—	—	—			
7. Evaluate progress at three-, six-, and twelve-month intervals.			—			—						—

Source: Carlson, M. (2002). *Winning grants* (2nd ed.). San Francisco: Jossey-Bass. Reprinted with permission of John Wiley & Sons, Inc.

can therefore be a strength to list in the proposal the support already secured and both financial and in-kind contributions can be included. There are a variety of reasons that referencing other funding sources can strengthen a proposal, including the credibility that previous support for a project can bring and demonstrating a track record of funding success, which can strengthen the funder's belief that the project will actually happen if they too decide to offer their support (Koperek, 1993).

- *Appendixes.* Many nonprofits require copies of additional documentation, such as institutional policies, annual reports, previous accounts, and so on. Nonprofits should provide only appendixes that have been requested or that strengthen their proposal. Appendixes should not be used as an opportunity to pad a proposal by supplying unnecessary documentation.

Each of these components of a grant application is important. They should all contribute positively to the chance of success. Authors such as Golden (1997), Carlson (2002), and Porter (2005) offer the following helpful tips:

- *Keep it simple.* A proposal needs to be worded concisely and precisely. Its presentation needs to be neat, well organized, and easy to read.
- *Do not oversell or overdecorate your proposal.* It is important to use a positive presentation style that demonstrates the enthusiasm and commitment of the potential grantees. At the same time, this presentation needs to be evidence based and thoughtful. Fresh insights into important problems are always welcome.
- *A good proposal should flow.* Each component should naturally flow from the previous one.
- *Do not send the same proposal to more than one foundation.* The fundraiser's willingness to adapt to each foundation's funding priorities should be transparent. Specific references should be made to show how the proposed project may benefit the objectives stated by the organization.

Before submission the proposal may need to be put together with other documents into an application package. A cover letter should be drafted to accompany these enclosures. This is a critical document because it will frequently be the first thing the grants office reads. It should therefore be clear and concise, and it should entice the reader into the full proposal (Foundation Center, 2007). A specimen cover letter is provided in Figure 17.6.

FIGURE 17.6. SPECIMEN COVER LETTER FOR THE NORTH STREET HOSPICE

August 17, 2009
James Rothwell
Executive Director
Crandel Foundation
556 Any Street
Newtown, IN 46212
Dear Mr. Rothwell:

I write to ask the Crandel Foundation's support for the North Street Hospice through a $100,000 grant, which will underwrite an experienced evaluation consultant.

To better serve our constituents, North Street Hospice plans to address our evaluation systems across the agency, to find more effective means of measuring success and to identify remedial resources where required. This project is critical to our future work in Indianapolis, and our board considers it a top priority.

To this end, North Street Hospice will work with an evaluation consultant who can provide proven expertise and evaluation training for staff to create a successful and sustainable assessment system for each of our programs, which touch more than 3,000 lives annually. This initiative will increase our organizational capacity, our ability to report on the quality of care we deliver, and ultimately our ability to leverage funding from additional sources.

I would be delighted to meet with you to discuss our request and to show you our current facilities and programs. Please do not hesitate to contact me with any questions.

Sincerely,
John L. Picard
Executive Director

Relationship Building

Once a grant has been obtained, the nonprofit should immediately dispatch a letter of thanks to the foundation. Any requirements for reporting, recognition, anonymity, or feedback should be clarified if they are unclear, and deadlines should be calendared and adhered to strictly. Where no specific guidance is issued, reports on progress should be submitted every six months. The form that this reporting must take should also be noted. Foundations may want to receive both project and financial reports, and may want specific types of project outcomes to be tracked. The necessary components of any report should be accumulated as the project progresses.

Designing a suitable *stewardship* or relationship-building process for trust and foundation funders can be problematic because funders vary widely in the way their organizations are structured and in terms of what levels of communication from grant recipients they deem suitable. In most cases, trustees and administrators will not wish to be added to general mailing lists or given subscriptions to magazines or newsletters, because this would add to the deluge of mail and information they receive. They may, however, respond positively to invitations to events, and they often request that new annual reports and accounts be sent to them (Dorner, Seely, and Baumgartner-Cohen, 2004). The key to building successful relationships lies in determining up front what the foundation believes would be most appropriate and then delivering to this requirement.

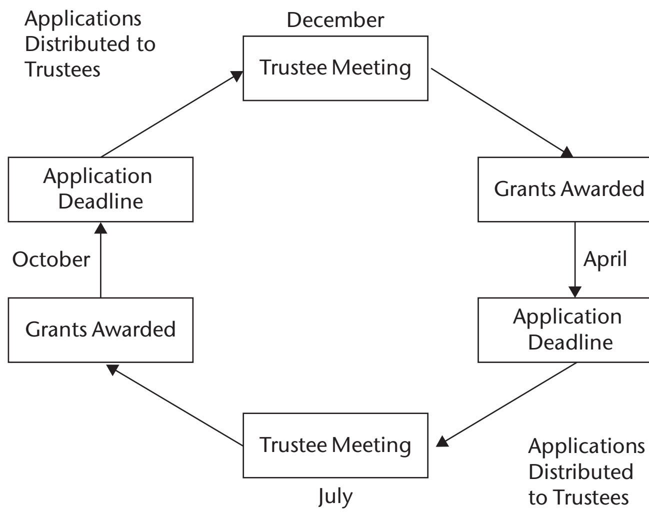
A high proportion of grants are awarded to organizations that were previously funded by a given foundation. Renz, Lawrence, and Treiber (1995) identified that close to one third of grants are renewals. For this reason it is usually appropriate to consider whether other projects might interest the funder in the future. A process of research should therefore be ongoing and include tracking the foundation's activities and interests and scanning for new opportunities to secure additional funding while aiding the foundation in achieving its mission.

The Grant Cycle

Grantmaking foundations differ greatly in relation to how often they accept applications from an individual nonprofit and in how long they take to consider and make a decision on an application.

Figure 17.7 represents the grant cycle as taking place over a one-year period. Many foundations will not consider additional submissions more than

FIGURE 17.7. THE GRANT CYCLE



Source: Sargeant and Jay (2004, p. 253). Reprinted with permission.

once a year from a nonprofit that has already been given a grant, though in special cases additional funding may be given before this date if a good relationship has been built and the nonprofit can make a sufficiently urgent and impressive case for support. In the case of some larger foundations, a three-year period is stipulated as a mandatory "gap" between grants. Equally, some foundations prefer to allocate the bulk of their funds each year to an established cohort of nonprofits that they have selected for ongoing support whereas others will adhere to a policy that a proportion of all gifts given each year should go to new recipients. Fundraisers therefore have to juggle not only their own needs for funding but also the intervals at which applications may be made. They must therefore research the grant cycle for each foundation to ensure that applications adhere to the correct timing and deadlines.

Why Applications Fail

The first thing to realize is that even good applications are often turned down. A target foundation may just be swamped with applications in a given year or have already committed funding to other organizations in the short to medium term. Data from the Association of Charitable Foundations in

TABLE 17.2 SUCCESS RATE OF APPLICATIONS BY GRANTMAKING EXPENDITURE

Annual Level of Grantmaking	Number of Responses	Number of Applications Received	Number of Eligible Applications	Eligible as a % of Number Received	Approved as a % of Number Eligible	Approved as a % of Number Received
Less than £500,000	82	19,709	11,121	56%	75%	42%
£500,000 to £1,999,999	31	27,273	12,023	44%	85%	37%
Over £2,000,000	25	55,894	35,847	64%	63%	40%
Total	138	102,876	58,991	57%	70%	40%

Source: Association of Charitable Foundations (2007, p. 8). Reprinted with permission.

the United Kingdom indicate that the fundraising success rate varies a little depending on the size of the funder. Table 17.2 summarizes their findings and suggests that around 40 percent of received applications are funded. A typical nonprofit might therefore have to make three submissions to gain one grant. There are many rules of thumb on the number of applications necessary to secure one hit, and three is certainly in the sector ballpark.

Research undertaken among U.K. trusts (Sargeant and Pole, 1998) provides useful information on why applications for funding fail. Table 17.3 provides data on key mistakes made by applicants.

In the United States, similar findings are reported on why proposals are declined. The Fund Raising School at the Indiana University Center on Philanthropy provides the following list:

- Project hasn't been documented properly.
- Project does not strike reviewer as significant; statement of the project does not interest him or her.
- Prospective client groups appear not to have been involved in planning and determining project goals.
- Proposal is poorly written and hard to understand.
- Proposal objectives do not meet objectives of funding source.
- Proposal budget is not within the range of funding available through the funding agency.
- Proposed project has not been coordinated with other individuals and organizations working in the same area.

TABLE 17.3 REASONS FOR DECLINING GRANT APPLICATIONS

Category	% of Respondents Identifying
Applicant did not read requirements	55.3
Applicant sent large amounts of unnecessary information	23.4
Application poorly presented	19.2
Applicant did not state how funds would be used	14.9
Applicant did not read instructions for making their application	14.9
Applicant did not include their accounts (when requested)	14.9
Applicant did not make clear their tax status	12.8
The application was impersonal and mass-produced	12.8
No reply envelope was included (where requested)	10.6
Applicant was "overfriendly" in either postal or telephone communications	8.5
Applicant sent insufficient information for a decision to be made	8.5
Applicant did not state the amount of funding that was sought	6.4
Application was too "plush"	6.4
Other	8.6

Source: Sargeant, A., & Pole, K. (1998). Trust fundraising: Learning to say thank you. *Journal of Nonprofit and Voluntary Sector Marketing, 3*(2), 128. Reprinted with permission of John Wiley & Sons, Inc.

- Funding source has not been made aware that the individuals submitting the proposal are able to carry out what is proposed. Not enough substantiating evidence is provided.
- Project objectives are too ambitious in scope.
- Proposal writer did not follow guidelines provided by the funding agency.
- Evidence that the project can sustain itself beyond the life of the grant is insufficient.
- Evaluation procedure is inadequate.

It is interesting to note that the failure to follow foundation guidelines pervades both lists. As long ago as 1995, Walker (p. 39) complained that "proposals too often come in with a request for $125,000 when we limit grants to $50,000, single spaced when we stipulate double spacing, eight pages when we request six, with improper financial data, and so on. . . . Our annual report spells out our requirements. But approximately 40 percent of the proposals we get need rewriting because fund raisers don't read carefully and don't follow instructions."

Although in aggregate the available research paints a pretty dire picture of the quality of fundraising proposals, preparing a proposal does represent a substantive opportunity for the thoughtful fundraiser. Individuals who are prepared to undertake detailed research, tailor funding proposals with care, and adhere to the guidelines issued by funders will gain a clear advantage over their competitors. Their "hit rate" for proposals will be much higher than the sector average as a consequence.

International Funding

No chapter on foundation fundraising would be complete without a brief consideration of the international dimension. In the modern era some causes quite literally span the planet, and innovative solutions to problems are designed and delivered by organizations based in different countries while working together for the common good. Causes such as the environment, disaster relief, and international aid are three such examples in which collaboration is common and financial support is sought by one or more partners across international boundaries.

In the international context, fundraisers can potentially access a variety of additional foundations and government sources to secure funding for their work. Information on these sources can be found through the following organizations:

1. The European Foundation Centre (at http://www.efc.be) produces a range of informative publications and has an excellent and highly informative Web site.
2. The Directory of Social Change (at http://www.dsc.org.uk), based in London, produces a range of directories of international significance, including the International Development Directory and the Directory of Asia Pacific Grantmakers. It also offers a series of guides to opportunities for funding from British foundations, which may be searched

online through a subscription service similar to that offered by the Foundation Center.

Similar directories are also available to open access to governmental funding. The Guide to European Union Funding, for example, lists ongoing funding opportunities and grants programs. Securing government funding is particularly complex because government agencies may advertise for tenders (bids), operate standing grants programs, or negotiate with nonprofits that proactively approach them for funding. Agencies are typically interested in specific issues such as vaccination or AIDS, and a political agenda may underpin the approach. It is therefore essential that nonprofits thoroughly research and understand that agenda from the outset. Nonprofits should also be aware that working with government agencies can be a slow and very bureaucratic process. Government reporting requirements can also be highly onerous (O'Heffernan, 2000).

Raising funds across international boundaries also provides the fundraiser with a range of other challenges to deal with. Different languages and time zones can complicate communication, as can different legislative and social frameworks. Foundations, for example, are not defined in the same way in all countries. The label *foundation* can be given to anything from a political party to a labor union and even a private bank account. To complicate matters further, some foundations exist to fund only one grantee, whereas others can actually be extensions of government agencies, such as the Japan External Trade organization, which funds educational and other projects from its worldwide offices and is supported by the Ministry of International Trade and Industry.

All that being said, as O'Heffernan (2000, p. 66) reminds us, although "a nonprofit organization should understand that international fundraising will take research, stretching its horizons, and expanding its address book . . . the results are worth it and the adventure of obtaining international grants is even more rewarding."

Summary

Foundations are a highly significant source of income for nonprofits. They range in scale from small private foundations run on a part-time and voluntary basis by one person, to large organizations run by a significant full-time staff with formal application and decision-making procedures. Given this diversity, careful planning and research are essential. A one-size-fits-all approach in which multiple foundations receive a standard application is doomed to failure from the outset. Proposals should be created only for those foundations where a close match can be identified between the objectives of the nonprofit and the objectives of the funder. The nature of this match should be emphasized in the proposal or on the application form. When a mail application must be made, it can also be stressed in the cover letter.

We have suggested the form that a typical proposal should take and we have emphasized that only relevant materials and evidence should be provided. Many successful foundation applications are just a few pages (three to four) in length, and all must respect any guidelines published by the organization. Where mail applications are made, additional enclosures should be kept to an absolute minimum, and again, any guidelines issued by the foundation should be strictly adhered to.

We concluded the chapter by examining the need to focus on building relationships with potential funders, particularly where a grant application has been successful. Additional funding can probably be sought in the future if the funder's requirements for reporting and involvement with the project are met. A tailored approach to the development of a relationship can be developed for each funder, following the funder's lead in regard to what is deemed appropriate. Some may appreciate regular conversations, invitations to meetings and events, site visits, and quarterly reports; others may prefer only the feedback and involvement specifically requested in their proposal guidelines.

We have also examined the reasons for failure, highlighting the high percentage of applications that fail simply because organizations fail to take account of the guidelines published by the foundation. Thus, whereas the sector's norm may be that one in three good applications will be funded, there remains a substantial opportunity to outperform this average.

Discussion Questions

1. What is a private foundation? How does it differ from a public foundation?
2. What are the largest recipient areas for foundation grants? What is the total amount of grants available in the area in which you are working?

3. Source the funding guidelines from one of the following foundations and determine what their policy is on paying indirect costs to applicant organizations.
   a. Annenberg Foundation
   b. David and Lucile Packard Foundation
   c. California Community Foundation
4. Critically evaluate a grant application from your own organization that was recently declined for funding. In light of what you have read here, how might this application have been improved?
5. In your capacity as a foundation fundraiser, draft the headings you might use to structure a grant application for a capital project to restore a significant nineteenth-century art gallery.
6. What is a grant cycle? Why is it of significance to a foundation fundraiser?

PART FOUR

Fundraising and Civil Society

CHAPTER EIGHTEEN

MANAGING FUNDRAISING VOLUNTEERS

Walter Wymer and Adrian Sargeant

By the end of this chapter you should be able to:

1. Understand the importance of using volunteer fundraisers.
2. Develop a volunteer role description.
3. Describe key forms of volunteer fundraising.
4. Develop strategies for recruiting volunteers.
5. Understand key reasons for volunteer attrition.
6. Develop strategies for retaining volunteers.

In the United States, around 61.8 million people, or 26.4 percent of the population, volunteered through or for an organization at least once between September 2007 and September 2008 (Bureau of Labor Statistics, 2009). Both the level and rate of volunteering were essentially unchanged from the prior year.

Volunteers of both sexes spent a median of fifty-two hours on volunteer activities during this period (see Table 18.1). Median annual hours spent on volunteer activities ranged from a high of ninety-six hours for volunteers age sixty-five and over to a low of forty hours for those sixty to nineteen and twenty-five to thirty-four years old. It is interesting to note that fundraising is the most commonly occurring form of this volunteering, accounting for

TABLE 18.1 HOURS SPENT VOLUNTEERING BY GENDER, AGE, AND ETHNICITY IN 2008

Characteristic	Total Volunteers (Thousands)	Percentage of Group Volunteering	Median Annual Hours
Gender			
Men	26,268	23.2	52
Women	35,535	29.4	52
Age			
16–19 years	4,437	21.9	40
20–24 years	3.802	21.9	48
25–34 years	9,154	22.8	40
35–44 years	13,016	31.3	48
45–54 years	13,189	29.9	52
55–64 years	9,456	28.1	58
65 years and over	8,749	23.5	96
Ethnicity			
White	53,078	27.9	52
Black or African American	5,325	19.1	60
Asian	2.022	18.7	40
Hispanic or Latino	4,662	14.4	40

Source: Bureau of Labor Statistics (2009).

roughly 10 to 12 percent of all volunteering by every gender, age, and racial group (Bureau of Labor Statistics, 2009).

These fundraising volunteers are an invaluable resource for most nonprofit organizations. They can effectively supplement and leverage the activities of fundraising professionals. Volunteers can also bring energy, credibility, and vitality to an organization's fundraising efforts (Sargeant, 2009).

Although it is obvious that volunteers can fill the ranks of workers needed for a busy annual or capital campaign, they can also serve as effective planners, decision makers, and organizers (Wyman, 1999). Sincere and committed volunteers can be critical to fundraising success but they are all too often underused or used incorrectly (Lysakowski, 2005).

Volunteers can play a multitude of roles, including helping to raise funds during special events and in annual fund drives (through direct mail, telephone fundraising, business appeals, and online appeals). They may also be useful in developing grant proposals. Volunteers can also be used in major gift campaigns and capital campaigns, and even in the domain of planned giving, although these areas are sometimes seen as the exclusive territory of fundraising professionals (Boice, 2004; Burk, 2003; Sargeant and Jay, 2009).

Lysakowski (2005) argues that an organization's fundraising program must be a joint effort between staff and volunteers, yet although it is a joint effort, she believes that volunteers can be more effective in fundraising than staff because as volunteers

1. They aren't being paid to do it.
2. They have a real commitment to the mission of the organization.
3. They have (often) already made a significant contribution themselves.
4. They care enough that they are taking time from their "real work" to participate in the nonprofit organization's fundraising program.
5. They are often doing a task that they don't really savor, but for which they recognize a need.

As Lysakowski (2005, p. 10) notes, "few people actually enjoy asking others for money. Although many volunteers out there are really good at it, most of them will say they really don't enjoy it."

Scholars and practitioners alike generally agree that in-person fundraising is more effective than impersonal methods of raising funds. This is especially true when the person asking for the donation is known and respected by the person being asked (Wymer, Knowles, and Gomes, 2006). When soliciting major gifts (such as planned giving and large contributions to capital campaigns), it is not uncommon for organizations to use teams of individuals to solicit the donation. This team might include a fundraising volunteer (perhaps a peer of the prospect), the executive director, and the organization's fundraising professional.

In this context, Wilson (2008) suggests that the fundraising volunteer can be helpful in gaining access to the prospective donor, and the additional credibility that their own support gives them can make them ideally placed to ask for the gift. The executive director, by contrast, may be the best person to share the organization's vision with the prospective donor and to communicate how the gift will be used by the organization. The fundraising professional might play the role of the facilitator, organizing the team's presentation and being prepared to ask the prospect for the gift should the volunteer not do so.

The skill sets required of volunteers will differ depending on the role in which they will serve. A volunteer who is effective in assisting with a direct mail campaign may not be effective in assisting with events or the solicitation of major gifts. As a consequence, the right volunteers must be matched to the roles for which they are best suited.

In this chapter we explore how best to recruit, retain, and motivate fundraising volunteers while ensuring that this matching takes place. We begin, however, by drawing an important distinction between formal and informal volunteering activity.

Formal Versus Informal Volunteering

Many nonprofits make formal use of volunteers in fundraising roles. They go through a deliberate process of recruiting individuals to serve in this capacity, and they provide them with much the same level of training, support, and recognition as they would provide for a comparably paid member of staff. In a very real sense these individuals are an integral part of the organization. They are part of the "internal" organizational team and are rightly regarded as such. These individuals can engage in the whole spectrum of fundraising activity, but as we noted earlier, the following types of involvement are common:

- Special events
- Annual fund
- Direct mail
- Telephone fundraising
- Corporate appeals
- Grant proposals
- Major gift appeals
- Capital and endowment campaigns
- Planned giving efforts

Some of these activities are traditionally dependent on volunteers, but all of them offer potential opportunities. As Greenfield (2002, p. 16) notes, "every activity has an absolute need for volunteer leadership. Without someone to recruit others, conduct the meetings, provide direction (and respect), keep the program on track, and insist on performance and success, the entire effort is lost." Although staff can certainly fill many, if not all, of these roles, volunteer leadership brings a new dimension to these fundraising activities by providing an outside perspective and a genuine commitment and passion for the cause.

By contrast, there are often many other individuals who care passionately about the cause and will volunteer to raise funds on an ad hoc basis without a formal organizational role. In such cases the individuals are not fulfilling a formal post; they have simply been persuaded to raise funds for the organization in a way they will find personally rewarding and appropriate. Many millions of Americans, for example, have engaged in walkathons, marathons, and even "slimathons" to support their favorite charity. Indeed, there are a plethora of ways in which volunteers can support an organization. The nonprofit Mercy Corps, for example, offers a wide range of suggestions on its Web site for community fundraising activities that volunteers could undertake on its behalf (see Figure 18.1).

FIGURE 18.1. MERCY CORPS COMMUNITY FUNDRAISING ACTIVITIES

- Hold a benefit concert with professional or school musicians.
- Put on a talent or fashion show, comedy night, or play.
- Get friends together for a walkathon, fun run, bike-a-thon, dance-a-thon, or similar event, and ask family members and friends to contribute by the mile or hour.
- Encourage friends and family to make a donation to Mercy Corps in lieu of gifts for an occasion such as a wedding, anniversary, or birthday.
- Hold a bake sale at school, church, or office.
- Help your children get involved by sponsoring a lemonade stand or an event that features student artwork.
- Buy or sell items on eBay to support Mercy Corps' efforts.
- Raise money online by creating a fundraising page at firstgiving.com.
- Fast for a meal with friends, colleagues, or classmates. Donate the cost of the food you would have eaten.
- Sell items at a neighborhood garage sale and donate the proceeds.
- Hold a recycling drive. Offer to collect and recycle newspapers, cans, bottles, or other items for a donation.

Source: Mercycorps.org. Reprinted with permission.

