

# 2007 State of the Nonprofit Industry — Nonprofit Professionals Share How Their Organisations Are Dealing With Key Issues

## introduction

Today's nonprofit organisations face unprecedented challenges: an increased need to retain current donors, having a unified database that contains all information on donors and other constituents, a greater demand for performance metrics, an ever-increasing interest in the Internet, and building relationships top the list. Although some nonprofit organisations are leading the way in establishing best practices in these areas, others don't know where to begin or how they compare to their peers.

## about the survey

In September 2007, Blackbaud Pacific launched its third annual State of the Asia Pacific Nonprofit Industry Survey. The goal of the survey is to provide an overview of critical information that helps nonprofit organisations better benchmark their operations.

The results of the survey provide information on three key areas deemed vital to the management of a successful nonprofit organisation:

1. General Operations
2. Using the Internet
3. Accountability and Stewardship

The survey was widely distributed throughout the nonprofit community, including Blackbaud clients, via industry newsletters and targeted emails. More than 200 respondents participated in the survey. Because it was administered online, it is important to take into account this sampling bias.

## survey results

### General Operations

Nonprofit organisations have been growing steadily. According to the results of this year's survey, overall staffing levels, revenues, and income from charitable donations have risen from 2005 and 2006. Nonprofit organisations continue to be optimistic about the growth in the industry.

#### **Human Resources**

- ◆ In recent years, more nonprofit organisations have been reporting an increase their staff numbers with a strong trend toward hiring major gift officers and Internet/web employees.

#### **Fundraising Methods**

- ◆ Direct mail and one-on-one solicitation of major donors are still the top fundraising methods for most nonprofit organisations as it brings more donation dollars.

#### **Communication Methods**

- ◆ 68% of the respondents are using mail to communicate with their donors, a further reduction from last year.
- ◆ The portion using email to communicate with donors has increased by 5% from 2006 (7%) to 2007 (12%).

## Using the Internet

We have seen growth in the use of the Internet over recent years. An increasing number of nonprofit organisations are using the Internet to communicate with their donors and fundraise online.

- ◆ 64% of the respondents have indicated communication with their donors over the web and through email is important to their organisation.
- ◆ A majority of the nonprofit organisations surveyed said they use their website to market their organisation/educate the public about their organisations' missions.
- ◆ Fundraising, email, and team/event fundraising are the most common online tools used by nonprofit organisations in their Internet strategy.
- ◆ 59% of respondents indicated that online fundraising is part of their Internet strategy, which is an increase from 40% in 2005.

Even though online fundraising in the Asia-Pacific region is still at an early stage and accounts for only a small percentage of total revenues generated for nonprofit organisations, it is growing at a fast pace and catching up with the general public's online behaviours.

## Accountability and Stewardship

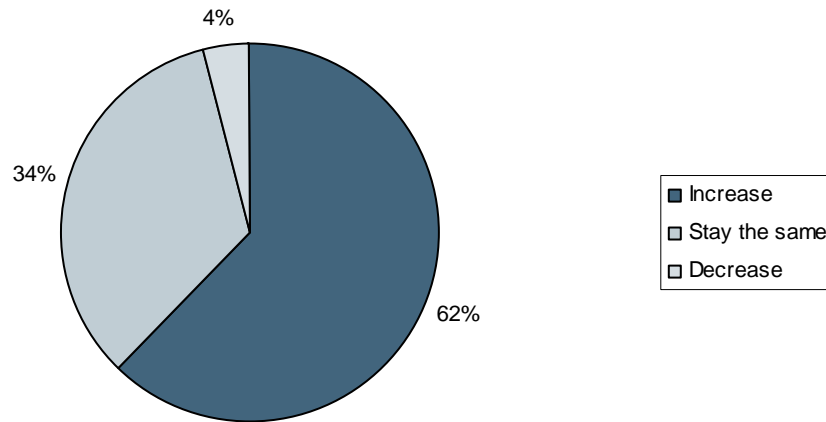
Nonprofit organisations report that they perceive a boost in donor confidence. They report that in 2007, donors were less likely to restrict their gifts, allowing the nonprofit organisations the freedom to utilise the funds in areas where they feel it's most needed.

- ◆ 31% of the respondents indicate they are seeing a demand from donors asking to be updated on how their contributions are spent, which is an 8% decrease from 2006. This suggests that the increase in 2006 might have resulted in some of the bad press around the destination of tsunami funds at the end of 2005 and the beginning of 2006; still, it appears that donors want to be involved.
- ◆ Compared to 2005 and 2006, fewer people have indicated they have seen an increase in demand from donors asking to restrict their contributions for certain purposes.

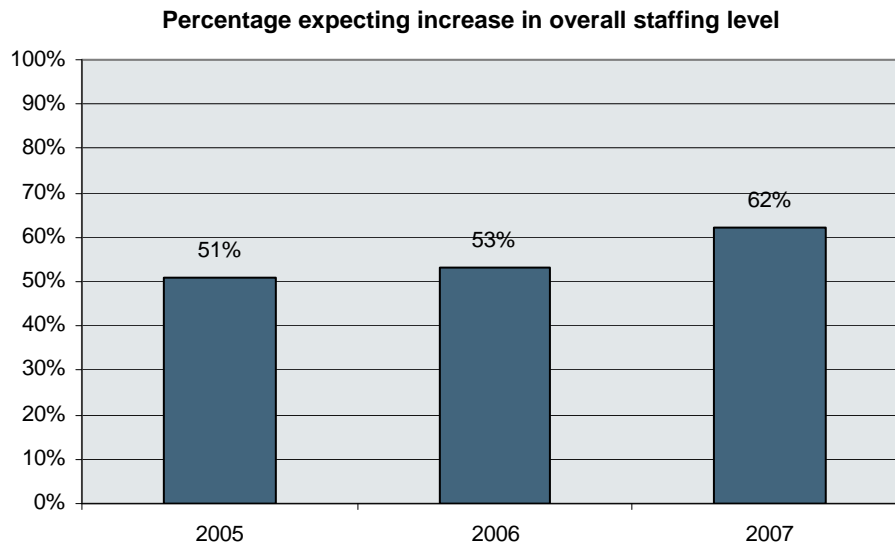
survey results

General Operations

How do you expect your overall staffing level to change next year compared to this year?

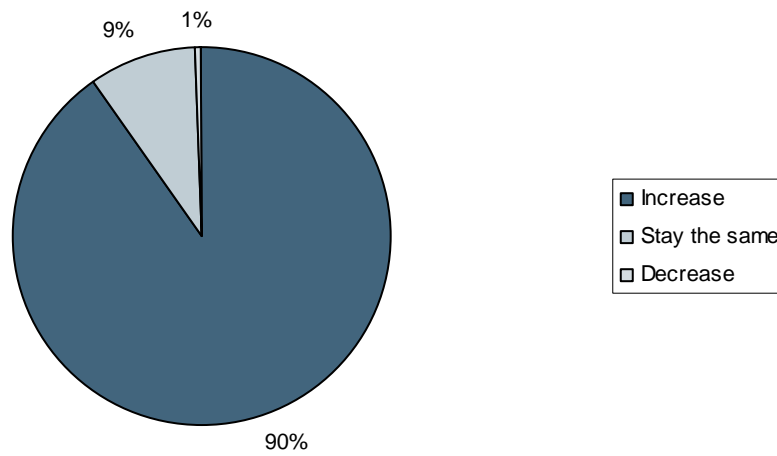


62% of the respondents expect their staffing levels to increase in the next year, which is an 11% rise from the 2005 survey results.