Similarly, the Community Fundraising Committee at Golisano Children's Hospital oversees more than 250 fundraising events each year. These events range from large company-sponsored golf tournaments to small bake sales and lemonade stands, and they have all contributed to raising more than $400,000 for the hospital (see http://www.gchas.org). The organization also reaches out to schools to suggest a wide range of ways in which children of all ages can volunteer to raise funds for the cause (see Figure 18.2).

FIGURE 18.2. SCHOOL FUNDRAISING IDEAS

Elementary School Ideas

NEED A HOLIDAY GIFT FOR TEACHER?

Buy a paper balloon (your school can determine the per-balloon dollar amount) and line your hallways with them. Be sure to personalize your balloon, dedicating it in honor of that super-special teacher.

SPELL-A-THON

A twist on the traditional spelling bee—collect pledges for each word you can spell correctly during a specific period of time. (This helps to make studying beforehand more fun too.)

MATH-A-THON

Collect pledges for each math problem you can complete correctly during a specific period of time.

QUARTER-MILE MIRACLE

Your entire school can get involved by collecting enough quarters to span a quarter-mile! We dare you to try. . . .

PENNY CARNIVAL

Organize simple carnival games, inviting your classmates to pay a penny to play.

BIKE-A-THON

Collect pledges for specific distances or amount of time you ride your bikes at home (remember, have a parent keep track or come with you . . . and it only counts if you sport a helmet!)

READ-A-THON

Collect pledges for each book you read within a month.

Hoops for Strong Kids

Collect pledges for each basket you can make, throwing balls from different shooting stations (each station having a designated style: "three pointer," foul, backwards toss, lay-up. . .).

Teachers vs. Students Basketball Game

Take on your teachers. . .with a twist: Teachers have to play ONE-HANDED!

Bowl for Healthy Kids

Collect pledges for each pin knocked down in three games. For added fun, strikes count double!

Take a Guess!

Fill a container with candy, pencils, small toys, etc. You pay a quarter to take a guess at how many pieces are in the container. Closest guess wins a whole container full of goodies!
or…
Sell our unique GCHaS awareness bracelets!

Middle and High School Ideas

Best Seat in the House

Score a used sofa (someone's sure to have one lying around) and position it on the sidelines, close to the court or field. For $1, offer a raffle ticket and a chance for the winner and two friends to have "the best seat in the house!" at the next home game. Draw and announce the winner at halftime. (You could make this a staple at your ticket sale booth, and offer this raffle option at every home game! Don't forget to keep those sitting in the "best seat" well supplied with snacks and drinks!)

"Stroll for Strong Kids"

Collect pledges and walk in the 2-mile "Stroll." Enjoy fun activities and free lunch! Hey, maybe your entire school could form a team. . . .

Dance Marathon

Host a 12- or 24-hour event with dancing, games, music, and fun! See Brockport High School for a truly awesome example. . . .

Mr. "Your School Mascot Here" Pageant

Don't pass up the opportunity to organize this hilariously fun event for your classmates!

Quarter-Mile Miracle

Join us in May, *Miracle Month*, for this fun event. Your entire school can get involved by collecting enough quarters to span a quarter-mile!

Radiothon Change Bandit (June 2007)

"Rob" your classmates and teachers of their spare change and collect it for a cause. Kind of like real-life Robin Hood and Jesse James, mixed together.

Sell Flying Discs at the Rochester Amerks Games (Nov.–March)

You'll even get to watch the game and get a free T-shirt! This opportunity is great for clubs and sports teams.

Pancake Breakfast or Spaghetti Dinner

Hold it at your school or another location; a great service project and bonding opportunity for teams.

Hoops for Strong Kids

Collect pledges for each basket made by throwing balls from "stations," each with a designated shooting style (e.g., foul shot, three-pointer, lay-up, etc.)

Teachers vs. Student Games

Pick your sport! Basketball, volleyball, etc.! Don't forget to mention that admission to this competition supports the region's only children's hospital.

Car Wash

Partner with a local mini-mart or gas station to provide the water. You provide the manpower, soap, and buckets—wash cars for a donation.

Flower Sale, Sept. 29

Sell carnations to your classmates and teachers, at local stores or on street corners. Great idea for Spirit Weeks! Classes can compete to see who sells more. . . .
or…
Sell our unique GCHaS awareness bracelets!
If your group is interested in holding a school fundraiser and wants to see how the development staff can help, contact the Development Office at (585) 273-5936.

Source: http://www.strongkids.org/donate/FUNd-raiser.cfm.

The key to success in engaging potential volunteer fundraisers in this way lies in identifying forms of fundraising that the audience will find appropriate and promoting these to potential supporters either in publications such as newsletters or through the organization's Web site. Community engagement can also be sought through local newspapers and magazines and through presentations to local groups or to groups of employees with the collaboration of a corporate partner.

All these forms of volunteering are important and can be a significant source of income for an organization. For this reason, many organizations have established a community fundraising coordinator who may also be a volunteer or be supported by a volunteer committee, as was the case with the Goliano Children's Hospital. It is the coordinator's role to think up new opportunities for community engagement and to promote these to the target audience. It is also the coordinator's job to provide support and ensure that volunteers act in the best interests of the organization and, critically, within the law. The sale of raffle tickets and the sale of goods (where a portion of the proceeds are donated to the nonprofit) are both areas where caution is needed and examples of fundraising in which volunteers have to be careful to comply with state law.

Navigating these complexities is no easy matter, but in the modern era a great deal of information can be provided online. Some organizations handle the issue by having volunteers apply to have their fundraising ideas accepted. This approach provides an opportunity for relevant information to be supplied and for the volunteers to sign that they will comply with basic legal requirements and the wishes of the organization. As an example, the "fundraising kit" provided by Mercy Corps is available for download at http://www.mercycorps.org/pdfs/fundraisingkit.pdf.

Volunteer Recruitment

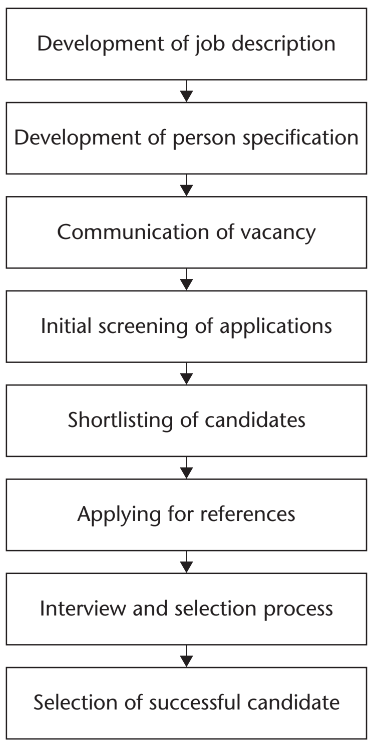
The balance of this chapter focuses on the recruitment of individual volunteers who will serve formally as representatives of the organization, coordinating the work of other volunteers or engaging in fundraising activity comparable to that of a staff member.

Developing a Job Description

A typical volunteer recruitment process is presented in Figure 18.3. It begins with the identification of the need. Organizations need to conduct an analysis of their labor requirements and *then* determine whether one or more of the required roles may be conducted by a volunteer. Writers such as Jackson (2001) caution against asking the simple question, "What can volunteers do around here?" because this runs the risk either that work for volunteers will be invented or that volunteers will end up with the most burdensome or mundane tasks, which are unattractive to staff members. A better approach is to identify the roles that the organization requires, balance an appropriate mix of tasks in each role, and then pose the question of whether the role would be suitable for a volunteer. This is more than mere semantics; designing well-balanced and potentially rewarding roles can lead to high levels of loyalty and support. A lack of thought, by contrast, can lead to high levels of volunteer dissatisfaction, attrition, and negative word-of-mouth.

Some organizations appoint a volunteer program manager (VPM) to oversee the management of their volunteers. Where such appointments

FIGURE 18.3. VOLUNTEER RECRUITMENT PROCESS



exist the VPM will have specialist expertise that may be drawn on to develop meaningful job descriptions. At a minimum, the volunteer role description should contain the following information:

Title. Organizations should avoid the title *volunteer* and use the nature of the role as the basis for providing an appropriate job title.

Overall purpose. The job description should explain what the purpose of the role will be, how it relates to other roles in the organization, and the contribution it will make to the achievement of the mission.

Activities and key outputs. This section of the job description maps out the tasks that the volunteer will fulfill and the measures of success that will be used to gauge his or her performance. Some organizations map out a range of suggested activities to achieve the outputs rather than be prescriptive. This approach allows the volunteer some flexibility and respects the fact that individuals often bring a substantial amount of personal and subject expertise to their role.

Supervision. It is also important to specify the individual or individuals to whom the volunteer will report. In some cases this can be a supervisor in the functional part of the organization in which the volunteer is working, or it may be a specialized volunteer service coordinator (VSC). Although a VSC can be useful in certain circumstances because such individuals have a good understanding of the nature of volunteering, it can often be better for volunteers to be supervised directly by the "line supervisor" in whose department they are working. The reason is simply that volunteers can then feel that they are an integral part of the team rather than outsiders donating their time.

Benefits. The job description should outline the benefits that will accrue as a result of the individual volunteering his or her time. By definition a volunteer is an individual who performs a service of his or her own free will without any remuneration, but nonprofits are able to reimburse volunteers for expenses such as parking, travel, and child care, or they may reward their volunteers with mechanisms such as appreciation events. In some circumstances a nominal stipend can also be paid, or benefits relating to the organization itself may be offered. Volunteers to a heritage charity, for example, may qualify for free or reduced entry to a historic building for themselves and members of their family.

Timeframe and site. The job description should contain the details of where the volunteer will work, the hours he or she will be expected to contribute, and how long they will continue to work in this capacity. Although some volunteer posts involve an open-ended commitment, many organizations are realizing that modern lifestyles no longer permit this level of commitment and that an open-ended need might dissuade volunteers. There may thus be circumstances in which a specific time-frame is included in the job description so that both parties know from the outset how long the arrangement will last.

Arrangements for reimbursement of out-of-pocket expenses. A good job description will contain a summary of the categories of expenses that will be reimbursed (such as travel) and the typical length of time it will take the organization to reimburse the volunteer. This is considered good practice, because a clear statement from the outset can prevent misunderstandings (Fisher and Cole, 1993).

Equal opportunities statement. Finally, every job description should contain an equal opportunities statement, which spells out the organization's stance on recruiting individuals with disabilities or from minority groups. This should be more than a simple statement of policy from the management of the organization; it should also be backed up with training to staff, to ensure that the reality of volunteer recruitment is grounded in this statement.

These are the basic components of a volunteer job description. From a marketing perspective, it is important to recognize that this document will play a critical role in persuading appropriate individuals to apply (or not!). The best job descriptions therefore move beyond these basics and are written in such a way as to reflect the marketing role that many volunteers undoubtedly will play. At its simplest level, this means that job descriptions should move beyond a simple list of uninspiring tasks. Jackson (2001) argues that job descriptions should explain how the tasks the volunteer must perform fit into the larger picture of what the organization does, and in particular how the responsibilities of the post will assist in the achievement of the organization's mission. He also advocates focusing on results rather than on tasks so that, where appropriate, the volunteer can have some flexibility in how his role is performed.

Job descriptions help individuals determine the desirability of the role and their fit with it. Individuals who are thinking about becoming volunteers need information in order to understand what the volunteer experience will be like. If an individual decides to volunteer after developing a clear understanding of the volunteer role, that individual is less likely to be disappointed with the experience and quit than an individual volunteering with a weak understanding of what will be required.

Identifying Prospects

Once the volunteer roles are developed and staffing needs are understood, the next step is to develop a *person specification*. The person specification is an extension of the job description. It provides a detailed profile of the type of person needed to perform the role. An example is provided in Figure 18.4.

Together, the job description and person specification inform the recruitment process that follows. They should help the organization target the right individuals and shape the message that will be conveyed and the methods or media that will be used for that purpose.

The most easily recruited prospects will be individuals who care about the organization and its mission, and those who know others who are part of the organization's social network or community. For this reason it is normal to begin the search process by working first with internal links and contacts. Individual staff members and volunteers, including board members, could provide a list of individuals they know who might be interested in volunteering. Individuals within the organization would also be in a good position to understand the potential match between people they know and the person specification. A good prospect list can therefore frequently be developed from within. Referrals from staff and volunteers are valuable because the people referred are more likely to accept an invitation to volunteer than people outside the social network of the organization; and because they have been referred by the organizational community, they are less likely to be unsuitable to serve (Lynch and McCurley, 2006).

A VPM can also identify prospects who are interested in the organization by looking for individuals who have demonstrated their interest through their prior support. Donors, clients, and patrons have demonstrated an interest in the organization and may be interested in volunteering too. If the organization has processes for keeping track of these groups, a prospect list can be developed from the organization's internal records.

Current volunteers serving in areas other than fundraising may also be interested in this activity. Some volunteers may serve during special events and may be available to help during fundraising campaigns. Other volunteers may need to renew their enthusiasm for serving and may appreciate a change in volunteer position. Therefore, inactive and other volunteers may be included in a prospect list for recruitment into fundraising roles.

FIGURE 18.4. PERSON SPECIFICATION

Job Title: Campaigner
Department: Campaigns

E = ESSENTIAL, D = DESIRABLE for applicants to meet relevant standard

SELECTION CRITERIA

Criteria	Standard	E/D	Measured By
Work experience	At least 2 years' experience of working or volunteering within a campaigning organization.	E	Application form
	Experience of working with volunteers	E	Application form/ interview
	Experience of carrying out research	E	Application form/ interview
	Experience of lobbying and/or working with state or federal authorities	D	Application form/interview
	Experience of organizing and prioritizing a demanding workload	E	Interview/test
	Experience of setting up events and meetings	E	Application form/ interview
Knowledge	Knowledge of political processes	E	Application form/ interview
	Knowledge of environmental/ conservation issues	D	Application form/ interview
Skills	Ability to produce accurate work to tight deadlines under pressure	E	Application form/ test
	Ability to communicate clearly in writing and orally to committees and small meetings	E	Application form/ interview/test
	Word processing skills/ability to be self-sufficient in terms of administration	E	Application form/ test/ interview
	Ability to draft campaign literature	E	Application form/ test
Attitude	Commitment to an organization's aims	E	Application form/ interview

Source: Volresource.org.uk.

If the prior three lists do not provide a sufficient number of prospects to meet the organization's needs, then the VPM needs to identify prospective volunteers outside the current social networks of the organization. Perhaps there are individuals in the community who would be successful fundraising volunteers but know little about the nonprofit, have not really thought about volunteering, or need to be asked first. Public relations activities can help promote the organization and enhance its image, which may motivate some individuals in the community to contact the organization. Recruitment appeals in the local newspaper, on the organization's Web site, or through a community volunteer center may help identify some prospects previously unknown to the organization.

The organization can also staff information tables at community events and, occasionally, at shopping malls and in other public areas such as parks. The nonprofit might even develop a list of speakers who can talk to other community organizations about various topics related to the organization's mission. These activities increase the organization's visibility and reach within the greater community and can promote volunteering.

The local business community might also be a good resource. Some business leaders encourage employee volunteering and may help recruit volunteers to a nonprofit organization. Businesses that have demonstrated prior support would be good prospects. The organization's staff and volunteers, including board members, may have contacts in the business community who can facilitate communication and help develop a supportive relationship.

Many cities have volunteer centers that serve as volunteer referral sites to encourage community volunteering, as well as local newspapers that are willing to list volunteer openings. There is also the excellent *United We Serve* initiative, which allows organizations to post volunteering opportunities and promote them to individuals looking to volunteer in their communities. The initiative aims both to expand the impact of existing organizations by engaging new volunteers in their work and to encourage volunteers to develop their own do-it-yourself projects with friends, family, and neighbors. The initiative is envisaged as building a sustained, collaborative, and focused effort to promote service as a way of life for all Americans.

Recruitment Communications

There are two key components of the recruitment communication. The first is the medium that will be employed; the second is the nature of the message that will be imparted. Extant research has consistently shown that face-to-face requests to donate time are the most effective means of engendering support. Other media lag way behind this approach in terms of effectiveness. Peer-to-peer "asks" from staff, recruiters, and particularly other volunteers are thus a powerful way of expanding support and should always be utilized before the organization employs more indirect means of communication.

In regard to the message that should be conveyed, Ellis (1994) suggests that designing an appropriate recruitment communication is far from an easy task. She argues that organizations can frequently sound "desperate" to recruit the help they need, and that the very act of appearing so desperate may put off some individuals from offering their time.

Rather than convey desperation, recruitment messages, extant research suggests, should be upbeat and convey three distinct categories of information (Wymer, 1999; Okun, 1994):

1. The importance of the cause
2. The efficacy of the program of work the organization
3. The benefits that the post would offer the volunteer (such as feeling useful and productive, or social interaction)

The framing of the communication should also promote volunteer motivation. The most important reason for someone to volunteer is because they believe in the importance of the organization and its mission (McKee and McKee, 2007). Individuals are motivated to volunteer when they perceive congruence between the organization's mission and their own core values (Wymer and Starnes, 2001). For example, if the organization helps underprivileged children and if helping such children is an important value for an individual, that individual can express that core value by volunteering for the organization. Activities that allow an individual to express important values are inherently rewarding. If you were to ask one of these volunteers why they volunteer, she would probably tell you, because volunteering allows her to help children in need.

Secondary benefits to volunteering can be presented. For example, many retired volunteers report that volunteering allows them to feel useful and productive (Wymer, 1999). Many parents volunteer for organizations in which their children participate, allowing them to participate in activities consistent with their perceptions of good parenting (an important value during this stage in their lives) (Wymer, 1998). Many volunteers also report enjoying the camaraderie of other volunteers and being part of that community. Some volunteers (such as hospice volunteers) want to reciprocate the service and care that was received at an earlier time (Starnes and Wymer, 2000).

There are other benefits. According to the Canadian National Survey of Giving, Volunteering, and Participating (Canadian Centre for Philanthropy, 2000), 79 percent of survey respondents reported that volunteering helped them with their interpersonal skills, such as understanding people better, motivating others, and dealing with difficult situations. About 68 percent of respondents said that volunteering helped them to develop better communication skills. About 63 percent said that volunteering helped them increase their knowledge about issues related to their volunteering.

Sargeant and Jay (2009) summarize the volunteering literature, noting that volunteers can also derive utility from the following:

- Making a difference
- Enhancing their self-worth or self-esteem
- Obtaining experiences that can be useful in paid employment
- Meeting others (note that women appear to derive more social rewards from volunteering than men do, per Ricks and Pyke, 1973)
- Preparing for a volunteer "career" after retirement
- Getting inside institutions and organizations to ensure that they are doing what they profess to be doing

It obviously isn't possible for a recruitment ad to convey every possible motive, but the most salient ones can be selected. An example of a volunteer recruitment communication is presented in Figure 18.5.

Screening and Orientation

Once a recruitment campaign has been conducted and completed application forms have been received, it will be necessary to subject the applicants to an initial screening. This is typically done by comparing the person specification (described earlier) with the personal details supplied by the applicants. In the authors' experience, few if any applicants meet all of the desirable characteristics outlined in the person specification, but the organization should find a few that do meet all of the essential criteria and exhibit one or more of the desirable characteristics. References from

FIGURE 18.5. FRY ELEMENTARY SCHOOL VOLUNTEER RECRUITMENT FORM

LMC Volunteers Needed!

Fry Elementary School's Library Media Center is looking for volunteers for next school year. Our LMC is in need of your support. Even if you can spare just two hours a week or every two weeks, you can help us provide a stronger library program for our children. Volunteering in the LMC will allow you to learn more about your child's school experience. It's a fun way to get involved that doesn't require any special skill. All you need is a little time and a desire to help. If you have questions about volunteering in the LMC, please contact us at 630-428-7414. If interested, please complete this form, and return it to school with your registration. Thanks so much and we hope you can join us in the LMC during the 2009-10 school year!

Yes, I want to be an LMC Volunteer!

Name______________________________

Child's Name(s) & 2009-10 Grade(s) ______________________________

Phone ____________________ E-Mail ______________________________

Day(s) I can be scheduled to come in (circle):

Monday Tuesday Wednesday Thursday Friday

Time(s) I can work (circle):

9:30–11.30 a.m. 11:30–1.30 p.m. 1:30–3.30 p.m.

I will be able to come (circle): Every Week Every Other Week

Source: Fry Elementary School.

these applicants may then be applied for (including criminal record checks if appropriate), and they can either be considered in advance of an interview or alongside an interview. Those candidates deemed suitable at the interview and who can provide satisfactory references will then be put through an induction and training program and, if appropriate, be placed on probation for a specific period, after which their appointment can be confirmed.

Prominent fundraising volunteers represent a sensitive problem in that after specifically attracting an individual it is difficult and perhaps insulting to subject that person to a formal screening process. Why did you want that person to serve as a volunteer if you were not sure he or she was suitable? Individuals in positions of prominence may be particularly rankled by a request to complete an application and submit to a background check. In some instances (and where the law permits), the organization may have to be flexible.

Induction

Induction is a critical part of the recruitment process in that it allows the organization to brief the volunteer on the organization's history and mission, and on the role the volunteer will perform. It is important because it serves to explain how the role the volunteer will perform forms part of the organization as a whole. It also provides the volunteer with all the information and initial skills he or she will need to carry out their role satisfactorily.

In the context of palliative care, for example, the National Council for Hospice and Specialist Palliative Care Services (1996) advocates providing an introduction to voluntary service work that ensures that the following key principles of palliative care are properly understood:

- Focus on quality of life
- Whole-person approach
- Care encompasses both the dying person and those who matter to that person
- Patient autonomy and choice
- Emphasis on open and sensitive communication

Such training leaves no one in any doubt as to what is expected regarding confidentiality, professionalism, and maintaining the organization's good image and reputation.

At a minimum, organizations should ensure that during induction volunteers are exposed to relevant policies and procedures. These should typically be developed in the following areas (the list is not exhaustive) and communicated effectively to volunteers so that both parties know what to expect from the other as the relationship develops (Institute of Fundraising, 2009):

1. A statement of the reasons for involving volunteers in fundraising.
2. A definition of what a volunteer fundraiser is and a detailed role or job description.
3. Policies on volunteer recruitment.
4. Policies on equal opportunities and diversity.

5. Policies on induction and training.
6. Policies on support and supervision, including the provision of regular review meetings.
7. Procedures for the reimbursement of out-of-pocket expenses.
8. Arrangements for the transfer of funds raised from volunteers to the organization for which they have fundraised, such as how quickly the money should be handed over and a receipt provided.
9. Policy on insurance, including arrangements for coverage of children, teenagers, and vulnerable adults.
10. Relevant health and safety procedures, such as what to do in the case of fire or other emergency.
11. Policy outlining the nonprofit's approach to the assessment and management of risk in terms of potential harm or injury. Much community fundraising activity carries a small but significant risk of volunteers suffering harm. They might, for example, injure a leg while running a marathon or slip off a stage while attending a presentation.
12. Confidentiality policy, designed to protect volunteers, staff, and beneficiaries alike—specifically, what information can be collected, stored, and shared, and what information must be treated as confidential.
13. Policy for handling conflicts of interest, such as when paid fundraising staff volunteer to fundraise for another organization.

As Ratje (2003) notes, although nonprofit organizations often rely on volunteers as a vital component of their interaction with clients and potential donors, opportunities for training can frequently be poor or nonexistent. From a marketing perspective, failure to induct the volunteer presents further problems, one of which we have already alluded to. To quote Ratje once more, "Imagine a potential donor for a homeless shelter who walks in the door with a checkbook in hand, but then speaks with a volunteer who knows little about the mission, the tax deductability of the donation or just has a bad attitude" (p. 17). The impact on the organization's brand image and ability to fundraise would obviously be profound, yet successive studies have found that lack of training or induction is one of the problem areas cited most by volunteers (Wymer and Starnes, 2001). It would thus appear that the nonprofit sector has much to do to improve these aspects of volunteer management. For a detailed consideration of induction and training issues, the reader is advised to consult a specialist text such as Fisher and Cole (1993) or Doyle (2002).

Retention Strategies

The major reason that volunteers give for quitting during the first six months of service is that the experience is not what they had expected (Fisher and Cole, 1993; Sargeant and Jay, 2009). In other words, they had a set of expectations in mind when they first volunteered and the actual volunteer experience was disappointing (Lee, 1999). The issue of inflated expectations being met with a disappointing experience can be dealt with in several ways. First and foremost, during the recruitment process the prospective volunteer needs to be provided with a realistic set of expectations regarding what the experience of volunteering will be like. The volunteer job description can be used to help describe the role in detail to the prospect.

Some short-term attrition of new volunteers can be reduced by recruiting strategies that provide prospects with realistic expectations of the experience. Prospects who realize that particular forms of volunteering will not be personally rewarding can then decline the opportunity rather than quit after induction and thereby waste organizational resources and demoralize staff and other volunteers.

The major reason that volunteers give for quitting after longer periods of service is that they no longer feel their service is meaningful (Sargeant and Jay, 2009). This may mean they do not perceive their contribution to be important to the organization or that the values they wanted to express through their volunteering failed to be expressed. Perhaps they wanted to help needy children through their fundraising and no longer believe that their fundraising is actually achieving this goal. Perhaps they think their efforts are not really making a meaningful difference for the organization. They might also have failed to assimilate into the social network of the organization and might not feel part of the community. As a consequence, their social and esteem needs go unmet.

Volunteerism expert Don Simmons (quoted in Petty, 2007) summarizes the reasons that volunteers give for terminating their support as follows:

1. A sense that their service is not valuable
2. A sense that they do not matter as a person, only as a "worker"
3. A sense that their contribution is not as valid as the contributions of others
4. A lack of community

5. A lack of connection with a bigger purpose
6. Poor leadership and management
7. Poor communication and direction
8. Lack of appreciation
9. Failure to recognize them as a donor
10. Lack of development of them as a person

Fortunately most sources of volunteer dissatisfaction can be dealt with through effective, thoughtful management and support. Next we outline a possible approach along with some of the concrete actions nonprofits can take to increase volunteer retention.

Placement, Training, and Orientation

The first impressions made on new volunteers tend to endure and are difficult to reverse. Therefore, effective supervisors of volunteer fundraisers will make sure that the initial experiences and impressions of the new volunteers are positive. Exposure to an energetic, enthusiastic supervisor who shares the values of the organization and communicates the importance of its mission is invaluable to strengthening the initial bonds with new volunteers.

As we outlined earlier, orientation of the new volunteer to the organization should be given considerable attention. The supervisor's goal is twofold. First, the supervisor should educate the new volunteers thoroughly about the organization and its structure, purpose, and activities. Second, the supervisor should help the new volunteers feel comfortable in the new community. Introductions to friendly people ought to be typical of the common experiences of novice volunteers. The supervisor may want to pair the new volunteers with experienced volunteers who can help them connect socially within the organization.

New volunteers should be properly trained prior to beginning their work so that they understand what to do and are comfortable with performing their tasks. Proper training helps to ensure success, which is itself motivating and rewarding.

The training will vary depending on the volunteers' roles and prior experiences. However, during this process the supervisor and the new volunteers should ensure that there is a good match between the persons and the volunteer roles. Mismatches between person and role are a leading source of quitting (Branham, 2005). Should a volunteer and his or her supervisor determine that the role and the individual are not a good fit, another volunteer role can be found for which the individual is a good match.

Quality Supervision

Good supervision is elemental in providing for effective fundraising and a stable and highly motivated volunteer fundraising team. Although people with certain traits may have an easier time becoming effective supervisors, good supervisory practices can be learned.

In general, good supervisors share several characteristics. They are positive and affirming rather than negative and demeaning. It is energizing to be in the presence of a positive and affirming person whereas being in the presence of a negative, complaining, and sarcastic person depletes one's energy. This is not to say that supervisors can only praise their volunteers. Obviously there will be times when volunteers need to be coached. Good supervisors view themselves as coaching mentors (Lee, 1999). Poor supervisors view themselves as authority figures who judge and reward or punish as required.

In some ways a volunteer supervisor is a political officer. Unlike paid employees who need to work for economic reasons, volunteers work under a different social contract. In serving in an organization for which they have high regard, volunteers are motivated to express core values, feel good about a job well done, and enjoy the social interactions of the community of staff and volunteers (Fixler, Eichberg, and Lorenz, 2008). Poor supervisory practices will undermine these motivations and result in a violation of the social contract between organization and volunteer, providing an incentive for the volunteer to quit.

To make sure that a volunteer continues to feel that her important values are being expressed through her volunteering, the supervisor needs to continue to communicate to the volunteer the mission of the organization, how the organization is fulfilling its mission, and how the volunteer is making a contribution. Otherwise, given the individual volunteer's limited perspective in a complex organization, she can fail to see the importance and meaningfulness of her service.

To make sure that volunteers feel they are doing a good job, supervisors need to provide plenty of coaching and feedback (Sargeant and Jay, 2009). Highly trained and experienced volunteers are more effective and productive. Knowing that one is highly trained and successful is very rewarding. Volunteers should be recognized for their contributions. Good supervisors praise freely and affirm the worth and value of volunteers, finding innovative and fun ways of recognizing achievements (Lee, 1999).

To make sure that volunteers enjoy social interactions with staff and other volunteers, it is important to provide opportunities for volunteers to meet and interact. Working together on tasks that allow interaction is useful. Also, volunteer achievements and organizational goal attainment should be celebrated to allow for enjoyable social engagement within the organizational community. Being part of a community of volunteers can be very rewarding and can help to retain invaluable volunteers over the long term (Mitchell and Taylor, 2004).

Good supervisors are also very organized. Volunteers should know when they are scheduled to work, know how long they are expected to work, and understand what they are expected to do. Volunteers need to have the support and training to be effective and productive. Effective supervisors plan carefully and respect volunteers by never wasting their time (McBee, 2002).

Exceptional supervisors show concern for their volunteers, listening to them, being engaged during conversations rather than distracted or preoccupied (McCurley, 1996). They celebrate volunteers' birthdays and express sympathies during sad times. Great supervisors always promote the organization with a positive demeanor and enthusiasm. They acknowledge that everything may not be perfect but the purpose is noble and worth the effort.

The top leadership of the organization establishes the tone and cultural context within which volunteer supervisors perform their duties. Therefore, many of the characteristics discussed about good supervision apply to executive leadership as well. Excellent volunteer supervisors require an organizational context characterized by outstanding leadership (Ellis, 1996; Herman and Heimovics, 2005).

Managing Staff-Volunteer Interaction

An issue commonly raised by dissatisfied volunteers is their relationship with paid staff. Many report being treated as in some sense inferior to paid staff despite the fact the their time is volunteered rather than paid for. As Sargeant and Jay (2009) note, the interface between staff and volunteers can be a particular source of conflict. Staff are often critical of the attitude of volunteers, who can appear to be

- Short-term members of the team and therefore not likely to assume responsibility for the long-term repercussions of their activity
- Insufficiently aware of the workings and ethics of the organization and thus likely to make mistakes when representing it
- Unwilling to take direction or guidance

The attitude of management with regard to volunteers is thus absolutely critical. By setting an example in the way they treat volunteers, they can be key to the maintenance of good relations between paid and unpaid staff. The optimum attitude is to treat volunteers entirely straightforwardly and as much as possible like paid professional staff. This treatment should encompass full training, opportunities for development and advancement, and the setting and monitoring of targets, benchmarks, and goals. This "professionalization" of volunteering is challenging for nonprofits and carries significant costs, but experienced organizations maintain that it brings results and greatly reduces turnover. "The steady transformation of the volunteer from well-meaning amateur to trained, professional unpaid staff member is the most significant development in the nonprofit sector" (Drucker, 1990).

Recognition Programs

Appropriate recognition can build loyalty. Nonprofits may either create a formal recognition system or deal with recognition on a more ad hoc basis as the need arises. Simple communications, such as notes of thanks, mention in a newsletter or internal paper, or an expression of gratitude to a spouse or employer have all been found to be effective forms of recognition. Other nonprofits have nominated volunteers for external awards, displayed positive client comments on bulletin boards, or created a graduated reward program such as providing passes to community parks and recreation areas and passing on coupons from local businesses. Certificates, pins, and recognition dinners also form the backbone of volunteer recognition programs in the United States.

McCurley and Lynch (2006) suggest applying McClelland's theory of needs to the volunteering context and matching the forms of recognition offered to the type of individual concerned. They thus suggest that rewards be tailored to the motivations that volunteers have for engagement, drawing a distinction between volunteers motivated by achievement, those motivated by affiliation (personal relationships), and those motivated by power (that is, wanting to direct others or to organize the efforts of others to further the aims of the organization), as follows:

For Achievement-Oriented Volunteers:

- The ideal result of recognition is additional training or more challenging tasks.
- The subject of recognition is best linked to a very specific accomplishment.
- The phrasing of recognition is through "Best" or "Most" awards.
- The recognition decision should include "checkpoints" or "records."
- The awardee should be selected by coworkers

For Affiliation-Oriented Volunteers:

- The recognition should be given at a group event.
- The recognition should be given in the presence of peers, family, or other bonded groupings.
- The recognition item or award should have a "personal touch."
- The recognition should be organizational in nature, that is, given by the organization.
- The recognition should be voted on by peers.
- If the primary affiliative bonding is with a client rather than with others in the organization, the client should take part in the recognition through a personal note of thanks or as presenter of the award.

For Power-Oriented Volunteers:

- The key aspect of the recognition should be "promotion," to convey greater access to authority or information.
- The recognition should be a commendation from "names of distinguished individuals at the nonprofit or in the community."
- The recognition should be announced to the community at large, such as put in the newspaper.
- The recognition decision should be made by the organization's leadership

Recognition may also be tailored to reflect the short- or long-term nature of the volunteering agreement. Rewards for long-term service might celebrate membership in the organizational group and be presented at an event by a senior member of the organization. Rewards for short-term volunteering might be something that volunteers can take away from the experience, such as a photograph or other memorabilia. This recognition might be provided in the work group and be offered by the immediate supervisor or even a client.

Performance Evaluation

Volunteers should be subjected to the same internal program of evaluation as paid staff. Most commonly this may be a periodic appraisal of their performance and, ideally, of the organization's performance in assisting them to achieve their personal goals. An action plan for the coming period can be agreed on and appropriate development opportunities can be implemented.

Exit Polling

Many nonprofits now conduct exit interviews of volunteers when they terminate their support. This can be an excellent way of identifying areas in which the organization might improve the quality of support and opportunities it offers to its volunteer base (Bennett and Barkensjo, 2005). Although some turnover will be due to unavoidable factors such as relocation or a change in the individual's lifestyle, undoubtedly some volunteer turnover will prove to be due to one or more of the factors discussed earlier, which the organization can take action to improve.

Program Evaluation

Finally, the leadership of any nonprofit organization should strive continually to improve. This does not imply dissatisfaction with the organization but instead acknowledges that it is a good managerial practice to try to find ways of improving the organization's activities and operations. This philosophy of continual improvement should also apply to managing the volunteer programs (Wilson, 2008).

In order to continually improve the volunteer fundraising program, the VPM will require information to help her make good decisions (Saul, 2004). Relevant feedback can include the following:

1. The proportion of volunteers being retained each year
2. Trends in these data

3. Whether volunteer staffing requirements are being met
4. The level of staff satisfaction with volunteers' performance
5. Key areas in which staff feel volunteers' performance needs to improve
6. Levels of volunteer satisfaction and trends in these data
7. Data on aspects of the volunteer role that volunteers like most and least
8. How volunteers rate their own performance
9. Ways in which volunteers believe performance could be enhanced
10. Volunteers' perceptions of the quality of their supervision

Information can be obtained in a variety of ways. Typically VPMs can rely on internal reports and surveys. Internal reports can be helpful in assessing recruitment success, performance on fundraising campaigns, volunteer retention rates, and trends from past survey results. Surveys can be useful in evaluating satisfaction and feedback about the quality of the VPM's supervision and support. Most evaluations are conducted annually or at the conclusion of a major campaign. Sometimes it may be useful to gather a small group of volunteers into a focus group to gain insights into problem areas and generate ideas for improvement. There is also the exit polling we mentioned earlier.

Many resources are available to aid in developing evaluation programs. For example, Czaja and Blair (2004) have authored an excellent book on designing and obtaining information from surveys. Simon (1999) has published a good book on conducting focus groups for nonprofit organizations. With helpful information from all these sources, managers can make more informed decisions and improve the performance of their volunteer fundraising program over time (Hendricks, Mattessich, and Roholt, 2007).

Summary

This chapter examined the important difference that volunteers can make to an organization's fundraising efforts. Volunteer fundraisers are a crucial component of the development program, either as officers of the organization or as ad hoc fundraisers raising funds in the community. We discussed the role of both categories of volunteers and what the organization can do to support them.

We also focused on formal volunteer roles, highlighted the significance of job descriptions and person specifications, and considered where an organization might find suitable individuals to fulfill these roles. We stressed the significance of using an organization's social network to identify appropriate volunteers before looking out into the wider community through marketing efforts such as advertising in community volunteer referral centers and local newspapers and on the organization's Web site.

In making the recruitment appeal, we discussed the categories of information that should be supplied, and we stressed the need to emphasize what are likely to be the key motives volunteers might have for offering their support. The primary benefit tends to be derived from acting on core beliefs and values. Other benefits are feeling useful, developing a better understanding of people, helping others, reciprocating prior service received, having the opportunity to meet new people, and developing new knowledge and skills.

We also discussed various complexities of the screening process. Some organizations have a more formal process, possibly including in-depth interviews, personality tests, and criminal background checks, with the complexity depending on the nature of the role and the likelihood that individuals might have access to vulnerable groups.

We concluded by exploring the issue of retention, mapping out common sources of volunteer dissatisfaction, and suggesting concrete actions that the organization might take to improve retention. We also discussed the need for regular evaluations of the volunteer program. Evaluations are part of a feedback system that provides needed information for continual improvement. We discussed different questions that the feedback system might answer and various methods for collecting the information.

Discussion Questions

1. You have been approached by a local hospice for help in expanding its existing volunteer base from five to ten fundraisers. Outline a volunteer recruitment plan that could be used for that purpose.
2. Explain with examples the difference between a job description and a person specification.
3. In your capacity as an advisor to a local conservation charity, prepare a brief presentation to the head of development that outlines the key motives that fundraising volunteers might have for engaging with the organization.

4. As the newly appointed VPM for a national nonprofit, you have been concerned to discover that your organization currently has a 90 percent annual attrition rate for fundraising volunteers. Develop a presentation to your board explaining why this should be addressed as a matter of urgency.
5. What are the primary reasons that volunteers give for quitting?
6. What is the purpose of evaluating a volunteer program? What does an evaluation system measure?

CHAPTER NINETEEN

FUNDRAISING EVENTS

Karin Cox

By the end of this chapter you should be able to:

1. Define the role of a fundraising event within an overall fundraising strategy.
2. Identify the four purposes of a fundraising event.
3. Determine expected event outcome(s).
4. Understand event-planning logistics.
5. Evaluate the performance of a variety of fundraising events.

Fundraising events can be used to support almost all the categories of fundraising activity we have already discussed. Fundraising in the United States has a particularly proud history of conducting successful events and using the monies raised for activities as diverse as building churches, raising barns, and endowing hospitals. "As history demonstrates, special events are popular because *they work*. And they work because they bring together people, food and other refreshments—the basic ingredients for creating *social glue*. Special events absolutely ooze the stuff" (Armstrong, 2001, p. 1, italics in original).

So diverse is the range of possible events that a nonprofit might conduct that it is impossible to provide anything approaching a comprehensive list, yet Armstrong (2001) does offer a useful typology of the major categories that fundraisers will usually encounter.

Receptions

Basic receptions: A common form of event, provided with or without alcoholic beverages and celebrity entertainment.

Tastings: Events that provide for the tasting of food and beverages.

Openings and performances: Common events in the arts sector; attendees are offered previews of new exhibits or new performances or shows.

Meals

Dinner dances: Popular particularly for older age groups.

Testimonials and tributes: Designed to pay tribute to people and honor their work with or gifts to a nonprofit; typically luncheon or dinner affairs.

Breakfasts and lunches: Particularly useful when the target audience is drawn from business.

Participation Events

Athletic activities: Increasingly common; includes competitive runs, jog-a-thons, walkathons, contests, and tournaments.

Auctions and gaming: Similarly popular and may be either live or silent; frequently combined with a dinner.

Broadcasts: Events held on live TV or radio with the purpose of encouraging pledges to the cause; also online events, which can be a great way of engaging a geographically diverse audience to offer support.

Community Mega-Events

Community festivals: Unlikely to be hosted by a single nonprofit and usually held over a number of days by a particular community; typically celebrate that community's products, produce, or historical events. Many nonprofits routinely participate in such celebrations.

Parades: Popular in some communities; can often provide solid opportunities for corporate support and sponsorship.

Nonevents

The nonevent: Donors who pay the nonadmission price can spend their time doing something better than "eating rubber chicken and listening to speeches" (Armstrong, 2001, p. 4); seem to come into and go out of fashion periodically.

Social conscience event: Typically designed to engage a little empathy on the part of participants. For example, in one variant guests are divided between the haves and the have-nots. Although all patrons pay the full price, only one group—the haves—get the full meal; members of the have-not group are not so fortunate.

There is thus a bewildering array of events that a fundraising team could host. In this chapter we examine an alternative typology based not on the form of the event but rather on what a nonprofit might hope to achieve from hosting it. As we shall see, being clear about the objectives for an event is absolutely critical to achieving success.

After we consider each category of event, we next examine the key components of an event that typically have to be managed. We also consider the factors that must be considered when developing an appropriate budget. The chapter concludes by suggesting how the success of events might be evaluated from both the donor and nonprofit perspectives.

A Typology of Events

Why conduct a fundraising-related event at all? Although the answer may seem obvious, this is not a simple question. In fact, misunderstanding an event's purpose has led many organizations to spend valued resources foolishly, to risk public exposure or failure, and to exhaust and dishearten many volunteers. Although an abundance of information exists regarding planning, ideas, and types of special events, what is generally lacking in the literature on special events and their relationship to fundraising is the question, Why do it at all?

In a comprehensive fundraising strategy there are four primary reasons for an organization to engage in fundraising events:

1. Fundraising
2. Identification of prospects
3. Education and cultivation
4. Recognition

Although the purposes of these events are not mutually exclusive, identifying the primary objective of an event prior to planning and implementation will determine its success.

The most obvious reason for holding a special event is to provide a social opportunity for participants to make a monetary gift. However, anyone who has developed or participated in special events knows that the raising of funds through special events frequently has the highest cost per dollar raised. Of course there are many exceptions to this rule, but they are just that—exceptions. Events rarely offer a high return on the fundraising investment.

A second type of fundraising event is organized and implemented to attract the participation of individuals, corporations, and foundations who have a particular interest in the cause. Examples of such events include galas, runs, and fishing tournaments. The purpose of this approach is the identification of prospects.

The education and cultivation of supporters is the purpose of a third category of events that are designed to provide individuals with an increased understanding of the impact of the nonprofit and thus of its case for support. Events in this category include tours, open houses, and neighborhood gatherings.

Finally, the fourth and perhaps most important category is the recognition event, which acknowledges, for example, leadership voluntarism or the giving of significant funds. Such events are a vital aspect of the fundraising continuum and include awards ceremonies, dedications, the unveiling of donor walls, private parties with special guests, and the like.

Table 19.1 illustrates these various types of events and the costs and outcomes associated with each. It is therefore a tool that can assist in planning and measuring the success of an event. For example, planners of a fundraising event should take care to ensure that their projected and actual costs do not exceed 40 percent of the projected and actual revenues that the event will generate. The goal of a fundraising event is to generate substantial funds for the organization and it should be evaluated on this basis. By contrast, an event designed to generate new prospective donors would not be expected to make a profit. Like most forms of acquisition, such an event may be operated at a loss provided that the contacts it generates ultimately result in the attraction of donors with a healthy lifetime value.

Using the events grid can help ensure that events are held with a strategic purpose in mind and that the subsequent evaluation of success will be meaningful. Holding events where everyone merely had a good time and no significant funds were raised; no one learned about the prospect, donor, or organization; and appreciation was an afterthought is an irresponsible use of volunteer time and donor funds.

TABLE 19.1 EVENTS GRID

Event Goal	Event Revenue	Event Expenses	Event Net $ Raised	Event Goal Outcome Evaluation
Fundraising	High	Moderate	+ $ raised	Organization generates substantial funds to support the mission Costs should not exceed 40% of projected or actual revenues
Identification	None or minimal	Moderate	− $ Raised	Organization identifies prospective donors
Education	Moderate	Moderate	Minimal or no $ raised	Donor increases understanding of the organization; qualifies as a prospect
Recognition	None or minimal	Moderate to high	− $ raised	Donor and others have already made gift; renewal cycle continues

Fundraising Events

If raising funds is the immediate goal, ideally the event will be one in which people make significant contributions while the organization incurs relatively low cost. Depending on the prominence and significance of the organization, virtually any type of special event could meet this qualification. A walk for breast cancer research in a community in which breast cancer research has a historical pattern of volunteer involvement and awareness could raise significant funds. After all, a T-shirt costs very little and walking is free.

However, if there are no appropriate media sponsor, community support, volunteers, and benefits such as prizes and recognition, what might at first glance appear to be a low-cost fundraising event might raise only a few dollars. A classic example of this might be an organization that seeks out a neighborhood captain and asks her to solicit her neighbors by passing an envelope from one neighbor to another until proceeds are collected. Although such an approach is very inexpensive, generally only modest returns are yielded because there is little motivation for gifts of reasonable size, little or no education about why the funds are needed, and virtually no recognition for participation.