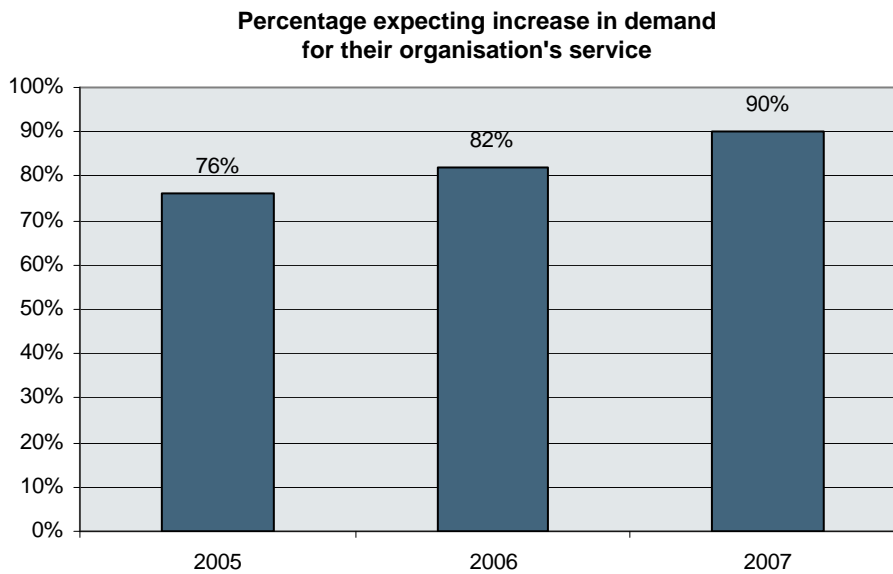


Similar to the last three years, the nonprofit sector continues to predict growth in staffing levels.

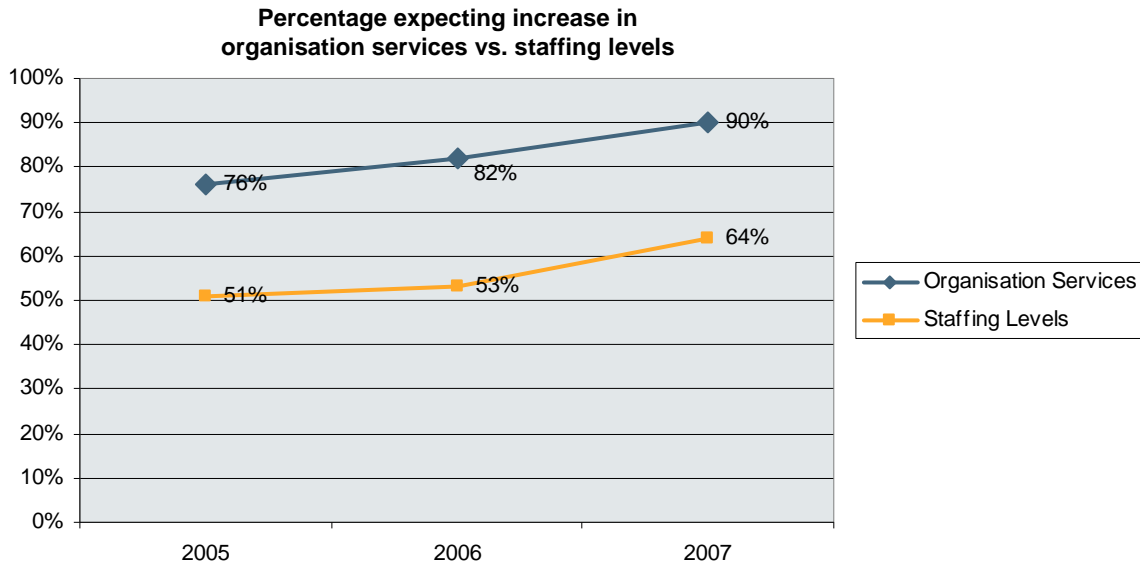
How do you expect demand for your organisation's services to change next year compared to this year?



90% of the respondents indicated that they are expecting a growth in the demand for their organisation's services next year.

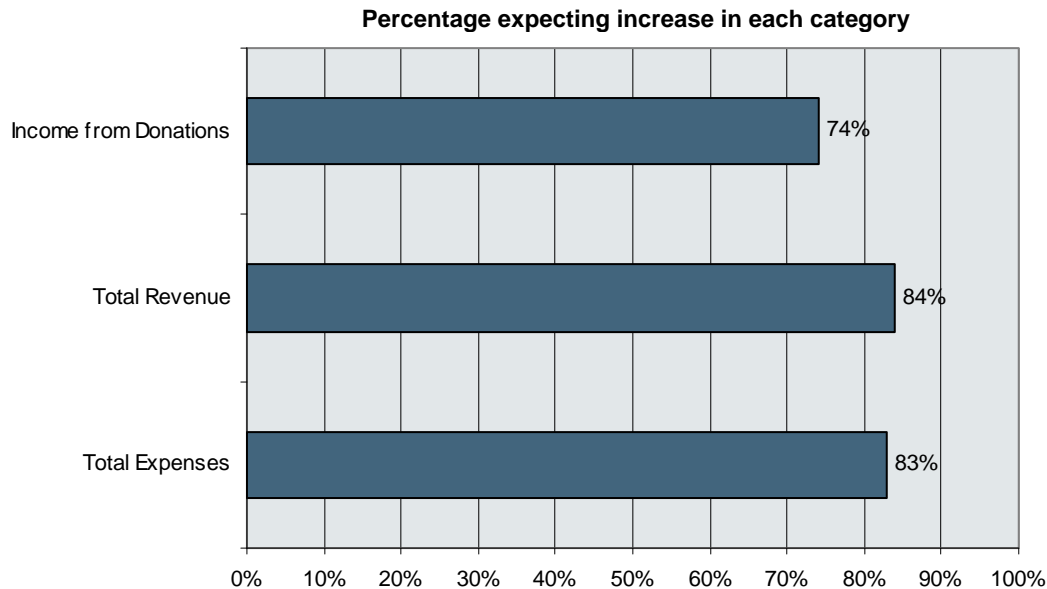


The growth in the demand for organisations' services from 2005 to 2006 has continued in 2007.