At the other end of the spectrum, an auction with a combination of unique auction items and the participation of people of means in a nice environment can yield substantially larger gifts. Of course these successful special events don't just happen. They are successful when an appropriate environment is deliberately created and socially competitive and when motivated guests attend, good food and relaxing beverages are provided, and an auctioneer is selected who knows how to use his or her energy to build excitement.

For example, an auction held by the host committee of a recent Super Bowl invited Jay Leno to participate. A fee needed to be paid to him, but it was easily recovered by admission and yield charges. Leno hosted the live auction, which was sprinkled with unusual items that were essentially priceless in value. One item was a personal tour of his garage (Leno is of course well-known as an auto aficionado); virtually no one gains access to his garage. That item was sold three times at $100,000 each time. Leno then volunteered to provide unescorted tours, which sold for $35,000. Seven of those were sold.

Obviously not every organization has the capacity to attract this level of unique auction item, but a more simple Valentine dinner and weekend at a contributed beach or mountain condo, or a small dinner party with the mayor, congressman, or governor, can also yield substantial gifts at virtually no cost.

One needs to be careful in the development of auctions to be selective in the gifts, products, and experiences that are offered. Some items, such as gift certificates to hair salons, propane gas for a grill, and snow removal, might not have the same appeal economically as items that are unique and "priceless." The profile of the audience must also be kept in mind: high net worth donors already have their hair artists, housecleaners, and landscapers and will not want to change. An experience that cannot be duplicated, whose price is whatever one pays for it, is the ideal auction item.

Identification Events

An event used for the identification of prospects may have no direct fundraising element to it at all. In fact, developing events of this type may involve a nonprofit in considerable net expense. The goal is not to make money, but rather to identify a significant number of additional new prospects, typically for major gifts or significant volunteer leadership positions.

Mirroring a discussion we had earlier in the context of direct mail, a good source of prospects is typically a pool of individuals who were engaged in the past, so the focus need not be on completely new supporters. For example, volunteer leadership cycles through an organization as priorities shift and attention wanes. An identification event might therefore take the form of an open house for past board members or volunteers. The reengagement of these individuals can be critical in advancing the fundraising mission of the organization. Other nonprofits use events to try to avoid this disconnect from occurring in the first place. If an event is held when new officers are inducted and a gavel is passed ceremoniously from past officers to new ones as names and service dates are read, a continued commitment can be reinforced every year. Other examples of groups of individuals frequently in need of resuscitation are retired employees, spouses of retired employees, current employees, neighbors, and vendors.

In a hospital environment, target audiences for identification events might include grateful patients, relatives, mothers who have given birth in the maternity unit, and so on. In a university setting, they may be retired faculty and their spouses as well as current faculty and employees, alumni of particular programs or schools, and so on.

To get the most from identification events, it is essential that staff and volunteers be assigned to get to know the guests to ensure that they have the best possible experience. Any information the team may learn about the guests' priorities or particular interests should be collated for later use by a fundraiser. As an illustration, a staff and volunteer event guide is provided in Figure 19.1.

FIGURE 19.1. AN OPEN HOUSE RECEPTION

The goal of the reception is to get our prospective donors to learn more about XYZ Nonprofit and to find out who cares and who doesn't know enough to care yet. Ultimately we are trying to create energy and goodwill, and to build a community of donors that can have a lasting impact through their gifts.

Staff and volunteer leadership have an important job during the reception. You need to be highly organized, provide inspirational information that tells your story, let your passion and commitment for the mission reveal itself in everything you say and do, and respect the guests' time.

In addition, make sure that

1. Each guest is not just greeted but has a real conversation with at least one person. To be certain this happens, divide the guest list and assign each staff person to guests. Ask guests questions, such as, "Has a friend or family member had an experience at XYZ?" Mostly, just *listen* to what they are saying. During your conversation, naturally ask follow-up questions about what they are saying (about vacations, about family members—kids, grandchildren—and about business).
2. The guest is photographed with the president and campaign leadership committee chair *and* with another person from his or her family or another guest. Candid photographs with others, such as the person who will follow up, reinforce a personal relationship too.
3. Information gathered from the reception is recorded, so it can be incorporated into prospect research files. If you need to, carry a 3 × 5 card and write down information (out of sight, of course). Even if it seems unimportant, write it down or remember it.
4. Each guest feels glad that he or she came. Say their names, shake their hands when they depart, and tell them you're glad they came.

Following the reception and while the information is still fresh, staff and volunteers need to gather for a short debriefing meeting to discuss what you learned and your perceptions. Have someone record all the information. This is important because the combined knowledge is often very revealing.

The next day the assigned staff or volunteer needs to follow up with a phone call or personal e-mail to each guest, thanking him or her for coming. Add something personal, such as, "XYZ has certainly changed since you were here ten years ago!" No more than two weeks later, send photographs and a handwritten note.

For identification events, it is critical that the following priorities be outlined from the start:

1. A definable group with common interests should be invited to participate in an activity that appears interesting, creative, and substantial. Few people will show up to hear a chief executive officer talk. The opportunity for individuals to become reacquainted with others who have a common link and to voice their opinions to one another is vital to the success of this event.
2. A valid prospect pool that is well researched is critical to ensuring that meaningful invitations are extended.
3. Follow-up, either in person, by phone, or by e-mail, encouraging involvement and engagement as necessary is essential. People want to be wanted. This follow-up, depending on the age group, might include

an overture on the part of the organization to provide a ride or handle other barriers to participation.

4. Volunteers must be trained in interacting with each and every person who attends. This training must include developing an understanding of how important gathering information about donors at the event can be in facilitating follow-up with these prospects.
5. Although gifts are not solicited at the event, volunteers must be trained to respond when participants occasionally become so engaged or overwhelmed by a heartfelt moment that they want to commit to a gift on the spot.
6. Volunteers and staff should be required to stay after the event and complete short evaluations of the specific prospects to which they were assigned.
7. Follow-up is also essential for further involvement with prospects. This might involve soliciting their evaluation of the event, asking for their encouragement of others to participate in future events, and dealing with any issues or concerns they might have. Follow-up is necessary not only for participants. "We missed you" can be an important entry point for conversation with individuals who could not take part.

A special event for a hospital that provides fertility treatments was a reunion of the ten thousand families and their children who had benefited from the hospital's services. Although only six hundred families ultimately participated, these individuals were able to meet with their doctors and thank them for their assistance in the creation of their families, which had developed an incredible bond of identification. The same hospital has also used events to renew its relationship with retired nurses and now hosts a semiannual event to keep them directly involved in the life of the hospital. Substantial individual gifts have been made as a consequence of both of these events.

Education and Cultivation Events

Special events for educational purposes are generally geared toward a small, highly qualified audience with the capacity to be supportive of the organization's goals and mission. Educational fundraising events can be designed for as few as two or as many as several hundred people, as appropriate.

Educational events can usually be charged for, with prices varying substantially according to the form the event will take, from a few hundred to a few thousand dollars, with the goal typically being to cover the cost, although this need not always be the case. There can be great value to an organization in enhancing donor understanding of the service being provided, so an initial up-front investment can pay dividends in the medium to long term.

An education event can also produce internal and external momentum for a cause or organization. Well produced and promoted education events can develop a perception that the hosting organization is at the cutting edge and moving its agenda forward. Key messages sprinkled throughout this social environment can build genuine excitement and enthusiasm.

Creative thought and innovation are encouraged in educational event planning. Drawing participants into the life of the organization, helping them understand the impact of their gifts, and providing stories and experiences are strategies that engage prospective donors. Through unique experiences, education events answer the question, "Why should I care?"

An illustration of a successful education event involves the Harry S. Truman Library and Museum. Participants were invited to dress in era-appropriate attire, and vintage automobiles were used to transport prospective donors who might give to support a major renovation. A dinner party was held in which the director of the library discussed not only the role of President Truman but also the connections between Truman, his wife, and his daughter and those who were present. Careful research had been conducted to establish those ties. Replicas of letters, postcards, and notes authored and signed by one of the three Trumans were given to the event's participants.

Another educational event was held both onsite and via the Internet for a hospital that was building a new cardiac wing. Prospects from many walks of life who had experienced cardiac issues themselves or in their families were invited to join hospital leadership in a theater adjacent to a surgery suite where an actual surgical procedure dealing with a cardiac problem was being conducted. Participants were prepared prior to the surgery and amenities were of course provided to the patient. The cost was minimal, but those who participated in this session had firsthand exposure to the professionalism, talent, and medical expertise of the surgeon and staff. A unique aspect of this particular event was that planners recognized that some people, though interested and supportive, are not naturally comfortable in a hospital environment. For them, an opportunity to participate via the Internet was offered. Several families participated in this way and were afforded teleconference participation to ask questions along with those who were onsite.

Not all educational events are "high dollar." One nonprofit furthered the goal of Major League Baseball's (MLB's) effort to reintroduce young African Americans into the ranks of the sport. Through funding and local support, MLB has empowered a number of youth development organizations to introduce baseball to the inner city. It has assisted them in funding staff, equipment, facilities, maintenance, and uniforms—all costs that might otherwise have been overwhelming. To achieve this, MLB needed to engage with an audience of donors interested in developing youth, reducing crime, and advancing education. The nonprofit thus invited qualified prospects to a game, which was carefully planned to ensure that the invited individuals had the opportunity to meet the young men and women on the teams and to get acquainted over the normal baseball fare of hot dogs, pretzels, and peanuts. Each guest was given a keepsake in the form of a bobblehead doll of a significant African American baseball player, either historical or contemporary. Again, as with previous examples, each prospect was afforded ample volunteer attention to ensure the recording of interests, concerns, and questions. The event was successfully followed up, resulting in gifts of $500 to $5,000 to advance the mission of this project.

Recognition Events

A recognition event celebrates significant participation, volunteerism, and support, but it can also fulfill many of the earlier three functions. Aside from those being honored, those in attendance may include family, friends, and acquaintances who may also have a personal interest in supporting the cause. A joint goal of identifying prospects could therefore also be satisfied. Depending on how the event is orchestrated and performed, a greater understanding of the goals of the organization might also be accomplished.

Recognition events may include the following:

- An annual gala acknowledging the previous year's achievements and setting a challenge for the coming years.
- The recognition of an anniversary—perhaps the first twenty-five years of a nonprofit's existence. It should be remembered as an important anniversary approaches that at some point every organization is *almost* twenty-five years old, *is* twenty-five, and *just turned* twenty-five, so there are three opportunities to celebrate anniversaries.

- The announcement of a major gift and the impact it will have on the organization.
- The groundbreaking and dedication of a new facility, operation, or program.
- The recognition of an employee who has achieved distinguished status.
- The acknowledgment of volunteers who have given selflessly to the organization.
- The extension of appreciation to those who have included gifts in their estates, providing the opportunity to say thank-you to those whose gifts will make a difference long after their death.
- The creation or extension of an award program to recognize giving and volunteer support.

Recognition events can range from small and intimate to large and elaborate. Whatever the case, attention must be given to every detail to ensure that a consistently positive image is projected. Consider how long it would take to heal the wounds of an honored patron who walks with a cane and has been seated on an elevated platform; of black-tie-attired guests whose plates catch the drips from a leaking roof; of guests whose names are misspelled; and of a newly divorced bank president whose unhappy ex-spouse is pictured beside him in the program.

Recognition events can take many forms. The key to success in this domain lies in finding unique ways to tailor the recognition experience. As an illustration, a major donor to a university who had made a gift that would fund a new building in honor of her beloved deceased husband was driven to the scene of the building announcement by a nicely groomed male scholarship student. Her welcome was warm and orchestrated, including the presentation of a wrist corsage similar to the one seen in photos of her and her husband during their college dances. After being welcomed by the president, the two of them needed to walk a little distance to the location of the announcement. It had been arranged that as they walked they would pass a marching band that "happened" to be rehearsing in the area. At the designated moment, when they approached the band, it fell into a choreographed razmataz move and warmly cheered in unison, to the beat of the drums, "Thank you, Margaret!" Such recognition costs a university little to deliver, yet the memories created can stay with a donor forever.

Anatomy of an Event

Kilkenny (2006) highlights a range of issues that event managers must typically consider:

Objectives. As we have already noted in the previous section, it is essential that the objectives for an event are agreed upon from the outset.

Participants and Attendees. The selection of attendees will flow logically from the event's objectives. If it is a recognition event, the senior management team, board members, and volunteers will all be invited along with the donors to be honored, their families, and perhaps other donors whom the organization hopes to inspire. If the event is designed to fundraise it will be essential to ensure that an appropriate list of potential donors is drawn up well in advance. House lists may be employed, but the organization may also want to reach out to the wider community to raise awareness of the cause and engage with new supporters.

Site selection. Event organizers have to think through where the event will be hosted. It might take place in someone's backyard, or it might require an arena! The organizers need to maintain a file of potential venues in their area, along with details of the facilities, contact information, and prices.

Promotion. For invitation events, a nonprofit will want to send out save-the-date e-mails or cards or both around seven to ten weeks before the date of the event. The invitations themselves should go out around four to six weeks before the event (Freedman and Feldman, 2007). For other categories of events it may be necessary to work with the local media to attract the necessary participants:

- *Daily and weekly newspapers*. Typically these have a community events calendar on which the details of the event may be posted. In some cases calendars may be provided in separate sections of a newspaper, in which case the details of the event should be circulated to each relevant department. It would be a mistake to assume that the details will be shared internally. These details should be provided to the outlet four to five weeks in advance. If a nonprofit believes that its event will be newsworthy, perhaps because a celebrity will be in attendance, the press should be reminded (by fax) two to three days in advance of the event.
- *Magazines*. Some communities also have magazines that provide local-interest stories and features. They too may be willing to

promote nonprofit events, but the lead times for these outlets will be longer and it would be wise to send details eight to ten weeks in advance.

- *Public service announcements*. These are fifteen-, thirty-, or sixty-second slots donated by a radio or television station. The announcements are usually read by a professional announcer and must make their point quickly and succinctly. Nonprofits should remember, however, that they will be competing against others for airtime, so a degree of originality is recommended.
- *Talk radio*. Many communities have their own local radio stations, and breakfast and drive-time shows often have large local audiences. If an interesting angle on the event can be found, the editorial team for these shows may be willing to set aside airtime for an interview or a plug for the event.

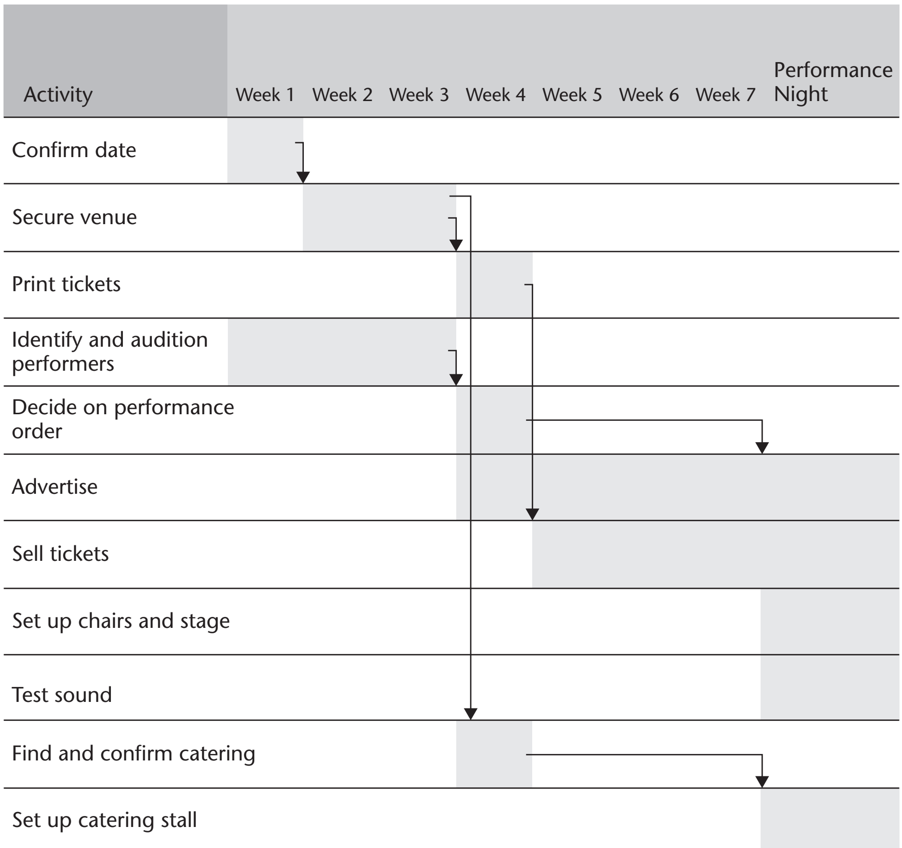
Timeline. Event planners will also want to map out in detail a timeline for the planning of their event. Gantt charts allow fundraisers to make a visual representation of the actions that need to be taken and the dates by which each action must be accomplished. Organizations running many events in the course of a year may find it helpful to invest in specialist event-planning software that enables the user to generate Gantt charts and other resources that will automatically adjust all other events if a deadline is missed. Smaller nonprofits may get by perfectly well with a table on a sheet of paper or an Excel spreadsheet.

To create a simple Gantt chart, draw a horizontal timeline across the top of a sheet of paper and divide it into either weeks or months as appropriate. On the left side of the sheet list all of the tasks that will need to be completed. Then decide how much time each task will take and block out each of the cells in the row relating to that task for the period it will take to complete it. A simple example is provided in Figure 19.2.

Agenda. An agenda is a detailed outline of the event itself that illustrates the timing of the various activities. It logs what is happening, from the hours before the participants arrive to follow-up when the event is complete. It tells people where they need to be and what they need to do. An agenda is also provided to guests, and usually to the individuals who will be managing the event.

Food and beverages. Most events require the provision of some form of food and beverage service, even as simple as providing a pitcher of water and some mints at a seminar. More sophisticated events may require the selection of a complete menu of food items and beverages. Thought needs to be given to creating a menu that is nutritionally balanced and

FIGURE 19.2. EVENT GANTT CHART



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appropriate for the time of day. Care must also be taken to provide guests with vegetarian options and to ensure that individuals with special dietary needs are identified in advance so that appropriate arrangements can be made with the caterer (Craven and Golabowski, 2006).

Transportation. Large events may require the events team to provide transportation for guests from hotels to the venue. For smaller events it may be necessary to purchase transportation (such as flights) and accommodations for guest speakers or to arrange airport transportation and other facilities for VIP guests. These arrangements may be handled by the events team themselves or, particularly in the case of air travel, outsourced to a specialist agency.

Staffing. Staffing requirements obviously vary with the nature of the event. The nonprofit's own employees and officers may run the entire event, or it may be necessary to rely on volunteer assistance. Volunteers may be found to help with many common functions, including acting as hosts, caterers, cleanup crews, florists, valets, ticket takers, and security.

Budget. The budget for an event should be based on the event's objectives, target audience, type, and location. In putting together a budget it is important to think through all the items that might have costs. An example from the Seattle Animal Shelter's Furry 5K event is depicted in Table 19.2. It is important that a detailed budget of this kind be compiled before any commitments are made to suppliers.

Not all of these costs need to be met by the nonprofit. Some categories of events offer sponsorship opportunities, and individuals and local businesses may be willing to lend their support by paying for particular items of expenditure or by sponsoring the event itself. These sponsorships might take the form of cash donations, but they can also be in-kind donations such as discounts on goods and services.

On the income side, every possible source of income should be listed. It is important to be conservative about the estimates here. Experience and networking with other local fundraisers should provide a realistic assessment of what might be achievable.

Finally, when the income and expenses have all been listed, it should be possible to arrive at a figure for the projected profit and losses for the event. This amount should be consistent with the original objectives.

TABLE 19.2 SPECIMEN EVENT BUDGET

Income		**Expenses**	
Sponsor/vendor	$21,259.00	Printing/graphics/ signage	$24,934.14
Registration	$69,168.38	Services and permits	$5,786.74
		Advertising	$3,390.00
		Mail services/postage	$337.40
		Equipment rental	$3,020.62
		Miscellaneous supplies	$384.05
Income total	$90,427.38	Expense total	$37,852.95
Event net profit			$52,574.43

Source: Developed from materials at http://www.aspcapro.org/fundraising/documents/furry-5k-ten year-financial.pdf

Ticket pricing. Finally, as the nonprofit develops its budget it will have to decide what it will charge as an admission fee for the event. If the nonprofit already has a sense of how many participants are anticipated, then setting the price is a relatively straightforward process. For example, the total fixed costs of hiring a venue and providing entertainment for an evening event might be $75,000. If the nonprofit expects to attract 250 participants, there will also be variable costs associated with each delegate (such as their food and beverage service). If these costs are $200 per delegate, the cost of providing the event will be as follows:

$$75{,}000 + (250 \times 200) = 125{,}000$$

So, if there are to be 250 delegates and the objective is to break even, the ticket price would have to be:

$$125{,}000 \div 250 = \$500$$

If the objective is to make money from the admission fee alone (that is, if there isn't going to be an auction or other fundraising mechanism), the price will have to be increased to an amount that will provide the necessary margin.

If the final figure is unacceptably high, the event organizer can do one of the following:

1. *Increase attendance* so that the fixed costs are shared by more delegates and the ticket price can fall.
2. *Solicit sponsorship* so that the costs to the nonprofit of hosting the event fall.
3. *Reduce expenses*, perhaps by selecting lower-cost entertainment or cutting back on the food and beverage service.

It is important not to undercharge. Nonprofits have been known to have lengthy debates about whether to charge $35 or $50 to attend an auction. The reality is that guests who cannot afford an additional $15 to attend will probably not spend much at the auction either, so such discussions are frequently unhelpful.

Evaluating Fundraising Events

As with other forms of fundraising, careful evaluation is essential. It will flow logically from the original objectives. As we have highlighted, there is nothing wrong with not making money at a fundraising event. It is only unfortunate if the goal *was* to make money. The organization should thus review the success of the event against the original objectives and make no attempt to post-rationalize failure.

The following ten criteria may be used to evaluate whether or not an event has been successful:

1. Has the nonprofit achieved the financial goals decided on from the outset?
2. Were the costs of the event minimized and the revenue maximized? Were there any deviations from the original budget? Why did these occur? Are there any lessons that can be learned as a consequence?
3. Was the right pool of prospects invited and did they attend?
4. Given the nature of the event, did the nonprofit provide guests with an adequate level of understanding of how the contributions solicited at the event would be used? Could the case for support be strengthened in the future?
5. Did the nonprofit have the right ratio of volunteers and staff to the number of participants? Did everyone receive the right level of attention and interest?
6. Were the logistics, information, and materials provided creative, innovative, and relevant to the purpose of the event?
7. Were means provided for participants to interact and share their own personal testimonies and support for the event's cause?
8. Following the event, was there ample time for cataloging, referencing, recording, and filing appropriate information gleaned from the volunteers and staff assigned to the event?
9. Can the information gathered be systematized and stored for later use in the prioritization of the prospect pool? Was the right information captured?
10. Did the event result in the narrowing of the prospect pool to an appropriate number that can subsequently be managed by fundraising staff and volunteers?