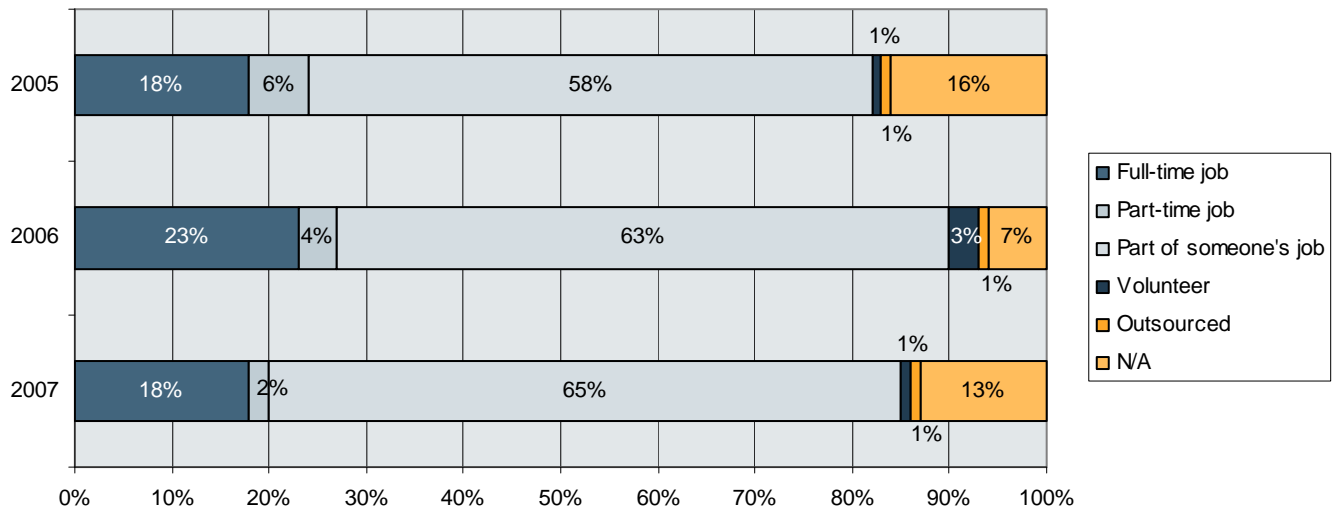
The percentage of respondents that stated staffing increases is growing at a higher rate than those claiming increased demand for their services. The percentage of respondents who stated staffing increases has been growing at a compound annual growth rate of 12% per year, versus 9% growth in those stating an increased demand for the organisation's services.

**How do you expect total expenses, total revenue, and income from donations to change next year compared to this year?**



With only data from 2007, the percentage of the responses on total revenue and expenses appear to be increasing in sync.

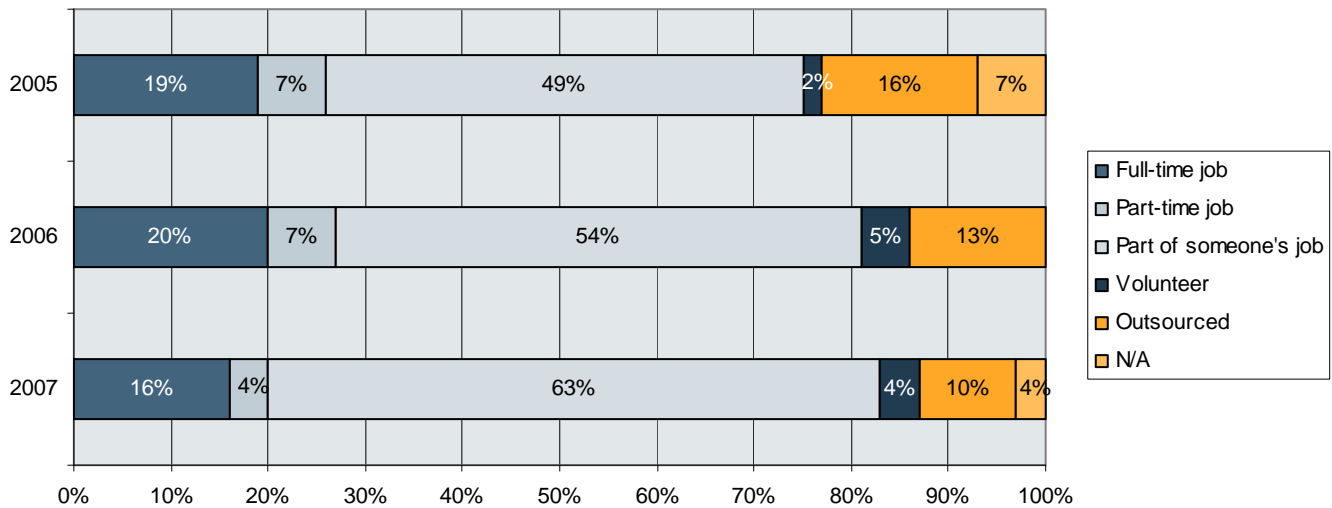
**How is the major gift functional area represented in your organisation?**



There has been an increase from 82% to 85% since 2005 in the number of respondent who indicated they have a paid major gift functional area, which indicates a focus on major giving within the nonprofit industry.

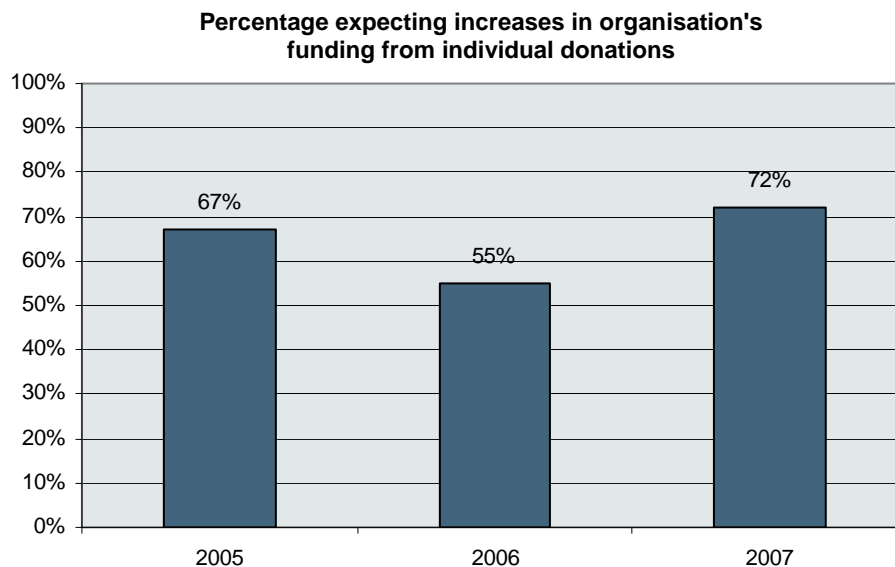
Looking at the three years of statistics, in 2006, 86% of the respondents indicated they have a paid internal major gift functional area, which is a significant increase from 2005. This sudden change in 2006 might have been caused by the Asian tsunami.