It is also critically important to assess participant experiences of the event. Delegate input is essential to identifying the successful aspects of the program as well as those aspects that might need work in the future. Evaluation forms such as the one in Exhibit 19.1 are commonly employed and, if appropriate, time can be set aside in the event itself to allow delegates to supply this information. If this isn't appropriate, then a brief

Exhibit 19.1. Event Evaluation Form

Please help us to evaluate how well the aims of this event were achieved by completing this questionnaire. Indicate how satisfied you were with our performance in each area by circling the appropriate number on the scale from 1 to 5, and by writing in the designated boxes.

How satisfied were you:

	Very Dissatisfied	**Dissatisfied**	**Neutral**	**Satisfied**	**Very Satisfied**
With the booking process and pre-event organization?	**1**	**2**	**3**	**4**	**5**
With the organization of the day?	**1**	**2**	**3**	**4**	**5**
With the venue and facilities?	**1**	**2**	**3**	**4**	**5**
With the arrange-ments and quality of the catering?	**1**	**2**	**3**	**4**	**5**
With the relevance of the topic areas?	**1**	**2**	**3**	**4**	**5**
With the presentations that were delivered at the venue?	**1**	**2**	**3**	**4**	**5**
That the pace of the event was sus-tained?	**1**	**2**	**3**	**4**	**5**

What is your overall assessment of the event?

Please circle appropriately

Very Poor 1 2 3 4 5 Very Good

If you were not satisfied with any aspect (that is, you rated it 1 or 2 in the grid above), please indicate the reason:

(*Continued*)

> How did you hear about the event?
>
> If any, what were the main strengths of the event? Which parts of the event were most useful for you?
>
> If any, what were the main weaknesses of the event? Which parts of the event were of little or no use to you?
>
> What changes or improvements should be made?
>
> Do you have any further comments or suggestions?
>
> Thank you for taking the time to complete this evaluation form.

e-mail questionnaire might be used to follow up with all or a sample of the delegates, say three to four days after the event. A deadline for completion should be set and a polite reminder should be sent out a day or two before this deadline. Evaluation forms should be no longer than one page and should be clear and concise (Kilkenny, 2006).

Summary

As successful fundraisers know, keeping a current donor is more cost-effective that seeking a new one. Whatever the primary goals of an event (that is, fundraising, identification, education, or recognition) might be, well-planned and well-executed events create a sense of community among supporters that will build or cement a relationship. Because human beings are social creatures, successful events create a sense of community and belonging that cannot be elicited through annual reports, brochures, or the highest-quality videos. Although "having a good time" is of course always important, goal setting and evaluation ensure that organizations are responsible stewards of the funds entrusted to them by strategically connecting donors and prospects with the people, mission, and dreams of the organization. When this intention is implemented correctly, the relationship created through fundraising events can be long lasting and highly rewarding for all parties.

Discussion Questions

1. What are the four key types of fundraising events? Is it necessary for each of these categories to make a profit? Why?
2. What is a *nonevent?* What might be the drawbacks of running an event of this kind?

3. How might a fun-run in support of a local hospital be promoted? What target audiences might there be? How might these audiences be reached?
4. What is a Gantt chart? How can it be used in event planning?
5. Identify an event hosted by a nonprofit with which you are personally familiar. What expenses will have been incurred? Distinguish between the fixed and variable costs of this event.
6. What issues might have to be considered by a fundraiser looking to set the ticket price for a dinner dance?

CHAPTER TWENTY

WOMEN AND PHILANTHROPY

Debra J. Mesch and Andrea Pactor

By the end of this chapter you should be able to:

1. Identify three reasons why women's philanthropy is of increasing significance and interest.
2. Suggest ways to overcome internal and external barriers to women's giving.
3. Explain why gender matters in philanthropy.
4. Describe various models of engagement for women donors.
5. Create a fundraising plan to engage women donors at a nonprofit.

In 2002, Meg Whitman, former president of eBay, contributed $30 million to Princeton University, her alma mater. In 2007, Barbara Dodd Anderson, a retired kindergarten teacher, gave to the George School in Pennsylvania $128.5 million, believed to be the largest single gift made to an independent secondary school in the United States. Since 2000, the two hundred female members of the Everychild Foundation have each contributed $5,000 annually to allocate a $1 million grant to a Los Angeles nonprofit. And in May 2009, the Women Moving Millions campaign raised $175 million from more than ninety women donors, despite the economic downturn of 2008–2009. These are not isolated examples of generous donors. Rather, they demonstrate the growing visibility and impact of women donors on the philanthropic landscape.

So, why has "women as donors" emerged as a trend in philanthropy in the twenty-first century? Given that examples of women's contributions of time, talent, and treasure have been documented throughout history, what paradigms have shifted to focus more attention now on women as donors?

A variety of factors have converged:

1. Desire on the part of nonprofit organizations to identify new resources to fulfill their missions
2. Women's significant, even exponential gains in income and education over the past thirty years
3. Women's increasing awareness that they possess the power and the means for philanthropic action

Despite this favorable environment, many nonprofits have yet to realize the positive financial and emotional rewards of working intentionally and strategically with women donors. This chapter addresses the role of women in changing the practice of philanthropy. It is divided into three sections. The first explores the rationale for gender parity in working with women donors and their distinctive philanthropic motives and behaviors. The second section addresses new philanthropic models created by women that have raised their visibility and generated more opportunities for engagement. The final section provides a series of practical steps for working with women donors.

Capacity for Giving

Women give, and they give significantly. Today an increasing proportion of women in the United States have access to wealth either through earned, married-into, or inherited resources. To take the latter example, as Openshaw (2002, p. 42) notes, "any way you cut it, the largest bulk of inheritance assets eventually will end up in the hands of women." According to Schervish and Havens (1999), these inherited assets could range from $46 trillion to $131 trillion in the years from now to 2052.

The percentage of women in the workforce, which almost doubled from 1950 to 2007, from 29 percent to 59 percent (Bureau of Labor Statistics, 2008), has had an impact too. The percentage of women in college has also grown steadily, from 42 percent in 1970 to 56 percent in 2000, with women receiving nearly 60 percent of all advanced degrees awarded from 2008 to 2009 (National Center for Education Statistics, 2007). Critically, income for women with college degrees has increased by about 33 percent since 1979 (U.S. Department of Labor, 2008).

The Internal Revenue Service (2005) also reported in its Personal Wealth Tables for 2004, the most recent year for which data are available, that 43 percent of the nation's top wealth holders were women. Top wealth holders are defined as individuals with assets of $1.5 million or more. The assets of the 1,173,000 women in this category were valued at $4.6 trillion.

Remmer (2006) argues that all these developments have combined to furnish women with access to resources that women a generation or two ago could only have dreamed of controlling. As they experience enhanced economic conditions, women have the ability to make a substantial and highly distinctive contribution to philanthropy. It is with good reason that Witter and Chen (2008) assert that women should no longer be regarded as a niche audience. They are now *the* audience for fundraisers in the twenty-first century.

Barriers to Womens' Giving

No matter what their age, attitude toward wealth, or ability to give, many women experience some barriers in regard to philanthropy. These may be either internal or external:

Internal Barriers

Women do not think of themselves as philanthropists and may take longer to cultivate as a consequence.

Women are reluctant to talk about money.

Women do not feel ownership of the family money.

Women are afraid of outliving their resources.

Women have just recently made money and feel it might not be there tomorrow.

External Barriers

There is little organizational commitment to women as donors.

Few women are in major volunteer leadership positions.

A different communication style is required when working with women donors.

Women are not asked to give.

An experienced fundraising professional can help women identify and overcome these barriers.

Gender Matters

Understanding how men and women differ in their philanthropic behavior is key to developing strategies for working specifically with women donors. There is now a mounting body of evidence that women approach giving differently than men. Skoe and colleagues (2002), for example, found that when participating in philanthropic behavior, women are more inclined to help in a relational manner because they place more emphasis on relationships and care of the individual. Men, by contrast, tend to prefer more nonrelational acts. There is also evidence that women have a greater desire than men to include others in the philanthropic relationships they develop. They are almost twice as likely as men to agree with the statements, "It is important for others in the family to be involved in charity" (40 percent versus 21 percent) and "It is important to teach kids that affluence brings responsibility" (61 percent versus 37 percent) (Citigroup Private Bank, 2002, p. 2).

Andreoni, Brown, and Rischall (2003) found that women tend to spread out their giving by making donations to more charities whereas men tend to concentrate their giving in a few organizations. This difference reflects what practitioners have long observed through analysis of their fundraising databases. Fundraisers find that a "typical" nonprofit has a higher proportion of women donors than men donors, but where men do give they tend to give more (Sargeant and Jay, 2004). We now understand that this phenomenon is due to women supporting a wider range of organizations. A key goal for the fundraiser in the coming years will therefore be to devise meaningful ways in which women can engage more deeply with nonprofits and thus concentrate more of their giving on specific projects.

Men and women have also been shown to have different motives for giving. Newman (1995) found that women are more likely than men to say that philanthropy is a way to show human caring and to express moral beliefs. Brown and Rooney (2008) found that women are more motivated than men by the belief that those who have more have a responsibility to help those who have less. In the same study, men were more likely to report that "giving to provide services where the government can't or won't" and "to make their community a better place" were strong motives. In other studies, women felt an obligation to give back to organizations or causes from which they or someone they knew had benefited in the past. For women this need is significantly more likely than for men to arise as a consequence of religious teachings or beliefs (Parsons, 2004; Van Slyke and Brooks, 2005).

Finally, Shaw, and Taylor (1995) summarize what they view as distinctive about women's motives for giving in what they term the six Cs of women's giving:

1. *Change*: Women give to bring about change.
2. *Create*: Women give to create something.
3. *Commit*: Women give to be part of a longer commitment to a cause.
4. *Connect*: Women give because they have personally connected with a cause, organization, or institution.
5. *Collaborate*: Women give to be part of a larger effort in collaboration with other women.
6. *Celebrate*: Women give because they want to have fun and celebrate their achievements with their peers.

Thus, although a lot more work remains to be done in the context of gender and giving, it is clear that there are substantial differences in the way the two genders approach giving and are motivated to support specific organizations. Fundraisers are therefore advised to ensure that when they survey their supporter base to gain insight into motives for support they adequately explore any gender-related variations that might exist and take these into account in any strategy they adopt.

Women's Influence in Decision Making

In household giving, who decides is an important consideration for fundraisers. There are three basic scenarios for household decision making and it is important to understand household dynamics when working with donors. The scenarios include when the husband decides, when the wife decides, and when the couple makes a joint decision. Specific studies about charitable giving among couples find that gifts are more likely to go to health, education, and religious organizations when the wife makes the decision alone rather than if the husband alone or the couple jointly decides. However, when the woman is the sole decision maker, as we established earlier, she gives less to more charities. Joint decisions tend to favor the husband's preferences, but this is often a function of education and income. As noted in research by Brown (2005), the influence of married women in family charitable giving is growing as women's earnings rise.

Increasingly, charitable organizations are learning to address wives as well as husbands in requests for funds. This is long overdue. Kearney (2008) relates the story of Sondra Shaw-Hardy deciding to offer a gift to her local university: "A few weeks later an envelope from the university appeared in her mailbox—addressed to her husband who had died seven years earlier. Curious, she opened it only to find a thank-you note for the donation. He didn't even go to that university, but for some reason they assumed it was a male who donated." This may have been no more than an innocent mistake on behalf of the nonprofit, but Shaw-Hardy is reported as believing it is actually "symptomatic of a lingering bias in the philanthropic world" (p. 50).

Generational Differences

Fundraisers should also be aware that because women's roles in society have changed in the past fifty years, women in different generations respond to different messages and communication methods. These differences have arisen because people in different generational cohorts have very different life experiences. To illustrate, birthdates for the generational cohorts are as follows:

GI Generation	Born before 1925
Silent Generation	1926–1945
Baby Boomers	1946–1964
Generation X	1965–1980
Millennials	1980–2000

The GI generation is regarded as one of the most collectivist generations in American history. Its members suffered great hardship helping each other through the Great Depression and witnessed enormous technological advances and at least one world war. They came to rely on each other for survival and the pattern of their philanthropy reflects a strong tradition of helping others less fortunate. Much of the giving of this generation has been guided by male family members, with women given comparatively little say in their family's finances.

Members of the Silent Generation were born during a time of great need and austerity, although they later went on to experience a good deal of wealth and prosperity. Writers such as Eastman (1995) believe that these individuals tend to focus their philanthropy on their families or on causes that may benefit their families, to ensure that the early hardships they endured are never again visited on their loved ones.

Baby Boomers, by contrast, grew up in an age of political and moral change and have been inspired by both liberal (in the case of older Boomers) and conservative (in the case of younger Boomers) ideologies. They feel passionately about social causes but, fueled by the emergence of a plethora of new media that have convinced them that immediacy is both possible and desirable, want to see a difference now.

Generation Xers grew up in an era that emphasized self-reliance and individual achievement. The influence of Reagan and Thatcher on these groups was profound. It wasn't necessary to rely on others to achieve financial security; it was possible by the hard work and determination of the individual.

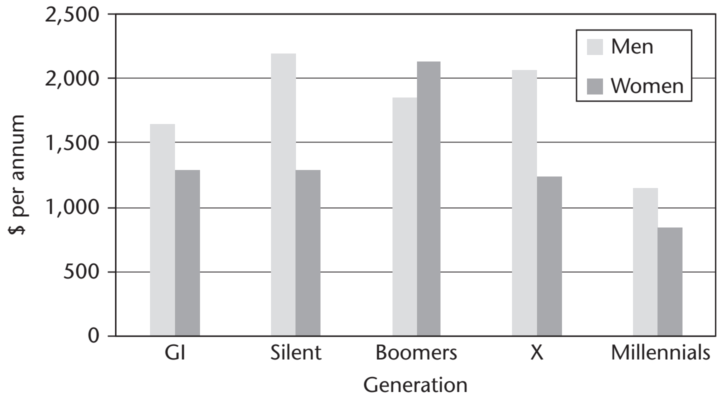
Millennials are expected to react against the selfishness of previous generations and to place a much greater emphasis on community, drawing strength from their respective social networks. They are thus expected to exhibit many of the collectivist behaviors of the GI Generation, although the social networks they draw on will be both "real-world" and Internet based.

Brown and Rooney (2008) have identified a number of interesting differences in giving by generation. Specifically, Boomer women give the most to charity and Millennials give the least. Furthermore, Boomer women gave more than Boomer men ($2,129 versus $1,847), the only generation (so far) in which women have contributed more than men. It is important to recognize that these are merely headlines from the data. They do not control for factors such as income, education, race, marital status, and attendance at worship services. (See Figure 20.1 for a visual comparison.)

Additional results from the survey, after controlling for the factors listed earlier, include the following:

- Generation X women and GI Generation women give more to religion than Generation X men, Boomer men, and Silent Generation men.

FIGURE 20.1. GIVING BY GENERATION



- Women, especially Millennial women, respond to an "improve the world" message.
- Boomer and older women (but not Generation Xers or Millennials) are more likely than Boomer men to respond to a message of "responsibility to help others."
- Women are less likely than men to respond to the message "to improve the community" and to "provide services where the government can't or won't."
- Boomer women respond well to the message "to help those with less."

In approaching women from the various generational cohorts it can be useful to develop descriptions of the life experiences of each group, their attitudes to philanthropy, and thus the messages they are likely to find most appealing. There are also potential problems, however, with this approach. The greatest danger is a vast oversimplification of the richness and variety of attitudes, motivations, and behaviors. As with many models in fundraising, it should therefore be used with care.

New Models of Engagement

The use of innovative organizational models is one distinctive characteristic of the contemporary women's philanthropy movement. These models include women's funds, women's leadership councils, and collective giving as exemplified by the giving circle model.

Women's Funds

The Ms. Foundation for Women, created in 1972, was the first women's fund in the United States. Following its model to provide support for women and girls, other women's funds have been created at the state and local levels and in communities around the globe. Today, more than 140 women's funds belong to an international membership association, the Women's Funding Network. With assets of more than $450 million, these funds allocated about $50 million in 2008 as investment in women and girls. The Women's Funding Network, in partnership with philanthropists Swanee Hunt and Helen LaKelly Hunt, developed the Women Moving Millions campaign in 2007 with the goal of focusing on million-dollar gifts from women. By April 2009 the campaign exceeded its $150 million goal by 16 percent, raising $174 million from more than ninety women.

Giving Circles

A giving circle is a "pooled fund, often hosted or sponsored by a charitable organization such as a community foundation, through which members make grants together" (Rutnik and Bearman, 2005, p. 4). It is a group of people who come together to share their philanthropic resources and thus make larger gifts to selected nonprofits. Bearman (2007) has identified that the majority of the participants are women. Part of what makes giving circles special is their flexibility. They can range from intimate and informal gatherings of a dozen people to four-hundred-person organizations with their own nonprofit status (Bearman, Beaudoin-Schwartz, and Rutnik, 2005). They can be highly structured, with formal committees and by-laws, or they can be communities of individuals who get together for periodic events such as potluck dinners. All members of the group must make an annual contribution, but the size of this contribution varies greatly between groups. It may be as little as a dollar a day or as much as $20,000 (or more) per year.

Despite the variety in forms, Eikenberry (2005, p. 118) has identified a number of common characteristics. Typically, giving circles do the following:

1. Ask donors to pool their funds
2. Give away resources such as money and time
3. Educate members about philanthropy and issues in the community
4. Include a social dimension

5. Engage members in volunteering in the giving circle or with nonprofits
6. Maintain their independence by not affiliating with any one particular charity

For example, the Washington Women's Foundation was established in 1995 by Colleen Willoughby. It has developed a distinctive model of operation. Each member gives $2,300 annually for a period of five years. Members contribute $1,000 to a pooled fund from which the circle makes its large-impact grants. Each woman makes an individual gift with her second $1,000 to up to three nonprofits of her choice. The remaining $300 supports educational programming for members (Bearman, Beaudoin-Schwartz, and Rutnik, 2005).

Bearman, Beaudoin-Schwartz, and Rutnik (2005) recommend a ten-step process to establish and run a giving circle:

1. *Set goals and a structure for the giving circle.* The goals should address issues such as the focus of any funding, the size of the circle in terms of the number of members, the size or range of contributions, how the circle will be structured, and its decision-making process.
2. *Focus on mission and commitment.* The group should establish a mission and agree on meeting guidelines and goals. Key personnel should be appointed, including a rotating chair, a treasurer, and work groups.
3. *Establish where to place collected dollars.* This may be as simple as opening a joint bank account (although an advisor should be consulted because of the tax implications) or establishing a donor-advised fund at a community or public foundation. Some groups simply elect to write individual checks to chosen nonprofits once the recipients are determined.
4. *Establish an issue or focus area.* Reaching agreement on this can take considerable time and effort. Common interests must be found and prioritized by the members of the group.
5. *Create smaller work groups for giving circle tasks.* These tasks typically include researching giving options and setting up learning opportunities for members.
6. *Develop a process and criteria for determining who will receive contributions.* The group must decide whether it will review applications (and if so, what form these should take) or proactively seek out organizations that match their interests. They must also decide whether they will routinely visit organizations, and what reporting and feedback they will ultimately require.

7. *Develop and define a partnership with the recipient of the grant award.* Many circles do much more than simply award funds. Participants can also volunteer in service provision, act as mentors for employees, and so on.
8. *Review potential recipients for donations or visit nonprofits.* The purpose of this review is to answer any questions that remain and to seek any clarification that might be necessary.
9. *Award grants.* After the final decisions are made, recipients must be notified of the outcome and the reporting requirements must be deemed appropriate.
10. *Evaluate the impact of the giving circle.* It is essential that the circle monitor its impact, both to ensure that the funds donated are used as directed and to motivate and educate members of the circle. As we noted earlier, women frequently want to celebrate the impact of their giving and a mechanism must be created for this to happen.

Leadership Councils

Higher education institutions began to recognize the value of distinct programs for women donors as early as 1988 when the University of Wisconsin created its women's leadership council. The council's membership comprises successful and often very wealthy women whose goal is to serve as an example and inspiration to others through the service they achieve. The University of Wisconsin council leads activities designed to bring more women into volunteer leadership roles and to secure major gifts from women philanthropists and their families. The program has been replicated in public and private colleges and universities around the country, focusing variously on leadership, capital campaigns, volunteering, building boards, networking, and major gifts.

More recently, national nonprofits have embraced women's initiatives as mechanisms to reach new donors. The United Way of America formalized its national Women's Leadership Council in 2004 with a goal of increasing annual funds raised by women donors in United Way affiliates across the country from $59 million to $100 million by 2008. In 2007, more than one hundred women's councils representing forty thousand women raised $105 million, exceeding their initial goal by 5 percent. Patricia J. Mitchell, national chair of the Women's Leadership Council, said of the councils, "We are a powerful voice of women in philanthropy, and a powerful voice to advocate for the critical needs in our communities locally, nationally and internationally" (Mitchell, 2009).

The Tiffany Circle program of the American Red Cross began as a pilot initiative in eight cities in 2007 with a member giving level of $10,000. It too has been one of the organization's most successful efforts. Focused on women's and leadership giving, the pilot targeted a total fundraising goal of $1 million. Results achieved three times that, or $3 million. In addition, Tiffany Circles attracted new and different donors. More than 60 of the initial 235 members were brand new to the organization, and four out of ten (40 percent) had previously given but never at the $10,000 level. In 2008, having expanded to twenty-five cites, Tiffany Circles raised more than $5.3 million for their local communities.

Value of Donor Education

Andrew Carnegie is credited with saying, "It is more difficult to give money away intelligently than it is to earn it in the first place" (Reid, 2006). Although not unique to women's philanthropy, a key feature of most successful women's philanthropy programs is a strong donor education component—one that goes beyond strictly gift-related topics to include issues of financial literacy and planning, creating giving plans and strategic philanthropy, and inculcating the joy of giving. For donors, such programs provide a safe environment for women to come together to explore how philanthropy can help express their values, vision, and voice. They provide networking and sharing opportunities. Through topics related to finances, they help women who are unsure about their wealth and their "ownership" of their finances to build comfort and control—a vital prerequisite for significant giving.

For nonprofit organizations, donor education programs provide a value-added for stakeholders, help differentiate the institution, are a means to involve women more deeply in the organization's work, enable the institution to build trust and create deeper relationships with donors, and provide fundraising professionals with the opportunity for informal interaction and follow-up with women who are current and potential donors.