**How are the Internet/web functional areas represented in your organisation?**



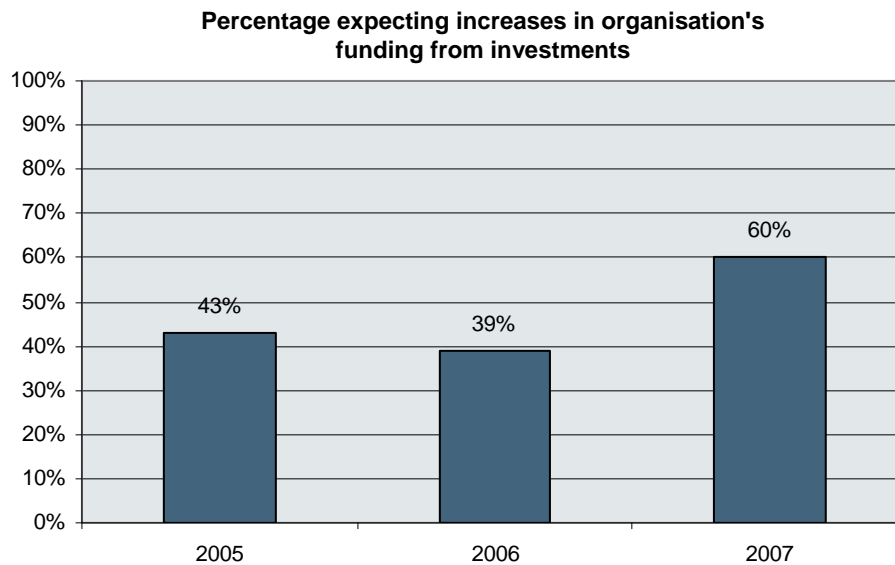
Although there has been a continuing increase in the Internet/web functional areas since 2005, more respondents indicated this year that their Internet/web functional area is part of someone’s job as opposed to a completely separate job function. This might suggest that as the Internet is becoming more user friendly and part of our daily lives, most of the employees are familiar with its functions; therefore the Internet/web function can be done by either a marketing or data/computer system manager.

**How do you expect your organisation’s funding from individual donations to change this year compared to last year?**



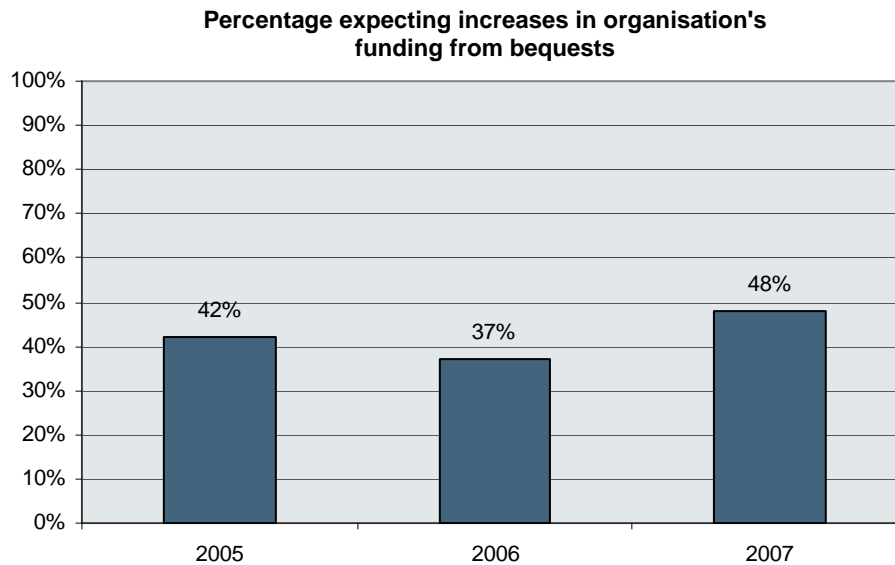
72% of the respondents indicated that there has been an increase in individual donations this year.

**How do you expect your organisation's funding from investments to change this year compared to last year?**



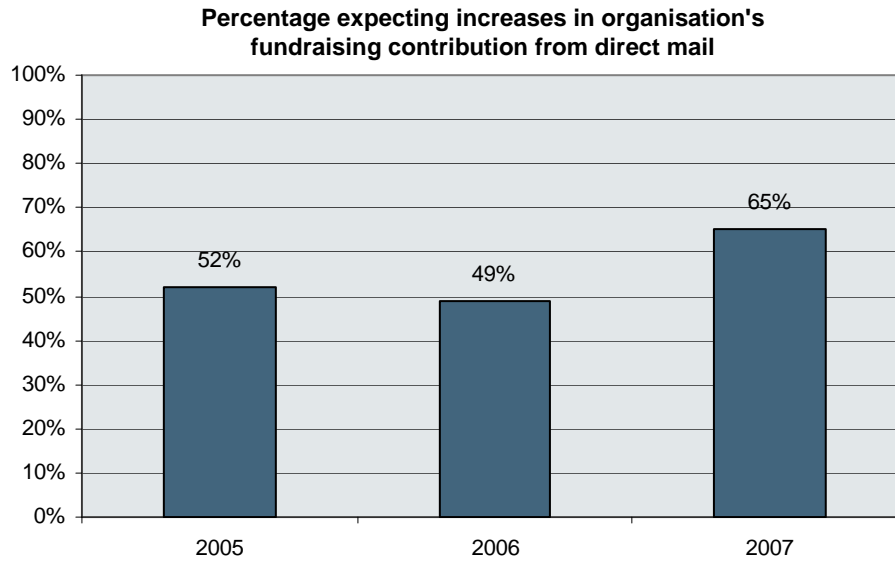
60% of the respondents indicated that there has been an increase in investments this year, which is a 54% jump from 2006. This might suggest that this year, nonprofit organisations have either built their endowments or they're more optimistic about the stock market or other investment performance.

**How do you expect your organisation's funding from bequests to change this year compared to last year?**



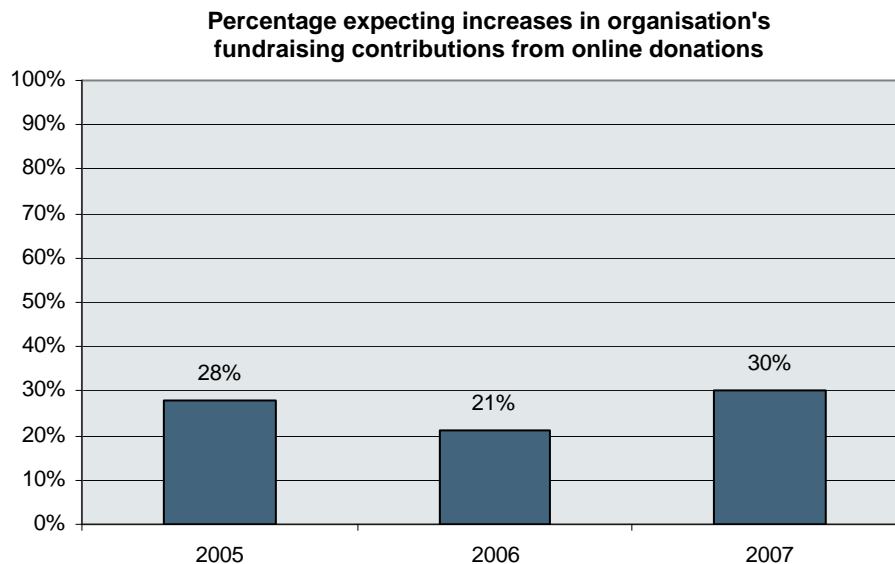
There has been a 30% increase in bequests this year from 2006.

**How do you expect your organisation's fundraising contributions from direct mail to change this year compared to last year?**



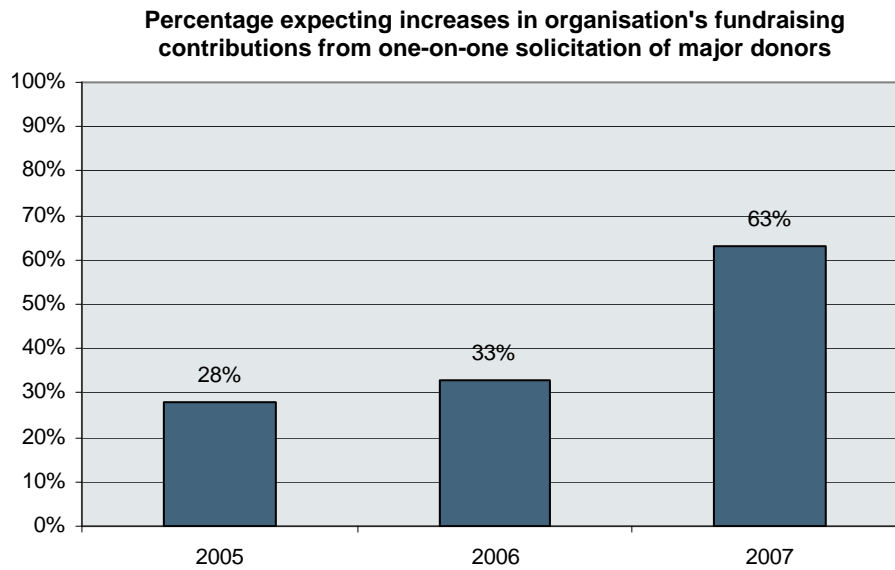
65% of the respondents indicated that they expect fundraising contributions from direct mail to increase this year compared to 2006.

**How do you expect your organisation's fundraising contributions from online donations to change this year compared to last year?**



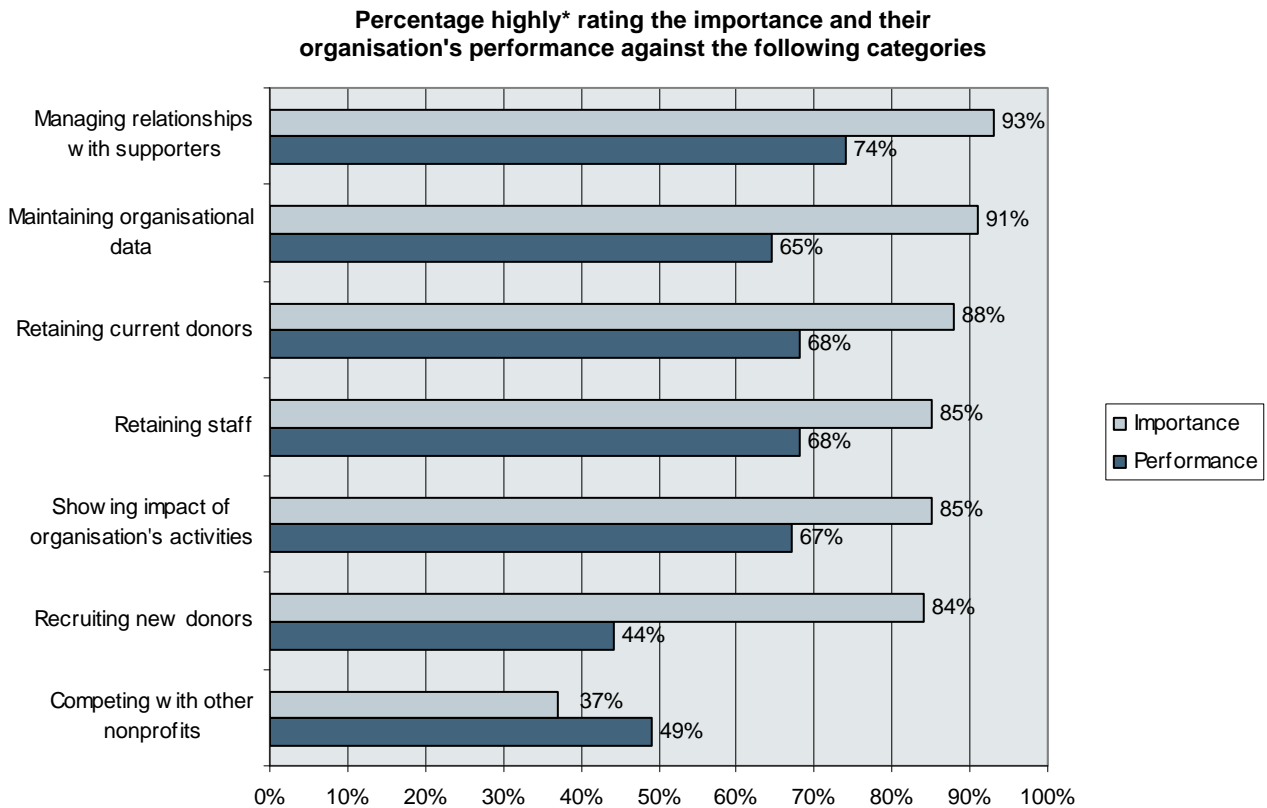
There has been a slight increase in online donations this year compared to 2005 and 2006.

**How do you expect your organisation's fundraising contributions from one-on-one solicitation of major donors to change this year compared to last year?**



There has been significant growth in number of respondents expecting an increase in one-on-one solicitation for major gifts. This might suggest that nonprofit organisations have been putting more resources into major donors, thus they are expecting growth.

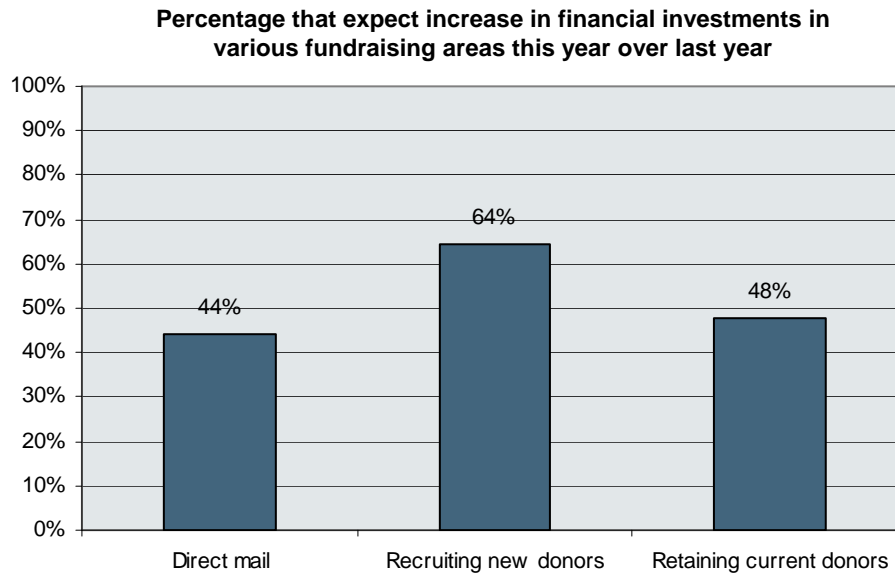
**How do you rate the importance and your organisation’s performance against the following?**



The majority of respondents have indicated that retaining current donors and managing relationships with supporters are extremely important to their organisations. And most of the organisations have been performing well in those two areas. However fewer organisations are performing well in recruiting new donors, which indicates most of nonprofit organisations are facing challenges when it comes to getting new donors.