The structure of donor education programs varies by organization, depending on the resources available and the degree to which a culture of women's philanthropy has taken root at the organization. An example is provided in Figure 20.2.

FIGURE 20.2. Specimen Donor Education Program

REALIZING THE PROMISE OF WOMEN'S PHILANTHROPY: A DAYLONG EXPLORATION

8:30–9:00 AM	Registration, continental breakfast, and networking
9:00–9:45 AM	Welcome and keynote address on the Power and Promise of Women's Philanthropy to Transform Communities and the World
9:45–10:00 AM	Move to breakout sessions
10:00–11:30 AM	Concurrent breakout sessions

a. When and how you learned about philanthropy
b. Interactive session on transforming philanthropic values to action
c. Raising charitable children
d. Women's influence in charitable decision making

11:30 am–1:00 PM	Lunch and panel discussion with women donors to the institution or around the community
1:00–1:15 PM	Move to breakout sessions
1:15–2:45 PM	Concurrent breakout sessions

a. Workshop on financial literacy—What women need to know
b. Session on estate planning for women and how to incorporate philanthropy into the plan
c. Repeat morning session on raising charitable children
d. Developing a giving plan

2:45–3:00 pm Break

3:00–4:00 PM	Afternoon tea and networking session

Women as Donors: The Fundraising Strategy

Fundraisers who are interested in beginning women's philanthropy initiatives must conduct internal and external audits before launching a program. The internal audit evaluates the current level of women's involvement in the organization, including volunteering, board participation, and patterns of giving (including the largest gift given by a woman).The external audit reviews women's philanthropic activity in the local community and studies the activities of other nonprofits. The results of the scans along with discussions with key stakeholders will help the nonprofit develop a plan to engage more women in philanthropic activity.

Nonprofits typically need to do the following:

- *Ask*. Too often nonprofits do not receive gifts from women because they fail to ask them.
- *Involve women in the organization's work*. Invite them to events that demonstrate impact. Engage women in volunteer leadership positions with the board, campaign planning committee, and giving associations. As we have already established, women want to feel a connection to the charities they support.
- *Help women identify what they are most passionate about and raise their sights toward major gifts*. Research is clear that women tend to give to lots of different types of organizations and become involved in organizations that connect to their passion and values. Nonprofits need to help women think strategically about how they can have a larger impact on the causes they care about most.
- *Realize that women may take longer than men to decide about their giving*. Many women want to research an organization, ask many questions, and build a relationship with people there before making a gift. This takes time.
- *Engage both spouses*. Many nonprofits assume that the husband will be the primary decision maker, but research shows that this often is not the case. Women also are often the primary decision makers for certain types of charities.
- *Understand women's preferences for stewardship and acknowledgment of their gifts*. Women often prefer to donate anonymously and to be thanked privately. When appropriate, encourage women to consider making their gifts public to inspire other women to give.
- *Remember that women's social networks and word of mouth can be very powerful marketing strategies for your organization and for fundraising*. If women like what you are doing and truly believe in your cause, they will tell other women—and men.

The international humanitarian agency CARE applied many of these principles in developing its I Am Powerful campaign.

We recommend an eight-step process when working to secure gifts from women donors:

Case Study: CARE

CARE was founded in 1945 and quickly developed a strong reputation as a humanitarian agency. CARE's mission is to serve individuals and families in the poorest communities in the world. Over the years the organization has built up a highly successful fundraising program. As Adam Hicks, CARE's vice president for marketing and communications, reflected in 2003,"In 2003, from a metric standpoint, we looked good. Retention of donors was up, fundraising was solid, but the reality was that we hadn't gotten to the core of the problem. We didn't have a clear constituency. Other organizations, such as Catholic Relief Services and UNICEF, had a central constituency, but we didn't. We were non everything—non-religions, non-UN, non-partisan; we didn't have an identity. Great brands act like a magnet; CARE didn't have this" (Rangan and Lee, 2008, p. 7).

Following a lengthy process, CARE decided to focus on women's empowerment as the main platform for its brand awareness and its claim to distinctiveness. The goals of the rebranding effort included the following:

- To increase awareness of the brand and public familiarity with it
- To attract a new and more engaged group of supporters, donors, advocates, and volunteers
- To improve the alignment of the CARE message to its work in the field
- To bring new supporters into international giving and philanthropy

From that platform the I Am Powerful campaign launched in 2006 with the core message, "She has the power to change the world. You have the power to help her do it." The marketing plan included celebrity spokespeople, a press tour, corporate partnerships, print ads in high-profile women's magazines, radio ads on targeted stations, a Web presence on highly targeted women's sites, a direct marketing campaign to females on a variety of lists, and a revamped Web site. The site now allows women to download a Powerpack that suggests multiple ways to take action. (See Figure 20.3.)

Testing of the campaign enabled CARE to determine the audience with whom the brand resonated: women thirty-five and older, in white-collar households, college educated, and with income levels above $60,000 a year.

By all measures the campaign has proved successful. Awareness of the agency has increased, long-term partnerships with seventeen national women's organizations have been forged, and new revenues have been generated.

FIGURE 20.3. CARE CAMPAIGN POWER PACK

I AM POWERFUL Action Steps:

LEARN

☐ Explore CARE's Web site for information about CARE's work with women in the fight against global poverty. Tell at least three people what you've learned and ask them to check out care.org.

☐ Sign up for e-mail updates at care.org. Get breaking news when emergencies happen and find out about important legislation that could affect people around the world.

☐ Send a message to groups@care.org to request the "I Am Powerful" Action Kit. It has everything you need to educate yourself or your group about supporting women's empowerment around the world.

VOLUNTEER

☐ Set up your CARE Corps Online pages at care.org/cco. Customize your messages – even add photos – and set goals. Then ask others to support your poverty-fighting campaign.

☐ Hold a fund-raising competition within your group or between chapters as a fun way to encourage all members to learn more and raise money for CARE.

☐ Gather members of your group for a one-of-a-kind experience abroad with CARE Corps. E-mail info@care.org for more information.

SPEAK OUT

☐ Join the CARE Action Network (CAN). Contact your representatives in Washington through CAN and voice your opinion on important global issues.

☐ Stand in solidarity with women around the world by joining our Power Circle at care.org.

☐ Wear an "I Am Powerful" T-shirt. Available online at care.org.

DONATE

☐ Work with your group to raise money for CARE. Donations can be sent to the address on this page, and be sure to write "Power Pack" on the memo line of your check. Credit card donations can be made online at care.org or by calling 1-800-422-7385.

☐ There are many other ways you can donate to CARE. Please visit care.org to learn how.

care®

GET INVOLVED

1-800-422-7385
info@care.org
www.care.org

Source: © Cooperative for Assistance and Relief Everywhere, Inc. (CARE)

1. *Gather information and data on your donor*. Find out as much as you can about your donor—her interests and capacity, those who have an impact on her decision making, and so on.

2. *Assess your donor's understanding of pertinent financial and philanthropic matters*. How knowledgeable is the donor about her finances? About estate planning? About vehicles for making philanthropic gifts? About the tax advantages of giving?

3. *Work with your donor to define her philanthropic and financial goals*. What lifestyle does she want to maintain? What are her interests as a donor? What philanthropic legacy does she want to leave? One way to address these questions—particularly the questions of philanthropic legacy—may be to engage with your donor in an exploration of "values, vision, and voice."

4. *Discuss giving options—including planned giving vehicles—with your donor*. What giving vehicles will allow her to make a significant gift while maintaining the financial security she desires?

5. *Anticipate barriers—and determine ways to overcome them*. Work with your donor to address the barriers to her giving and provide solutions that answer her concerns and make her feel good about making a gift.

6. *Review philanthropic options pertinent to her unique situation*. When the best options for the donor have been identified, review them with her in-depth and answer questions she may have. Explain the advantages—and potential disadvantages—of the vehicles under consideration.

7. *Secure the gift*. Make it easy for the donor to follow through in finalizing her commitment.

8. *Provide spectacular stewardship of her gift*. Thank your donor and honor her gift. Stay in touch with your donor, informing her of the continuing impact of her generosity. As part of this effort, remain aware of what's going on in her life. Have life events occurred that would make another conversation about giving appropriate? Have changes in tax laws created a beneficial climate for considering another gift? Does she have additional interests that she would like to fulfill through her philanthropy?

Although much of this can simply be considered good major gifts work, keeping the particular circumstances of women donors in mind is vital to accomplishing these steps effectively—for the good of the donor and for the good of your program.

When developing an intentional strategy for working with women donors, it is essential for women to be well-represented on the board of the organization and in the volunteer leadership of capital campaigns, as well as in key staff positions. Many women donors with the ability to make significant gifts in capital campaigns will expect to be involved not only as donors but also in a volunteer leadership capacity. Even if they do not wish to be personally involved as volunteers, most will examine institutional information to determine if women have a significant leadership role—in both a volunteer and a staff capacity—because this is a key demonstration of an organization's commitment to women's philanthropy.

Measuring Impact

As Engle and Moline (2008) note, "Data is power. Gathering—and keeping—good data on your women's philanthropy initiative will allow you to prove your results, show how you're impacting the institution's bottom line, and make a case for how your organization's investment of human and financial resources is being used effectively in your women's giving program." They suggest that there are four key areas in which women's giving programs require particular monitoring and control effort. The data mentioned can also be used for benchmarking year-to-year progress and in undertaking comparisons of other organizations.

1. *Data*. Numbers to track include the following:
   - Total number of women in your organization's constituencies
   - Number of women donors
   - Total dollars given by women
   - Average total gifts from women (outright and deferred)
   - Couples' giving
   - Number of visits and solicitations of women prospects
   - Number of women attending events
   - Women's giving program newsletter responses and results
   - Number of women on staff, volunteer boards, and committees
2. *Organizational pulse*. Includes information gathered in the following ways:
   - Surveys of staff, volunteer, and donor attitudes regarding your women's giving program
   - A review of women's presence in the leadership of volunteer boards and groups
   - Focus groups on your women's giving program
3. *External drivers*. These include the following:
   - Informal feedback on your women's giving program
   - External studies and market research regarding women's giving programs
   - Other recent research that is relevant to women's philanthropy

4. *Results*. These focus on the following:
    - Increases in women's giving at your organization
    - Changes and trends in women's giving patterns at your organization
    - Coverage of women's giving in your organization's publications

Good record keeping allows the fundraiser to identify gaps in service delivery as well as to assess programs and measure their impact. Consistent collection of appropriate data is an essential component of building a sustainable women's philanthropy effort.

Summary

In this chapter we have examined the critical issue of women in philanthropy. Women are playing an increasingly prominent role in the sector, controlling an ever greater proportion of American wealth and giving much larger gifts to nonprofits than they ever have in the past. In this chapter we have explained how nonprofits can gear themselves up to take advantage of this opportunity, such as by giving appropriate consideration to some of the new ways in which women prefer to engage with philanthropy. In particular we have discussed the emerging role of women's funds, leadership councils, and giving circles.

The convergence of nonprofits seeking new resources to fulfill their mission and women with increasing gains in income and education who are also finding their voice as philanthropists will define the twenty-first century as the "age of women in philanthropy." Astute fundraisers recognize that gender matters in philanthropy just as it does in other facets of marketing and consumer spending. As they better understand the motives and characteristics of their women donors, they will become better able to develop more effective strategies for engaging them in the organization's mission and creating loyal donors for the long term.

Discussion Questions

1. Why are women an increasingly significant audience for fundraisers to address?
2. In your role as director of development for an international aid organization, prepare a case to your board for the development of a women's philanthropy initiative.

3. Suggest three to five ways that fundraisers can help women overcome internal barriers to giving.
4. Informally survey women you know in the generational cohorts identified earlier about their motivations for giving and about how they prefer to receive information from the nonprofits they support. What did you learn?
5. Appraise the marketing or fundraising materials of a nonprofit with which you are familiar. Would the materials be likely to appeal to women from the target generations? If not, what changes might have to be made to better address the target audience?

CHAPTER TWENTY-ONE

PUBLIC TRUST AND CONFIDENCE

By the end of this chapter you should be able to:

1. Understand why public trust and confidence is an issue of concern to fundraisers.
2. Define public trust and confidence and distinguish between the two terms.
3. Understand the drivers of trust and confidence in the nonprofit sector.
4. Understand the drivers of trust and confidence in a nonprofit organization.
5. Take steps within focal nonprofit to develop trust and confidence.
6. Understand the role of Form 990 in nonprofit reporting.

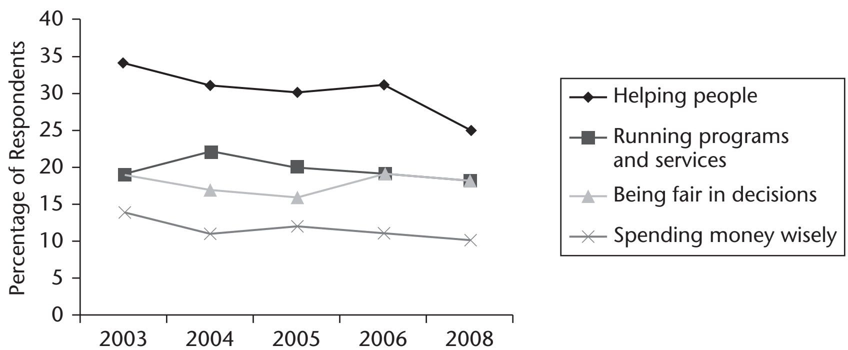
Public trust and confidence in the nonprofit sector is at an all-time low. Research from Paul Light (2008) of the Brookings Institution indicates that in the aftermath of the terrorist attacks of 9/11, confidence in charitable organizations dipped markedly. In 2002 only 13 percent of Americans indicated that they had a great deal of confidence in charitable organizations, down from 25 percent in July 2001, and the figure has remained remarkably static ever since. Light's data are reported in Table 21.1 and make for depressing reading. Over a third of American society now has "not too much" or "no confidence at all" in our nonprofits.

TABLE 21.1 CONFIDENCE IN CHARITABLE ORGANIZATIONS, 2002–2008

	Great Deal	Fair Amount	Not Too Much	None At All
March 2008	16	48	25	9
July 2006	20	49	20	9
July 2005	15	49	24	8
August 2004	15	50	20	9
January 2004	13	49	25	9
October 2003	18	45	27	7
September 2002	13	47	26	11

Source: Light, Paul. "Confidence in Charitable Organizations, 2002–2008" from "How Americans View Charities: A Report on Charitable Confidence, 2008." *Issues in Governance Studies,* Number 15. © 2008, the Brookings Institution. Reprinted with permission.

FIGURE 21.1. PERCENTAGE OF RESPONDENTS WHO THINK CHARITIES ARE DOING A VERY GOOD JOB



Source: "Percentage of Respondents Who Think Charities Are Doing a Very Good Job" from "How Americans View Charities: A Report on Charitable Confidence, 2008." *Issues in Governance Studies,* Number 15. © 2008, the Brookings Institution. Reprinted with permission.

The picture is perhaps even more depressing when one examines the attitudes underpinning these statistics. In Figure 21.1 we graph the percentages of American society who think that charities are doing a very good job of helping people, running programs, and so on. The numbers are low and again remarkably static over time. Particularly noteworthy in this graph is the marked decline in the percentage of people who believe nonprofits do a very good job of helping people, down from 34 percent in October 2003 to just 25 percent in March 2008.

The reasons for this poor pattern of performance are complex but are undoubtedly a function of the volume of well-publicized scandals. Following the terrorist attacks of 9/11, for example, many donors intended their donations to help the victims, yet the Red Cross funneled their donations to other operations (O'Keefe, 2002). The Red Cross was eventually forced to apologize and change the way it applied these funds (Light, 2008). Equally, the United Way of the Capital Area fell victim to financial mismanagement in 2002 when the CEO took $1.5 million in "questionable payments," including advances on salaries and other undocumented reimbursements. Some board members were apparently aware of the suspicious behavior but failed to alert the entire board or to correct the situation, and donations to the local charity were reported as falling by 60 percent as a consequence (Johnston, 2002).

Such events have a particular significance in the nonprofit context because although scandals in the commercial world tend to affect only the organization concerned, a scandal involving a nonprofit seems to bring into question the integrity of the sector as a whole. As Carson (2002, p. 2) notes, "Any breakage, spillage or theft that would be accepted as the normal cost of doing routine business for a for-profit or government agency is considered unacceptable for a nonprofit and proof of the entire sector's ineptitude."

It isn't entirely clear why this might be, but it seems that in the minds of the public, nonprofits share a collective identity. In this scenario the actions of one organization will have an impact on all organizations. To reinforce this point, a survey of nonprofits conducted by Coffman (2006) probed the factors that executives felt to be behind the decline in confidence. Her results are presented in Figure 21.2 and indicate that scandals, perceptions of excessive executive salaries, and a general misunderstanding of how nonprofits operate are all felt to have contributed to the decline.

Depressing though these figures may be, do low levels of public trust and confidence matter? Should they be a concern for fundraisers?

The evidence in this regard is an emphatic yes. This matters because trust lies at the heart of our relationship with our supporters and directly affects our ability to raise funds. Individuals who lack trust in the sector are significantly less likely to become donors whereas individuals who lack trust in a specific organization will not consider it for a gift or, if they are presently giving, may terminate their support (Sargeant, 2001). At a time

FIGURE 21.2. WHY CONFIDENCE HAS DECREASED

Participants who said that confidence has decreased identified the following reasons (respondents could select more than one reason):

Scandals in the sector	73%
People don't understand the complexity of the sector	48%
Nonprofit executives' salaries	45%
Low program ratios	12%
It's much easier to get information on nonprofits today	9%
Other	6%

Source: Coffman (2006). Reprinted with permission.

when there is evidence that the number of people supporting nonprofits is falling (Flannery, Harris, and Rhine, 2009), declining levels of trust and confidence should be a major cause for concern.

The balance of this chapter looks at what can and should be done to foster public trust and confidence by examining best practices from both within the United States and from other countries where similar issues have already been addressed. We begin by clarifying our use of terminology and exploring exactly what we mean by the terms *trust* and *confidence*.

Trust and Confidence

So far in this text we have used the terms *trust* and *confidence* interchangeably and with a notable lack of precision. As we demonstrate shortly, although many researchers and journalists regard the two terms as synonymous, this is actually inappropriate. Both trust and confidence have a role to play in facilitating public support of our sector, but the two terms are different and the mechanisms that bolster them are similarly distinctive and thus worthy of separate consideration.

To begin our discussion we should note that both trust and confidence do of course share much in common. They both involve beliefs about the likelihood of a given outcome. When we have trust and confidence in the nonprofit sector, we believe that the sector will deliver the outcomes it promises us as stakeholders and donors. When we have trust and confidence in an organization, we have similar beliefs about the behavior of the specific organization. Where trust and confidence differ lies in our basis for these beliefs.

Confidence is derived from the *knowledge* that one knows what to expect in a situation and that one has the ability to impose sanctions should this expectation not be met. As Shaw (1997, p. 24) argues, for example, "Confidence arises as a result of specific knowledge; it is built on reason and fact. In contrast, trust is based, in part, on faith." Similarly, Seligman (1998, p. 1) argues that "trust is distinguished from confidence in that the latter rests on knowledge of predictability of the alter's actions, while trust is necessary to maintain in the absence of such knowledge."

In a practical sense what both authors are saying is that donor confidence arises in situations where they perceive that they have a degree of control over how their monies will be used. As a donor to my local branch of the Salvation Army, I will have confidence in them if I am able to see *firsthand* the work they undertake in my local community and can therefore take action if it appears that my monies are not being used appropriately. My confidence can also be increased by the knowledge that others, such as regulators or watchdog groups, are undertaking that monitoring on my behalf. If I perceive that my local state officials, the IRS, and other regulatory agencies are actively policing the activities of the organization and will impose sanctions in the event of any wrongdoing, my level of confidence will be enhanced. Equally, if the organization has the Better Business Bureau's seal of approval I know I have some redress if it transpires that funds are being used inappropriately. In such circumstances I can complain and this status will be removed. The existence of the scheme therefore increases the probability that monies will be used appropriately and my confidence is enhanced as a result.

By contrast, trust is necessary where there is no basis for confidence. It is characterized by the need to take a "leap of faith" from what is known to what is unknown. Most donors are not in a position to check that their funds have been used in the manner in which the organization has promised they will be and must therefore rely on trust when they make or evaluate their giving decisions. Trust is *the* critical issue in the presence of risk, uncertainty, vulnerability, or the need to rely on the good faith of another (Mayer, Davis, and Schoorman, 1995).

Hosmer (1995, p. 393) defines trust as "the reliance by one person, group or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or . . . exchange." This definition works well in our sector. The majority of donors have to rely on the good faith of the organizations they support. They must trust that they will act appropriately and in a manner consistent with their mission. They must also trust that funds will be used as promised and not be squandered on unnecessary expenditures. Trust is therefore a critical concept for fundraisers to be aware of.

There is one final layer of complexity surrounding the definitions of *trust* and *confidence* and this is the need to distinguish trust in the sector from trust in the organization. We have already stressed that the former drives the percentage of society that supports nonprofits, and the latter drives the support of specific organizations. The factors that drive each of these forms of trust are very different, so we separate our discussion and begin by examining what drives trust in the nonprofit sector as a whole.

Building Trust in the Sector

Schlesinger, Mitchell, and Gray (2004) argue that there are three key causes of the decline of public trust in the nonprofit sector.

1. Mission Vagueness

Recent years have seen a blurring of the distinguishing role of nonprofits (Weisbrod, 1998). We are no longer clear about who we are. Increasingly, nonprofits and for-profits are providing similar services and can therefore appear very similar in terms of style and function. With enhanced levels of competition with for-profit firms and enhanced levels of contracting with government to provide services, the divide between the three sectors has blurred still further. As Carson (2002, p. 3) notes, "By whatever name is used: the nonprofit sector, the independent sector, the third sector, the non-governmental sector, the social sector or public benefit corporations, our sector is starting to lose touch with the American people. The fact that we can't agree on what to call ourselves underscores a larger problem that we aren't sure what we stand for and as a result no one else knows what we stand for. The questions that loom before us as a sector are: who are we and what do we stand for?" In Carson's view, until we have a clear answer to these questions, the American people won't be clear either. They won't understand exactly *what* they are being asked to trust.

2. Public Misunderstanding of the Sector

To compound our lack of identity, a high proportion of the public has a very old fashioned and idealistic view of what it means to be a nonprofit.

As Saxton (2004, pp. 188–189) notes, few members of the public understand:

- The size of the organizations they give to in terms of either the number of staff they employ or the income they generate
- The high degree of government funding that many fundraising nonprofits also receive
- The economics of fundraising, particularly the fact that most nonprofits lose money on their donor acquisition activity
- Who is and who is not paid in modern nonprofits
- Levels of fundraising and administration costs in relation to total costs

Saxton goes on to note that this gap between public understanding and the current nonprofit reality is not sustainable. "Because each time the public 'accidentally' bump into the reality of modern charities they are likely to be left more suspicious, more cynical, more wary and less supportive" (p. 189).

Changing public perceptions of the sector will not be easy and will require a sustained effort to explain and justify the current profile and performance of the sector. This isn't a task that organizations can tackle in isolation; it will require the sector as a whole to educate the public through all the communications it generates. It may have historically suited fundraisers to play down or gloss over the size, shape, scale, and sophistication of modern charities, but if trust in the sector is to be rebuilt, these difficult realities must collectively be communicated and addressed.

3. Inadequate Accountability

The third major factor is one we alluded to in Chapter Nine. Most U.S. nonprofits must file a variant of the Form 990 with the IRS each year. Some are also accountable at the state level and must file separate documents there too, but the common denominator remains the 990. It is hoped that the recent revisions to the form and the simplification of reporting procedures for smaller organizations will encourage more accurate reporting, but sector research has indicated that we have a long way to go. Unfortunately, many nonprofit organizations outright lie about their management and fundraising costs.

A study published by the Urban Institute's Center on Nonprofits and Philanthropy analyzed a sample of computerized returns from tax years 1997 and 1998 and concluded that 35 percent of nonprofits that received \$500,000 to \$1 million from private sources claimed to spend nothing on fundraising. So did nearly 30 percent of those with contributions between \$1 million and \$5 million, and nearly one-fourth of those with more than \$5 million in contributions (Rooney, Hager, and Pollak, 2003).

IRS rules for filling out such returns clearly state that all funds spent on solicitations must be reported. The percentage of charities that were confused by the rules or that deliberately skipped reporting any spending on fundraising has alarmed many sector commentators. Not only does it make some charities seem more efficient than they really are, but it also puts charities that report their expenses accurately at a disadvantage when competing for contributions.

There can be little doubt that we as a sector need to stop trying to hide the fact that it costs money to fundraise. As Greenfield (2000) notes, "Only when the public becomes aware of what it takes to raise money will they really appreciate what we do and be less wary of helping us defray expenses. That's not going to happen until all organizations accurately report all their costs." Particularly worrying is the trend toward claims on the part of nonprofits that "every cent goes to the cause." Authors such as Draper (2003) lay the blame for the current crisis in trust squarely at the door of organizations that make such claims and therefore create the illusion that it is actually possible for nonprofits to raise funds without spending money to do so. The *Los Angeles Times* proclaimed, "No administrative fees means all money goes to local charities" when it launched its 2002 holiday drive to raise funds for community services (Draper, 2003, p. 1). When the September 11th Fund was created by the New York Community Trust and the United Way of New York City, ads repeatedly emphasized that 100 percent of all donations would go directly to the victims of the terrorist attacks. The American Red Cross's Liberty Fund labeled its fundraising for the same purpose with a "100 percent goes to charity" banner, and there are countless other occasions when nonprofit organizations have similarly asserted this intention to focus *all* contributed resources on direct services or programs (Draper, 2003).

"In testimony before the Subcommittee on Oversight of the House Committee on Ways and Means, Joshua Gotbaum, CEO of the September 11th Fund, stated, 'every dollar raised by the September 11th Fund goes directly to grants to meet the needs of victims, their families and affected communities. We have raised all of the Fund's administrative costs separately.' Rather than take advantage of a teachable moment, we reinforced the public's misunderstanding that nonprofit activity doesn't cost anything and can be carried out for free" (Carson, 2002, p. 6). Carson's notion of a "teachable moment" warrants some elaboration. How many of these opportunities have we missed? Why should it be necessary to stress that every dollar will go to the cause? Is this really the best that these organizations can say about their work? Forget the value that will be delivered to the beneficiaries, the difference our intervention will make in their lives, or the range of individuals that can be helped. We're apparently not proud of any of this. The best such organizations can say is that they spend nothing on fundraising. Little wonder then that the sector is losing its identity.

Of course many of these organizations aren't saying it costs them nothing to fundraise. Their claim is more subtle and typically based on the fact that another donor has agreed to cover these costs. The fact that we have fundraised separately to cover these costs doesn't mean they don't exist, it just means we've been creative in our accounting (see Figure 21.3)

FIGURE 21.3. CREATIVE ACCOUNTING

"But under a different accounting convention..."

and run a "separate" campaign to raise funds for fundraising and administration. Why should this be necessary? If we persist in educating donors that fundraising should cost nothing to accomplish, there will come a time when they start to believe that this is indeed the case and will distrust organizations that report even modest expenditures.

As we demonstrate shortly, in other countries the fundraising profession has taken a stronger line on the acceptability of such claims than the professional bodies that represent fundraisers in the United States. We believe it is long past time for change. In an age when we should be building donor trust, it is no longer appropriate to claim or imply that any organization has zero costs of fundraising.

We leave the final word in this section to Carson. In seeking to build the public trust, he effectively summarizes our preceding discussion by arguing that the following steps are necessary (2002, p. 7):

> We need to acknowledge forthrightly the magnitude of the problem. Nonprofit and foundation membership organizations at both the national and local levels need to coordinate their efforts to present an accurate picture of the operational realities of the nonprofit sector.
>
> We need to respond quickly and aggressively to every media inaccuracy, misrepresentation or misunderstanding of the nonprofit sector whenever it occurs.
>
> We need public policy research that underscores the variety and differences among nonprofit organizations so that we forever debunk the one-size-fits-all romanticized view of the nonprofit sector that now exists.
>
> We need to actively engage with the state attorney generals about the changing nature of nonprofit organizations and what laws should apply to which activities.
>
> Most importantly we must affirm at every opportunity that the larger purpose of nonprofit organizations and foundations is to be social change agents. We must balance narrow self-interest with the larger purpose of fulfilling the common good. This will be difficult, require us to take risks and will not be universally accepted within or outside of the nonprofit sector.

We cannot allow the divide between public expectations and nonprofit sector realities to grow any larger. The time for the nonprofit sector to act is now.

Lessons from Across the Pond

Charities in the United Kingdom have been wrestling with many of the same issues. Three key initiatives have been launched by the sector there in an attempt to bolster public trust.

1. The ImpACT Coalition

The ImpACT Coalition is an initiative of a group of more than 130 U.K. charities, including Cancer Research UK, Oxfam, UNICEF, WWF-UK, and the British Red Cross. Members of the coalition agree to regularly promote six key messages in the course of their normal communication:

Theme 1: Charities are effective and do a great job.

Theme 2: To raise (more) money, charities have to spend money.

Theme 3: Charities use donations carefully and wisely.

Theme 4: Charities are highly regulated and adhere to a range of strict standards.

Theme 5: Charities work together.

Theme 6: Charities need the public's donations because they really do make a difference.

The coalition is also committed to promoting openness and transparency on the part of its membership and across the wider voluntary sector. More details can be found at http://www.impactcoalition.org.uk.

2. CharityFacts

CharityFacts (see Figure 21.4) is a Web-based initiative designed to improve public trust in the profession of fundraising. Its aim is to educate members of the public about the realities of modern charities, their fundraising costs, and the necessity of management overheads and administration.

All U.K. charities are encouraged to link to the site as part of a commitment to openness and transparency. Indeed, the United Kingdom's new National Occupational Standards for Fundraising explicitly require fundraisers looking to demonstrate competency in this domain to link their organization's Web site to http://www.charityfacts.org (UK Workforce Hub, 2008).

FIGURE 21.4. CHARITYFACTS WEB SITE

Source: http://www.charityfacts.org.

3. Introduction of a Code of Professional Practice for Openness and Transparency

The Institute of Fundraising (http://www.institute-of-fundraising.org.uk) is the leading professional body for individual fundraisers in the United Kingdom. It has codes of conduct that members must abide by for every major form of fundraising and has recently created a code for accountability and transparency. The code requires that members work to build trust in the sector by providing donors with a better understanding of how a modern charity works and what it means to be a charity. It requires members to use all marketing materials, including Web sites, publications, and broadcasts, to explain how the organization operates. It also states that members should consider producing information for all board members, staff, and volunteers so that they are suitably equipped to answer questions from stakeholders on topics such as the following:

1. Governance
2. Fundraising methods

3. Costs of fundraising and payments to fundraisers
4. Independence
5. Campaigning
6. Data protection (how personal data will be used)
7. Trading
8. Investment policies

It also requires that charities that state their costs of fundraising in communications should state how these fundraising costs are calculated or indicate where information on calculations may be obtained. Critically, in the Institute's view, "charities ought not to make statements such as 'all of your £1 goes direct to the cause' or 'our fundraising does not cost us anything' or imply that fundraising does not cost anything" (Institute of Fundraising, 2006, p. 6).

Growing Confidence in the Nonprofit Sector

In seeking to build confidence in the sector one is by definition seeking to create rules and regulations that provide donors with reassurance that their funds will be used in a particular way. If they are not reassured, these mechanisms allow for some form of sanction and redress. We consider two such mechanisms following: fundraising regulation and the role of watchdog groups.

The Regulation of Fundraising

Although the nonprofit sector in the United States has yet to take concerted action to build trust, state legislators have been much more active in their attempts to build confidence. More than thirty states and the District of Columbia now have laws requiring nonprofits that solicit contributions within the jurisdiction to register and report to a government authority, usually the attorney general or secretary of state.

Compliance with these laws is onerous because their exact requirements (and those of accompanying regulations) vary from state to state. In many states, separate regulation in this area is imposed by the ordinances of counties and cities. These statutes and ordinances involve a bewildering array of differing registration and reporting forms, due dates, and accounting standards, making a full compliance effort quite time-consuming. These statutes normally require any nonprofit that intends to solicit funds in the state to first secure permission from the appropriate authority to undertake the solicitation. Many states require that such permission be sought thirty days in advance of the solicitation. The applicant organization must submit extensive information about its purposes, directors, officers, finances, and fundraising methods, and may even be subject to investigation by state officials.

If such permission is granted, the nonprofit is typically issued a registration card or license and may sometimes be expected to pay a fee for the privilege. Permits are typically valid for only a year and documentation must be submitted in advance of its expiration to support renewal. It may also be necessary to file again if there is a material change in the information submitted with the original application (Smallwood and Levis, 1977).

State charitable solicitation acts normally require licensed organizations to file an annual report. This report would typically include a financial statement covering the preceding accounting period, prepared in conformance with appropriate accounting principles, as well as other information and data as the particular statute and regulations require. The annual report is due at varying times, sometime between thirty days and six months after the close of the accounting period or solicitation effort.

Once an organization is licensed or registered under a state's charitable solicitation statute, the documents it files with the enforcement agency (including the initial application and subsequent reports) are normally required to be open to public inspection. The organization is usually also obligated to maintain accurate and detailed books and records, which are open to inspection during business hours by representatives of the enforcement agency. Frequently the organization is also required to keep or file copies of any contracts between itself and professional fundraisers and professional solicitors, and such arrangements are frequently subject to further scrutiny.

Some state charitable solicitation acts impose a limit on the percentage of expenditures that may be allocated to fundraising. This is typically on the order of 15 to 30 percent and can create difficulties for a start-up organization. As we saw in an earlier chapter, most nonprofits actually lose money on donor recruitment activities—a fact that may prevent some organizations from raising funds for the first time in a handful of states.

Of course not all nonprofits are caught by state legislation. Many states have no interest in membership organizations that constrain fundraising activities to their own membership. Churches and other religious bodies may also be exempted, as may schools, universities, hospitals, and some arts organizations.

The penalty for infringement of such legislation is typically a fine and the infringement is regarded as a misdemeanor. Violations typically occur because of a failure to register. Many fundraisers remain blissfully ignorant of their obligations and can suffer accordingly. Violation can also occur where a nonprofit fails to comply with legal obligations connected with registration and in such cases will usually just be ordered to comply by the relevant state authority. For persistent or deliberate noncompliance, states can impose stiff penalties, including the potential for imprisonment.

Sadly there are a number of other bodies of law that nonprofits need to be aware of when raising funds. The argument could be made that some forms of fundraising should be regarded as business transactions. Nonprofits therefore need to give adequate consideration to the wording of the relevant statutes. Organizations regarded as trading will normally be required in some states to comply with registration and annual reporting requirements for that purpose too. Some jurisdictions may therefore require dual reporting.

Finally, Smallwood and Levis (1977) note, "An organization that has a 'deferred giving' program, in that it maintains contributions programs involving a pooled income fund and/or charitable remainder trusts, must satisfy the requirements of the securities laws in the states that regard interests in such gift vehicles as 'securities.' An organization that writes charitable gift annuity contracts may have to obtain a permit to do so in accordance with a state's insurance law and subsequently file annual statements. Also, a state's law prohibiting fraudulent practices may invest the state's officials with plenary investigative power over charitable groups."

It is unfortunate that such a diverse range of regulations now governs the activities of fundraisers. The requirements of one state can vary quite considerably from those of another. As a sector, we might well campaign for a standardized approach and the removal of unnecessary bureaucracy, but in the interim it is the obligation of fundraisers and their boards to identify and observe the relevant regulations. This is essential if public confidence in the sector is to be maintained.

The Role of Watchdog Groups

Since the summer of 2003, the Better Business Bureau's Wise Giving Alliance has offered national charities that meet its Standards for Charity Accountability the option of applying for the Bureau's national charity seal, which can be displayed both online and in the charity's solicitation materials. The seal provides the public with a clear, concise, and easily recognizable symbol that the charity adheres to the Alliance's standards. Only national charities that meet the standards are eligible to apply for the seal, and participation in the seal program requires a license agreement and the payment of a fee that is based on a sliding scale.

Such schemes are important because they bolster confidence in the sector. They drive up standards and reassure donors that their funds will be used appropriately and in accordance with best practice. From a fundraising perspective, however, we believe it is inappropriate for watchdog bodies to involve themselves in arbitrary benchmarks of what constitutes an acceptable fundraising performance or acceptable percentage of expenditure to allocate to this task, particularly when the 990 data on which such judgments are based are faulty. Putting aside inaccurate reporting, as we have already noted in Chapter Nine, there are perfectly legitimate reasons why performance will vary. The sector may be better served by an attempt to educate the public about the realities of these costs and about the questions to pose to organizations that exhibit what appear to be unusual patterns of performance.

The Better Business Bureau isn't alone in forming a view of what constitutes acceptable performance. Sites such as Charity Navigator (http://www.charitynavigator.org) attempt to do likewise. Charity Navigator offers to donors a service by which it analyzes the data reported in Form 990s by 501(c)(3) organizations and provides a rating to assist donors in making decisions about their giving (http://www.charitynavigator.org/index.cfm?bay5content.view&cpid535):

> We rate charities by evaluating two broad areas of financial health, their **organizational efficiency** and their **organizational capacity.** We use a set of financial ratios or performance categories to rate each of these two areas, and we issue an **overall rating** that combines the charity's performance in both areas. Our ratings show givers how efficiently we believe a charity will use their support today, and to what extent the charities are growing their programs and services over time. We provide these ratings so that givers can make intelligent giving decisions, and so that the philanthropic community can more effectively monitor itself.

Charity Navigator examines many aspects of performance. As an example, the scoring system for fundraising expenses is reported in Table 21.2. In light of our earlier discussion it is interesting to note that only one

TABLE 21.2 RATING OF FUNDRAISING EXPENSES BY CHARITY NAVIGATOR: PERCENTAGE OF TOTAL FUNCTIONAL EXPENSES SPENT ON FUNDRAISING (LOWER IS BETTER)

Converted score	10	7.5	5	2.5	0
General	0%–10%	10%–15%	15%–20%	20%–25%	> 25%
Public broadcasting and media	0%–15%	15%–20%	20%–30%	30%–35%	> 35%

Note: Public broadcasting and media: These charities use expensive air time to raise money, requiring higher investment in their fundraising efforts and thus raising fundraising costs. Among these charities, the median fundraising expenses percentage is 17.6 percent, compared to a median of 7.5 percent among all charities.

allowance is made for a variation in reported performance. As the reader will by now appreciate, this is an overly simplistic approach. More worrisome, however, is the notion that nonprofits that report no fundraising expenditure should be offered the top rating. It is these organizations (that report raising public funds) that do the sector the greatest disservice, and far from celebrating their creative accounting, we should be applying pressure to them to be open and honest in how they report. Confidence-based initiatives will be worthwhile only if they genuinely encourage best practice.

Building Trust in Organizations

The level of trust that a donor places in a nonprofit drives a number of specific behaviors. It increases the likelihood that a donation will be offered, the share of an individual's charitable wallet that will be donated to the focal nonprofit, and donor commitment and loyalty (Sargeant and Lee, 2004; Sargeant and Woodliffe, 2007). It is with good reason that Burnett (2002, p. 48) argues that "the overriding consideration (for fundraisers) should be to care for and develop that special bond and not to do anything that might jeopardize it."

So how can fundraisers build trust in their organization? The following drivers of trust are highlighted by Sargeant and Lee (2002, 2004):

Role competence. Nonprofits can build trust by demonstrating that they have the necessary skills, abilities, and knowledge to achieve their mission. Donors will still have to take a leap of faith that the outcome desired from their giving will be achieved, but that belief will be strengthened if they are convinced that the nonprofit has the requisite skills and resources to make this a reality. Fundraisers can routinely provide this information in newsletters, annual reports, and other communications.

Judgment. Trust will also be strengthened if the nonprofit is generally seen to be exhibiting good judgment in its operation. Although donors may not be able to assess directly the quality of care provided to beneficiaries, they can and do use their knowledge of how the organization behaves in other circumstances as a surrogate. Is the organization seen to behave appropriately and in a manner consistent with its values and ethics? Are the decisions made by the board reasonable given the mission of the organization? Again, fundraisers may provide a broad range of data about the quality of an organization's judgment in their fundraising communications.

Service quality. As one might expect, the quality of service provided to donors is also routinely used as a surrogate for the quality of service provided to the beneficiary. Donors who receive a high quality of service will tend to infer that the same will be true for beneficiaries, whereas donors who receive a poor standard of care are likely to reach the opposite conclusion. It is therefore important that the quality of service provided to donors be measured and that improvements to this be initiated over time.

Performance. The reported performance of the organization is also an issue. Although donors are typically not in a position to check the veracity of the claims made by an organization about the number of individuals it has aided, the improvements in quality of life that it has offered, and so on, it does help to provide donors with this information. The very act of providing feedback enhances the likelihood that trust will be forthcoming. It is also important to be completely honest about successes and failures. Organizations that are open about the challenges they face, the activities they need to improve in the future, and the lessons they have learned will gain considerably more trust than organizations that paint overly optimistic assessments of the organization's impact and pretend all is well. The difficulty with the latter approach is that bad news does eventually surface, at which point the impact on organizational trust will be devastating.

Building Confidence in Organizations

Relative to our earlier distinction between trust and confidence, organizations can also take steps to increase public confidence in what they do. Aside from complying with the law, nonprofits can also identify and subscribe to accreditations and codes of conduct appropriate to the services they provide. Many professions have established codes of conduct designed to reassure individuals that certain standards of care and professional practice will be maintained. Donors can be reassured by an organization's membership in such schemes that the desired impact on the beneficiary group will be accomplished.

The fundraising team can also subscribe to codes of conduct designed to reassure donors about the work the organization undertakes. Such codes reassure donors that the organization's promises will be met, and they offer access to sanctions should this prove not to be the case. The Association of Fundraising Professionals' Code of Ethical Principals and Standards and its Donor Bill of Rights, referred to in Chapter Three, are two such initiatives.

Critically, the organization might also provide supporters with greater control when things go wrong or are perceived to go wrong. The establishment of an appropriate complaints-handling scheme can be a highly effective confidence-boosting measure, particularly when it is established according to the principles of best practice and the organization is prepared to *genuinely* learn from the input it receives. Such a scheme may address service provision, establishing a means to address perceived deficiencies in the services that the nonprofit provides, or it may set up a means to handle disputes about the organization's fundraising. It is worth noting that in other countries that have established a self-regulation-of-fundraising scheme, membership routinely requires nonprofits to have a formal mechanism for handling complaints about fundraising.

Principles of Good Complaint Handling

Most complaint-handling schemes operate on a similar basis. Individuals are invited to complain and the department or individuals responsible for the issue being complained about are invited to respond. Some kind of investigation then ensues, followed by a judgment. The outcome of the complaint (if it is upheld) is then fed back to the relevant team so that changes can be made in their systems and procedures.

The British and Irish Ombudsman Association (2007) has produced an excellent document detailing the characteristics of effective schemes. They highlight seven fundamental principles:

1. *Clarity of purpose*. The principal aim of a scheme is to arrive at a just and proportionate judgment that brings closure for the complainant and the relevant team. The nonprofit thus needs to be clear about the scope of the scheme and the categories of complaint that will be considered.

It should also be clear how a complaint will be handled, about the processes that will be initiated, and about the timeline for reaching a decision. If there is a right of appeal, the nature of this provision should also be spelled out. The language used should be simple to read and any technical jargon should be avoided.

2. *Accessibility*. The existence of the scheme should be widely publicized, easily available, and free to use. Access to the scheme should be open to all, irrespective of an individual's personal situation, background, or ethnicity, which should present no barrier to bringing a complaint. In practical terms, conveying this information may involve an organization printing relevant materials in the commonly used languages of its supporter base.

3. *Flexibility*. Schemes should offer a degree of flexibility in responding to complaints. Many potential complainants may not be sure that the scheme can address their particular problems. They should be able to make initial contact to check this out in a variety of ways, including telephone, letter, fax, or e-mail.

4. *Openness and transparency*. A scheme is expected to have a policy of openness and transparency in relation to what it does, how it does it, and the results it achieves. This policy is fundamental to accountability. It enables a scheme to demonstrate fairness, which in turn reinforces public confidence.

5. *Proportionality*. In dealing with a complaint, all schemes will be faced with choices over the type of process to apply, the resources to devote to the task, and if appropriate, the particular form of redress to be considered. All of these elements should be proportional to the issue raised by the complainant.

6. *Efficiency*. A well-run scheme should be effective in building confidence and it should represent value for money for the organization. The nonprofit will have to consider each case on its merits and strive to reach a balanced and speedy resolution. In some cases this may require little more than providing helpful advice, reassurance, or an apology. In other cases it may mean resolving issues through discussion between the complainant and the fundraising team. Sometimes it may mean a lengthier investigation involving members of the nonprofit's board.

7. *Quality outcomes*. Quality outcomes should be achieved for the team or individuals against whom the complaint has been filed. It is important that complainants feel listened to, that they be given a clear explanation of what happened to them, and that their complaints be addressed in a fair and impartial way. In some cases it may not be possible to address all the concerns raised. If this is the case, it needs to be made clear to the

complainant that the issue is to be politely but firmly closed. The relevant team or members of staff or volunteers must also be heard and their concerns must be properly considered. In many cases a complaint will be investigated and these individuals will be found to have acted perfectly properly. This finding should be made clear to all parties. Where a complaint is judged to be justified, the lessons that can be learned must be fed back into the relevant procedures (or staff and volunteer training) so that the circumstances are not repeated.