*\*Note that performance is defined as 'very good' or 'good' and importance is 1 or 2 on scale of 1 – 5.*

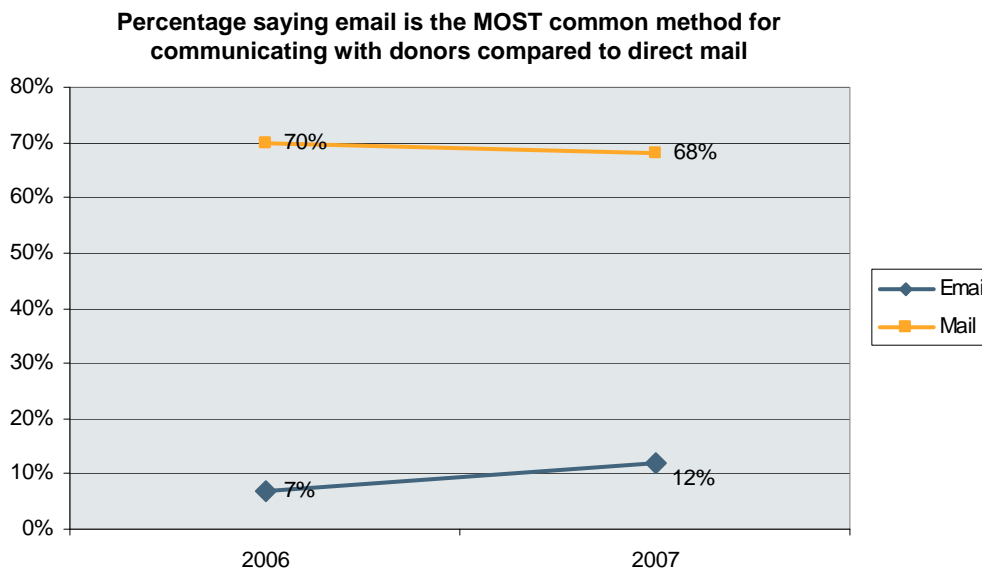
**How do you expect your organisation's financial investments in fundraising to change this year compared to last year?**



More than half of the respondents have indicated they are increasing investments in recruiting new donors this year. In 2005 and 2006, new donor acquisition was the challenge and investment area.

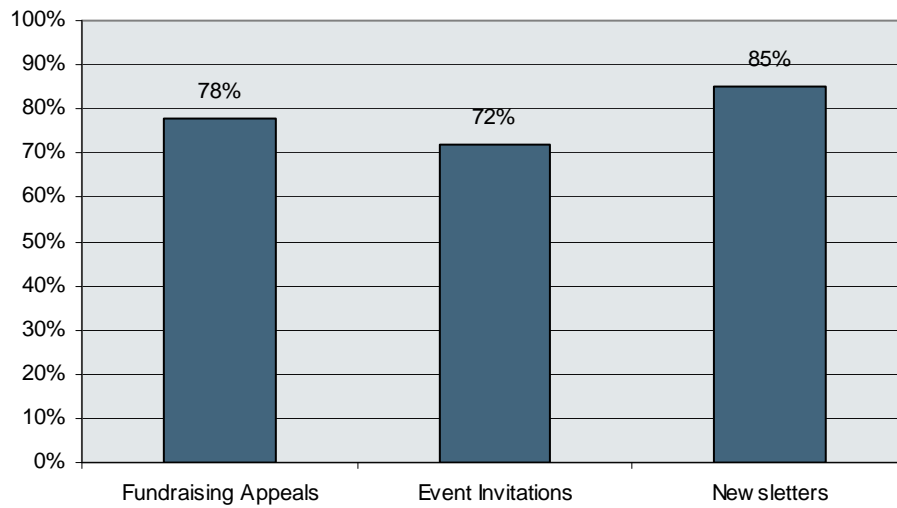
The two data sets above suggest that organisations believe they perform well at retention but continue to channel resources toward donor acquisition.

**How does your organisation most commonly communicate with your donors?**



The growth in email is faster than the decline in traditional mail, supporting the concept of email being part of a multi-channel approach rather than replacing mail.

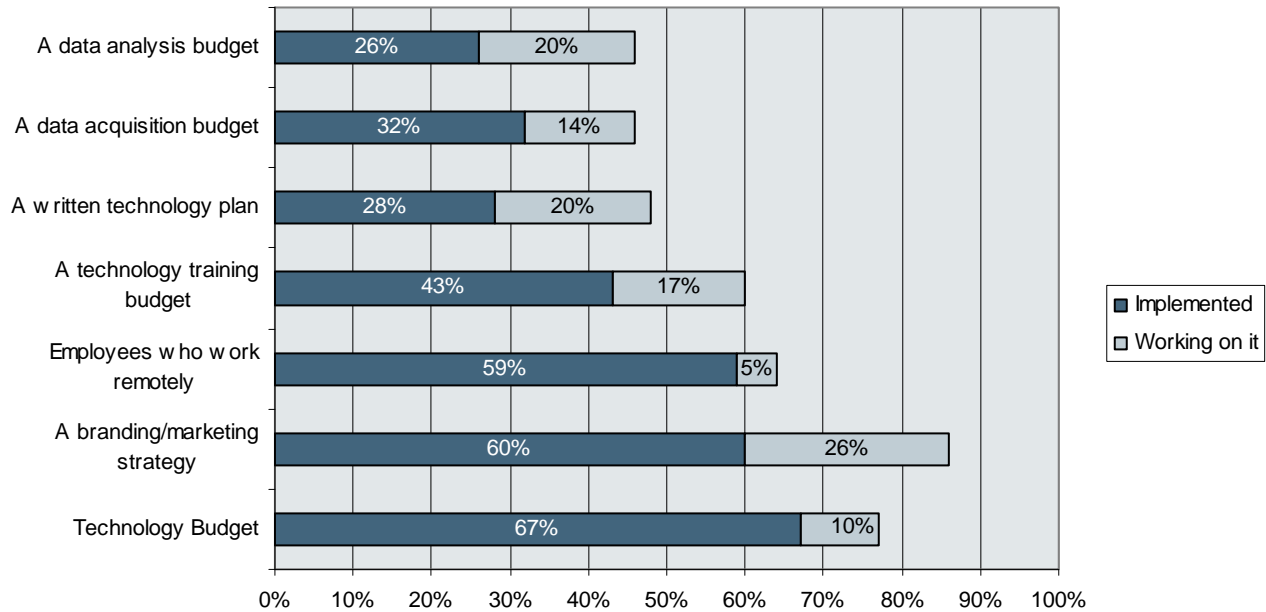
**For what types of communication does your organisation use direct mail?**



Direct mail is most commonly used for newsletters, fundraising appeals, and event invitations.

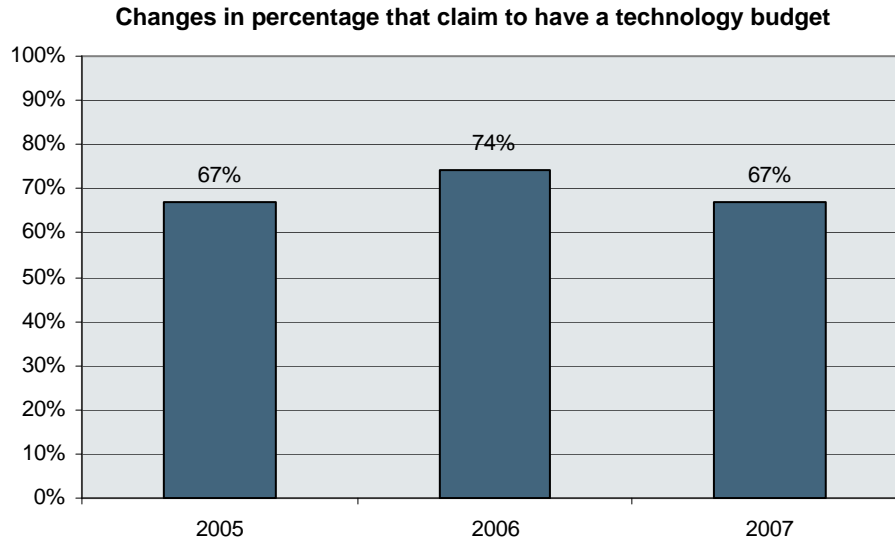
## Using the Internet

Does your organisation have the following?



The majority of nonprofit organisations have a technology budget; however, not many of them have a written technology plan.

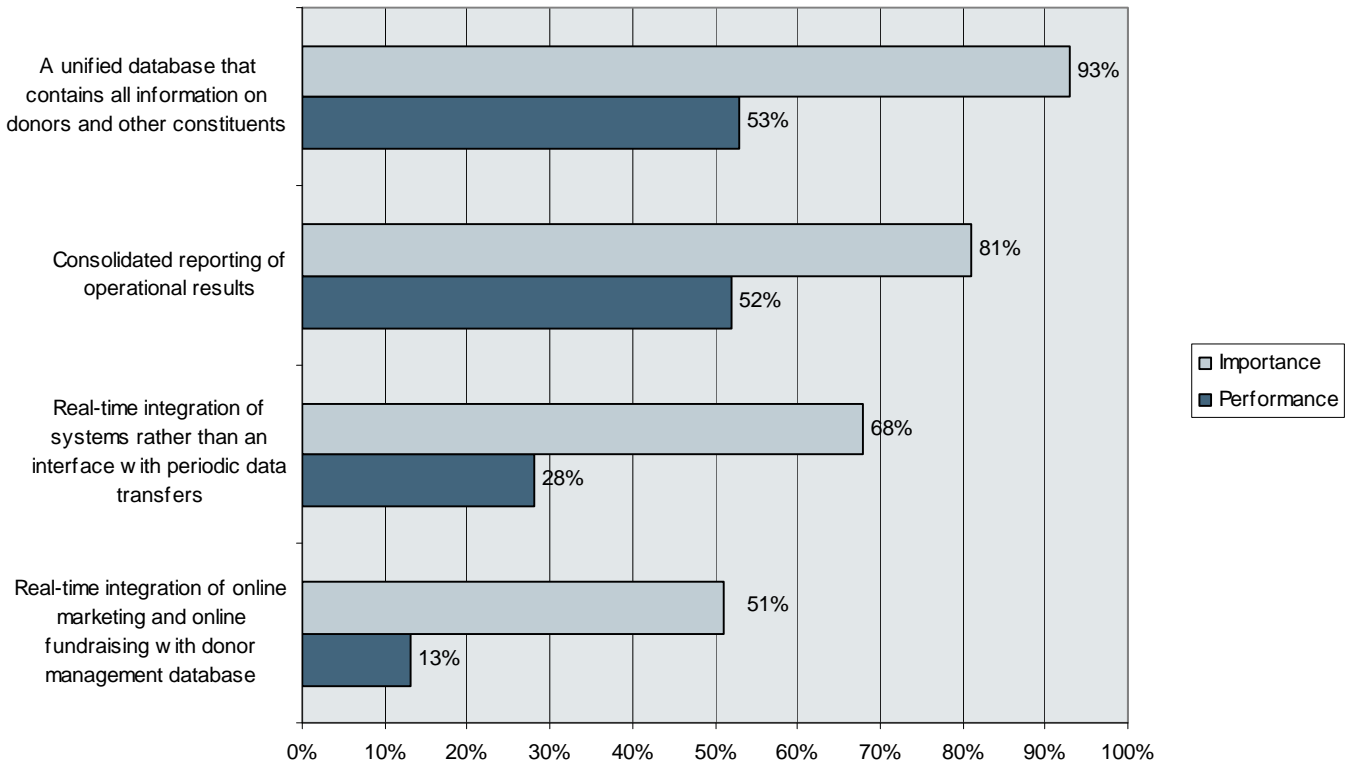
In the previous section, a majority of the respondents have indicated donor acquisition and retention is very important to their organisation; however, in this graph, data acquisition and analysis are poorly represented, contradicting the growth in donor acquisition and retention. It might indicate that nonprofit organisations are still new to the data acquisition and analysis tools; therefore, they are taking their time to get implemented.



A technology budget formally exists in approximately two thirds of nonprofit organisations.

**How important to your organisation's operations are the following? How would you rate your organisation's performance for each?**

**Percentage highly\* rating the importance and their organisation's performance against the following categories**

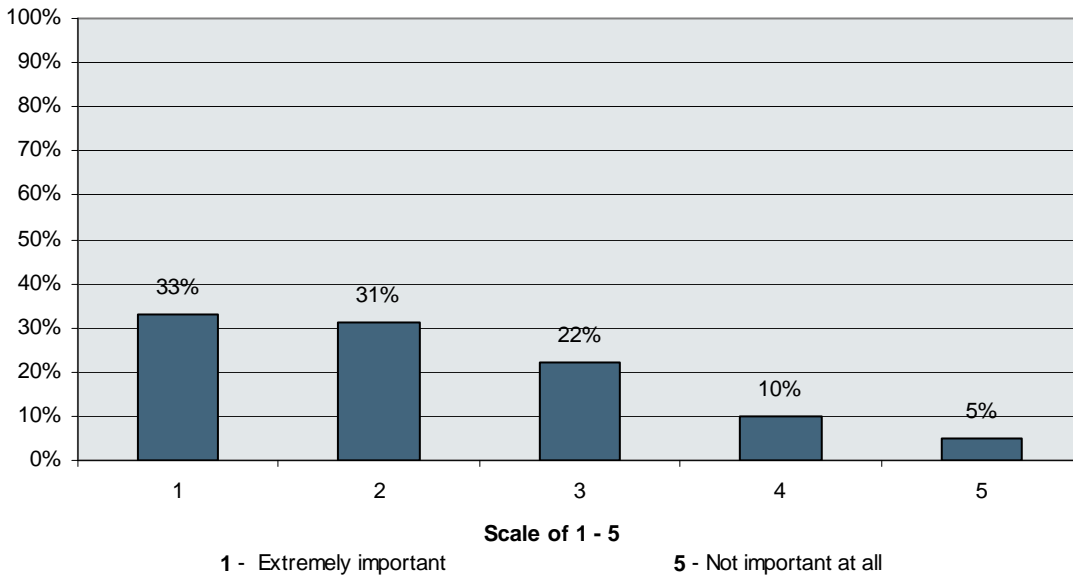


Although 93% of the respondents have indicated a unified database that contains all information on donors is important to them, only 53% of the respondents claim to be performing well against this objective. This also shows that silos of data still likely exist in many organisations.