The creation and management of a good complaint-handling scheme with visible and effective mechanisms for the nonprofit to learn from its mistakes and improve its professional practice will have positive impacts on the confidence that donors and other stakeholder groups have in the organization.

Summary

In this chapter we have explored the critical concepts of trust and confidence, drawing a distinction between the two terms. Confidence, we concluded, is a judgment based on the predictability of another's actions and can be bolstered by enhancing donors' perception of control over how their monies will be used. Adherence to legislation, regulation, and sector standards or accreditation schemes were all introduced as mechanisms with the potential to enhance public confidence.

Trust, by contrast, was introduced as a donor's reliance on the good faith of the organizations that he or she elects to support, or on the sector as a whole. This latter distinction was shown to be critical because the drivers of trust in the sector and trust in specific organizations are quite different. At the sector level, nonprofits need to do more to promote a common identity, manage public misconceptions about the sector, and demonstrate accountability. At the organizational level, fundraisers can address trust by ensuring that communications emphasize the good judgment, performance, and role competence of the organization. The quality of these communications was also highlighted.

Public trust and confidence in the sector are at an all-time low and all fundraisers have a duty to do what they can to rebuild the reputation of the sector. Doing so will likely increase participation in giving and benefit their own organization by enhancing the level of giving and levels of donor commitment and loyalty.

Discussion Questions

1. Look back at the work of Light (2008) reported in the introduction to this chapter. In light of our subsequent discussion of the distinction between trust and confidence, what do you believe this survey is actually measuring?
2. Attempts to build trust and confidence in giving have tended to focus on the latter (that is, confidence). What difficulties and barriers can you foresee in efforts designed to build public trust in the sector?
3. In your role as head of fundraising at a large conservation nonprofit, prepare a presentation to your board outlining why public trust in your organization is important. Outline too the steps you intend to take to build it.
4. As a member of the board of your local United Way it has come to your attention that your fundraising team has received a grant to cover the costs of their fundraising for the coming year. As a consequence, they intend to promote giving by stressing to donors that "every penny will now go to the cause." What action would you take?
5. Download and read the Standards for Charity Accountability developed by the Better Business Bureau (http://www.bbb.org/us/charity-standards). In light of your reading in this chapter, how would you evaluate these standards? What changes might you make to your own professional practice to bolster the accountability of your own organization?

CHAPTER TWENTY-TWO

THE SOCIAL ROLE OF FUNDRAISING

Richard B. Gunderman

By the end of this chapter you should be able to:

1. Appreciate the difference between avarice and generosity.
2. Describe the relationship between fundraising and philanthropy.
3. Contrast the implications of short-term and long-term perspectives in fundraising.
4. Reflect on fundraising's role in the promotion of human flourishing.

To thrive, fundraising needs to be situated in the larger context of philanthropy and the philanthropic impulse to relieve suffering and promote the flourishing of humankind. Likewise, if fundraisers are to thrive not only professionally but personally, it is important that they do more than merely collect donations. Their work should enhance the lives of recipient organizations and the communities and individuals they serve, as well as the lives of donors. To see how this might be possible, desirable, and practical, it is necessary to inquire more deeply into the nature of giving and the excellence of generosity. Do we need to give, and is generosity an essential element in the recipe for full and rich human lives? What would it mean, as a fundraiser, to see fundraising as a means to a larger end, the promotion of such lives?

The Role of Giving

To understand the role that giving plays in full and rich human lives, it is illuminating to consider the counter case, namely, what life looks like when it is devoted entirely to getting and keeping. If generous people are able to part with what they have when circumstances warrant it, then avaricious people find it very difficult to give up anything, at least when doing so is not calculated to produce greater gain, as in investment. In theory at least, the life of acquisition seems to have several features to recommend it. For one thing, avaricious people seem most likely to accumulate property, because they are always thinking in terms of how they can accumulate more. In addition, they seem least likely to fritter away what they have, because they give it up only reluctantly.

Misers

On closer inspection, there is much more to question in the life of avarice. One of the words we use to describe an avaricious person is *miser*. A miser is not someone who merely saves or accumulates. A miser is someone who lives to accumulate, who finds it very difficult to give away anything. Presented with a choice between giving to another and taking for self, the miser will by definition always take for self. Misers are not only selfish, but selfish to a fault. Their avarice reflects a pervasive self-centeredness and lack of concern for others. They are always thinking about what they possess, in effect measuring themselves by what they have, and necessarily regarding donation of any kind as a form of self-destruction. It is not just that giving appears undesirable to such a person. To them, giving is literally nonsensical, even unnatural, in the sense that it is utterly out of character.

Misers are not hopeful. They are always thinking about how bad things could get in the future and preparing themselves for the worst case scenario by storing up more and more. In this sense, they lead a relatively hopeless existence—hopeless not in the sense that they have no dreams but that their dreams tend to be bad ones whose realization they are continually attempting to forestall. In this sense, they lead an impoverished existence. They may be quite rich in material terms, but their lives are so devoid of hope and so dominated by fear of what might be that they find it very difficult to enjoy anything they have. Even in the midst of great wealth, they are dominated by a profound sense of scarcity, eaten away by a fear that they do not have enough. In this sense, the word *miser* is a perfectly appropriate base for our word *miserable*. Misers can never accumulate enough to secure themselves against the specters of their own imagination, and they live in a state of continual want.

Another fundamental problem with misers is their tendency to see the quantity of goods in the world as fixed. In order for them to have more, they believe, others must have less. Hence they are always coveting what others have and seeking for ways to make it their own. Because they see identity and wealth as profoundly intertwined, they naturally view others in terms of what they have. To come out ahead in transactions with others, and thereby get more than they have given, misers need to be keenly aware of what everything is worth, understood in terms of price. They know the price of everything but the value of nothing. As a result, they are always looking to take advantage of others and are ever on guard lest they be taken advantage of.

To borrow a metaphor from astronomy, misers are rather like human black holes. A black hole is the collapsed remnant of a supermassive star whose density and hence gravitational force are so great that even light itself cannot escape from it. Just as a black hole interacts with everything around it strictly on the basis of mass, sucking into itself everything its gravitational field can grab a hold of, so misers see everyone around them strictly in terms of their potential impact on the miser's wealth. Each person presents either an opportunity for gain or a threat of loss, and the miser's goal is to maximize the former and minimize the latter. In this view, requests for donation are not merely tiresome or irritating. They are literally threatening, or at least insulting. From the miser's point of view, being asked to give away money, however small the amount, is a bit like being asked to give up an ounce of flesh.

The Generous

Standing in stark contrast to misers are generous people, for whom giving is not only conceivable but natural. Any form of giving would pain the miser, and the mere prospect of donation could engender only resentment or fear. This same prospect would strike the generous person as hopeful, and he would find the act of giving enjoyable. What to the miser can seem only a threat strikes the giver as an opportunity, something in which to rejoice. Misers navigate by the signposts of profit and loss, always seeking to increase the ratio of income to expenses. By contrast, generous people navigate by a totally different marker, namely the difference their resources can make in the lives of others. To the miser, property is what it is, something to be hoarded and added to. The generous person sees property in terms of its transformative potential—its capacity, if used wisely, to enrich other individuals and whole communities of which givers themselves are a part.

Whereas the miser is very much alone in life, necessarily isolated from others by the tendency to treat everyone else as a means to self-enrichment, the generous person sees others as important in their own right. The interest in giving reflects an interest in humanity, a desire to see others prosper and flourish. Why else would anyone give willingly except out of an interest in helping others? The generous are with others and for others in two important respects. First, their psychological starting point is one of community, the sense that we are parts of a larger whole, the enrichment of which benefits not only recipient or only donor but both. Second, generous people are always on the lookout for such opportunities, assaying their lives by the difference their giving makes. A good day is not a day in which we have managed to extract as many riches as possible from those around us. A good day is defined by the enrichment we have helped to bring about.

The most dramatic example of a generous person is not someone who simply sells all possessions and gives the proceeds to the poor. The most dramatic case of generosity is the lover. A lover is someone who is devoted to the flourishing of another human being. Lovers do not want to possess their beloved. This would be an avaricious kind of love, which is not love at all. Lovers want to join with their beloved, to bind not only their property but their fortunes and their happiness with another, and to give their best to them. Misers are always very conscious of the boundaries that separate them from others, which distinguish between what belongs to them and what they merely wish belonged to them. By contrast, lovers are prepared and in fact eager to break down those boundaries, to "become one flesh." The ideal is not a renunciation of identity but the achievement of a higher form of identity by living with and for the other.

Human Flourishing

As miserliness represents a denial of our common humanity, so generosity represents its fulfillment. By giving we become more human, which in turn makes it more natural to give. Misers live as though they were going to live forever, as though they could take it all with them, as though those who die with the most win. In fact, however, we cannot take it with us, something even the shrewdest public policies on inheritance and charitable giving can do nothing to alter. Thinking that we are what we have, misers find death not only painful to contemplate but difficult to conceive of, and all the more so the more they have managed to store up. By contrast, generous people tend to see everything they have as a kind of loan, as something they will need to pay back—or at least relinquish, in any case. Hence they function less as owners than as stewards, seeking to make the most of what has been temporarily entrusted to them.

When ungenerous people contemplate giving, they tend to see others' needs in strictly material terms. Thinking that everything is about money, they regard neediness as a lack of money or the things that money can buy. In their eyes, because we are what we have, poverty would be defined by what people lack materially. Bellies are empty, bodies are unclothed, heads are uncovered, wounds are not bandaged. This is not to suggest that material wants are somehow unimportant. If, however, the ungenerous were somehow moved to do something about such wants, they would suppose that they had discharged their obligation merely by handing over a bag of food or clothing. By contrast, generous people are interested not merely in filling empty bellies or covering naked skin, but in caring for those so afflicted. Truly generous people are interested in building relationships, an attitude that profoundly shapes all of their giving.

Ungenerous people might be content to write a check or perhaps drive down the middle of the road tossing bags of food onto doorsteps, thinking that they are thereby completely discharging their charitable obligation. Generous people, by contrast, would want to get to know more about, and perhaps even get to know, the people they were helping. Generosity is not primarily a matter of refilling empty tanks. Generosity means taking an interest in—in fact, generosity arises from an interest taken in—helping other people grow and develop as human beings. This involves not only satisfying others but also challenging and energizing them to do and become more. In practical terms, it might involve meeting the hungry person and asking to show how to prepare a favorite dish. It might even mean encouraging the person to, in accepting a donation of food, invite a hungry neighbor into their home to share this very meal.

The Long View

Paternalism has acquired a bad reputation, and not just because of its apparent sexual bias. Even if we substitute a more gender-inclusive term such as *parentalism*, the notion that the donor is treating the recipient as a child strikes many as highly problematic. We live in an age that highly appraises autonomy and equality, and parentalism seems to undermine both. In fact, however, a parental perspective has much to recommend it. The desire of the generous not only to meet the needs of but also to invigorate those they seek to help can be understood as a form of parentalism. Some donors may see problems in a relatively short-term perspective, but parents at their best see the child in the infant, the adolescent in the child, and the fully mature and good adult human being in all. They are not only caring for the children's immediate needs but also helping to develop the children's capacities for the future. Parents not only want to raise up their children to their own level, they also want their offspring to surpass them.

In a sense, parents may operate with the deepest respect for autonomy. To be sure, there are some decisions they make for their children, when such decisions need to be made. If a small child begins to bolt out into the middle of the street, a parent will not seek to engage the child in a lengthy discourse over the pros and cons of such a course of action. Instead, the parent will immediately restrain the child to prevent serious injury. Then, perhaps, it is appropriate to offer lessons in safely crossing the street. However, the good parent is always operating with a view to who the child will be as an adult, developing the capacities of reflection and discernment that all human beings require to make their own way in the world. Faced with a child's persistent "Why?" every parent may resort from time to time to "because I said so." Yet the greater goal is to help children better understand how life unfolds so they can make good decisions for themselves.

To say that the generous operate from a long-term perspective is not to say that we want them to ignore the pressing needs of the day. When people are starving or dying of treatable illnesses, it would be inappropriate to devote all funding to research into food production or immunization programs that cannot produce results for a generation or more. On the other hand, the desire to minister to immediate needs may produce adverse long-term consequences that actually harm recipients. Slash-and-burn agriculture, a technique that permits soil to produce food for several years, over the long term leads to depletion of soil nutrients. It may also cause soil erosion, rendering the land useless for generations. Every community needs donors who can take a long view, seeking opportunities to meet the needs of both today and tomorrow, and seeing to the former in ways that do not undermine and, where possible, actually promote the latter.

Here philanthropy sometimes shoots itself in the foot. Especially today, donors tend to see their giving as a form of investment. Though expecting no direct financial return for themselves, they want their giving to pay off. If one recipient organization seems to be performing poorly, they may reallocate their giving. This is why, for example, research organizations are so keen to tout the multiplier effect of every dollar donated to their organization, as in "From every private dollar flowing into our seed grant program we grow seven dollars in government funding." It is quite natural that donors want to ensure that their gifts are not being wasted. In our laudable zest to assess the outcomes of philanthropic work, however, we sometimes adopt an excessively myopic perspective. In expecting every grantseeking organization to prove that it is accomplishing something today, we may prevent it from doing something better tomorrow.

Suppose fundraisers, swept up in a wave of enthusiasm for outcomes measurement, begin to feel as though they need to prove to donors that their organization is doing good work within eighteen months of receiving funding. Where the issues being addressed can be handled in this short time frame, short-term outcomes measures may be perfectly appropriate. But what if the problem will take five years, or ten years, or even a whole generation of effort before meaningful results will begin to emerge? In this case, a bias toward a relatively short-term perspective may lead to underfunding, or even to complete lack of funding, for vitally important initiatives. For example, the promotion of biodiversity and sustainability may require us to look beyond the size of the next harvest. In this situation, generosity requires patience, and we need fundraisers who are willing and able to make the case for long-term giving.

Priorities

If fundraisers are to promote generosity and human flourishing in their communities, it is important that they avoid becoming a servile class, the equivalent of philanthropic mercenaries. When fundraising success is assayed strictly in terms of dollars, there is an inevitable tendency to deprofessionalize the field and its practitioners, as all values except money gradually erode away. In such a scenario, the quality of a clergyperson's work would be measured by the amount of money in the collection plate at the end of the service, and physicians could be regarded as businesspersons whose product happens to be health care. Whole institutions, such as hospitals and universities, might begin to act as though they were selling themselves to the highest bidder. It is said that a reporter once asked bank robber Willie Sutton why he preyed on banks. His answer: "That's where the money is" (Sutton, 1976). The question ceases to be, "How can we do our best to relieve suffering and promote flourishing?" and becomes instead, "Where is the money, and what must we do to get it?"

Such an attitude is always problematic because it reflects a misordering of professional and personal priorities. A professional is not someone who brings in a lot of money. Professionals serve a higher purpose, promoting the goods of individuals and whole communities. When tensions arise between self-interest and the good of someone in need, the professional is expected to put the good of the other first. No one would admire a clergyperson who pressured elderly people to donate their life savings to meet a fundraising goal, or a surgeon who removed a patient's gallbladder in order to make a boat payment.

Do we measure giving in our families, our communities, and our nation strictly or primarily in terms of the size of the checks we write every year? If so, then we are complicit in the deprofessionalization of fundraising and the undermining of a deeper, richer, and ultimately more fruitful conception of philanthropy. Morally speaking, this puts fundraisers in the same camp as corporate CEOs who focus strictly on the financial performance of their firm. They may talk about promoting the interests of workers, customers, and neighbors, but all they really care about is profits. What are the moral implications for any business in saying that the organization exists solely to maximize its own profits or the compensation it provides its managers? What impact would such an attitude have, over the long term, on the organization's stakeholders? Is avarice, though bad for individuals, somehow good for corporations?

If business schools, corporate cultures, and institutional incentive schemes foment avaricious attitudes, they are contributing to the erosion of goodness at both the personal and communal levels. Some investigators have suggested that the study of economics attracts selfish people, and even that studying economics makes students more selfish (Frey and Meier, 2005). Is this a surprise if the rational choice theories and utility functions of economics are defined in terms of self-interest? Readers of Adam Smith, author of *The Wealth of Nations* (1776/1981) but also of *The Theory of Moral Sentiments* (1759/1982), will know that such an account of economics is highly problematic. A certain kind of self-interest can be a useful spur to innovation and industry, but it is neither the sole nor the best source of human conduct. If a devotion to mere moneymaking is an inadequate basis for human conduct in the for-profit sphere, how much more inadequate will it prove to be in the nonprofit sphere, which eschews the profit motive?

Mercenary servility cannot be the rallying cry of a community of fundraising professionals. We cannot in good conscience fill our days with requests that people give us their money if we ourselves appraise everything we do in terms of the amount of money it generates. Fundraising professionals cannot simply go "where the money is." We need to focus less on the inputs to our organizations and more on their outputs. University presidents and hospital chief executives should be assessed less in terms of the amount of money they are raising and more in terms of the quality of service their institutions are providing. Is the university providing a great education? Is the hospital providing great patient care? What impact are we having on the lives of students and patients? Fundraising is an important means to assist such organizations in their quest for excellence, but fundraising is the means, not the mission.

There is a difference between a great university president and a great fundraiser, and we must guard against the tendency to transform the former into the latter. When the first question the board of trustees asks the chief executive is, "What have you done for the endowment lately?" the university as a university is in trouble, because it suggests that raising funds is job one. This suggests in turn that the university itself is a business whose principal mission is to produce and accumulate wealth. The university ceases to be an educational institution that needs to operate according to sound business practices and becomes instead a money-making enterprise whose product happens to be education. If we mistakenly suppose that money is the highest and best good in human life, then this may not seem problematic. When that happens, however, we will have crossed the line that separates generosity from avarice.

Do we hire, promote, and reward fundraisers on the basis of their receipts? Is our calculus of human relations reducible to two factors: the amount prospective donors are capable of giving and the probability that they will make a gift? Do we respect people by how much they have given, assigning them to gold, silver, and bronze classes according to the absolute size of their most recent gifts? Are we in fact striking bargains with givers, auctioning away prestige and the trappings of goodwill to the highest bidder? Do we care about potential donors until they have made their gift, and then find our interest in them waning? If so, then whatever we are promoting, it is not generosity. To extol the virtue of generosity while secretly seeking to extract as much money as possible from as many donors as possible is to be guilty of hypocrisy.

Fundraisers' Dreams

Suppose our wildest dreams were realized. What would our community look like? Would all our neighbors give everything they have to support our cause and, in particular, our organization? Would, for example, people stop donating to other causes, such as hunger relief, cancer research, and education, and instead funnel every dollar to ours? Should every dollar donated to our cause flow into our particular organization? Is our organization, however noble and unassailable, so important that it should suck up every charitable contribution, or even so important that people should be giving as much as they possibly can, and perhaps then some, to support it? What if every dollar donated to our cause is a dollar that cannot flow to some other worthy cause, and what if every dollar that flows to our organization is a dollar that some other organization doing good work will be forced to do without? The point is not that fundraising is a zero-sum game. The point is that such insatiability would be a manifestation of avarice.

When was the last time we got to know a prospective donor's philanthropic aspirations sufficiently well that we could see that the donor would be better served by donating to some other cause or organization? When was the last time that, having realized this, we actually advised them to do so and offered to help them go about it? Mercenary fundraisers would never do such a thing, because they assess their work strictly in terms of the amount of money they have raised. They do not really care about the degree of correspondence, the quality of the fit, between the donor's aspirations and the recipient organization's mission. They care only about the size of the check. In fact, they would be happy to trim the organization's mission to the suit the donor's fashion. If a prospective donor wants to found a business school, then we will start a business school. If the donor wants to fund cancer research, then we will build a cancer research pavilion. We go where the money is.

This attitude does not require fundraisers to regard a prospective donor's priorities as an inviolable trust that cannot be tampered with or influenced in any way. Some prospective donors have not carefully identified and prioritized their philanthropic interests. If generosity is to flourish, it is important for fundraisers to function in part as educators, encouraging and helping donors to understand better who they are, what they really care about, and how they can best go about making the difference they hope to make. What needs do donors perceive as most pressing, and what impact do they aim for their gift to have today, next year, and a generation from now? If the whole conversation revolves strictly around the needs of the recipient, then donors are being deprived of an opportunity to develop and express the excellence of generosity by putting their distinctive resources to work for the benefit of others.

Another problem with focusing on money, and in particular on the amount of money raised, is the fact that it overly esteems monetary donation at the expense of other forms of giving. People do not make a difference strictly by writing checks. In addition to providing treasure, people can lend their talents and time to projects they believe in, and often make a far bigger difference. Too many people in the field of philanthropy merely pay lip service to the importance of volunteerism. They see it is a necessary evil, a form of donor education that they must put up with in order to garner greater monetary gifts. They proudly trumpet volunteerism in their promotional materials, but secretly cringe every time they think about initiating another group of volunteers. This attitude betrays a fundamental lack of interest in the people involved, seeing them only as pockets to be picked.

The monetization of philanthropy is a profound threat and one that fundraising professionals need to be mindful of. We simply cannot assay philanthropy by the amount of money changing hands. For one thing, the money may be doing more harm than good. It may, for example, fund an organization whose very mission runs counter to the common good, such as a group that promotes hatred. It may also go toward an incompetent organization, one that wastes most or all of the funds that flow into it. And even if an organization makes good use of its funding for the public good, there still may be more important work to be done that cannot be measured in dollars. Volunteers leading youth organizations, tutoring in schools, teaching crafts or music in retirement homes, caring for sick relatives or neighbors—these are all worthy forms of generosity that deserve our respect and approbation no less than a check that funds a charitable organization's overhead costs.

Summary

Like all moral excellences, generosity is about the fulfillment of human potential, the expression in word and deed of a goodness that is beneficial to both recipient and donor, and a beautiful sight to behold. It is not something any of us can do for someone else. Nor can we merely pretend to pursue it while really doing something else. There are no free riders in the sphere of moral excellence. Our excellence consists not in what we seem to be or do but in what we really are and really do. Fundraising presents an opportunity to enrich human lives by enabling us to be and do our best in the sphere of giving. If fundraisers take this responsibility seriously and seek to realize its full significance, we can help others promote human flourishing and thereby make a real difference ourselves. To do so, however, we must pause from time to time to reflect and remind ourselves what fundraising is really all about.

Discussion Questions

1. Do you know avaricious and generous people? What are their impacts on the lives of others and their communities?
2. Suppose your grandest ambitions were achieved. How would the worlds of fundraising and philanthropy be different?
3. In what ways should education be a central part of your mission as a fundraiser?
4. Can you think of cases in which fundraising actually harmed an individual, an organization, or a community?

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