Also, nearly half of the respondents indicated real-time integration of online marketing and online fundraising with a donor management database is important, however only a minority of the respondents are doing well. As online donations continue to increase, it is likely that website integration with databases will also increase.

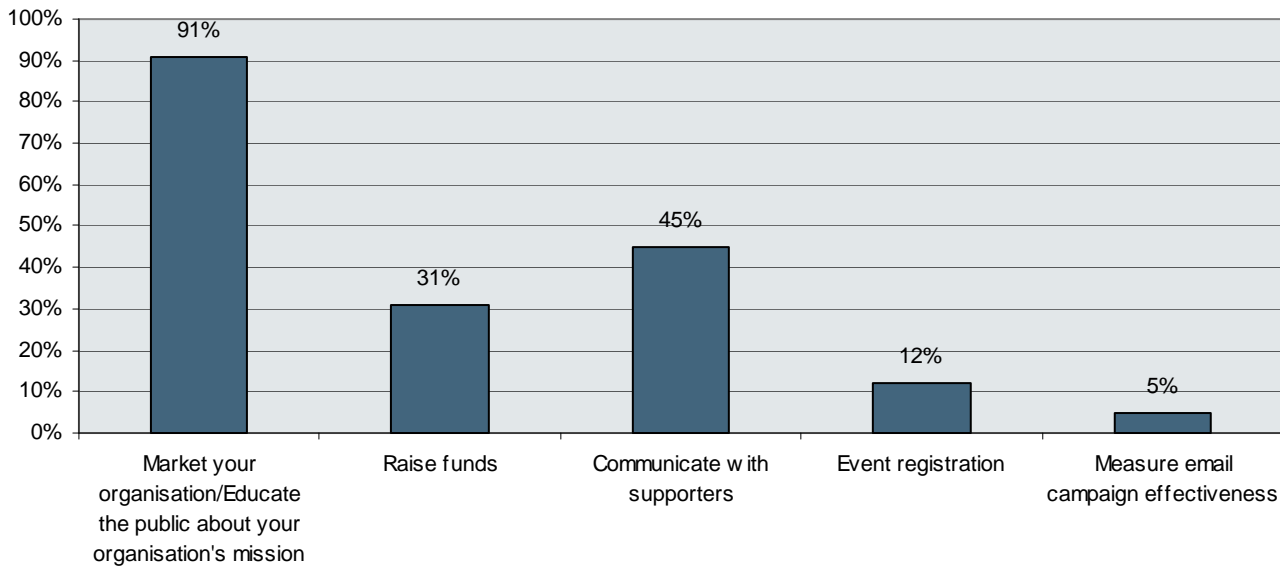
*\*Note that performance is defined as 'very good' or 'good' and Importance is 1 or 2 on scale of 1 – 5.*

**How important is communication with your donors and other constituents over the web and through email?**



Approximately two-thirds of the respondents have indicated communication with their donors and other constituents over the web and through email are important or extremely important.

**What is the primary purpose of your organisation's website?**



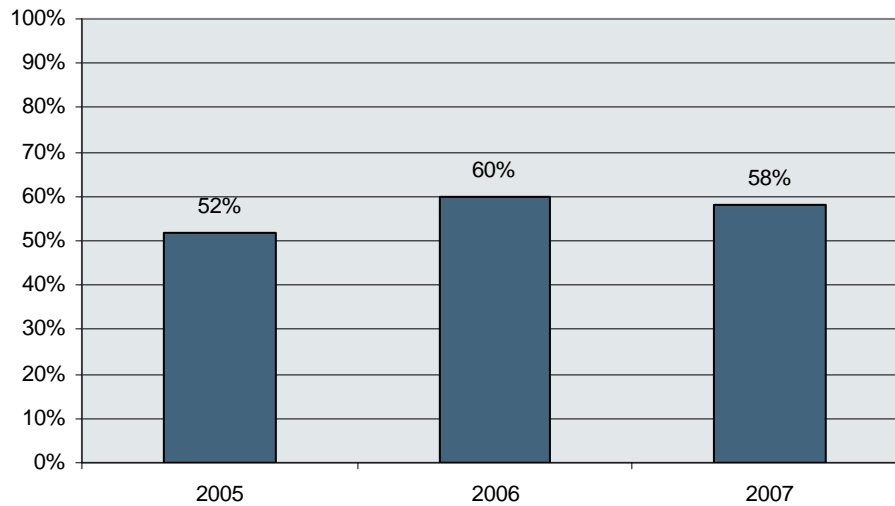
Most nonprofit organisations use their website to serve the purpose of marketing their organisation and educating the public about their organisation's mission.

**Do you use the following online tools in your organisation’s Internet strategy?**

The most dominant tools that nonprofit organisations use are:

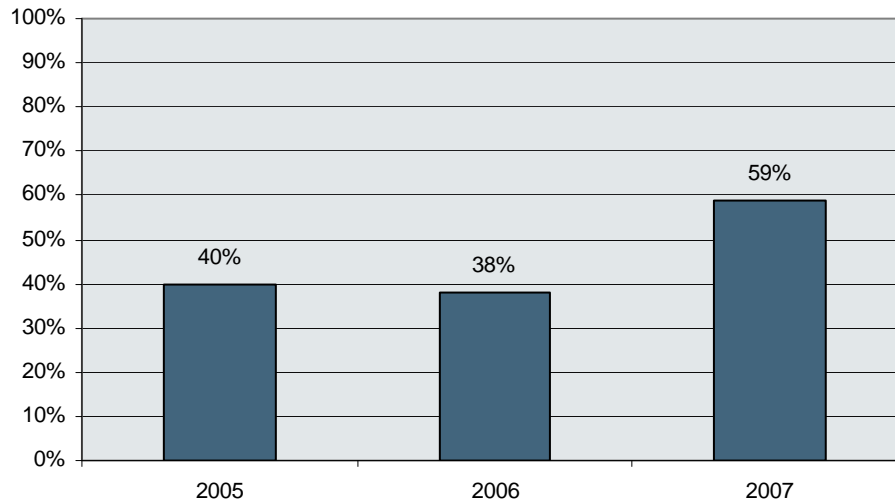
- ♦ Email
- ♦ Fundraising
- ♦ Electronic newsletters
- ♦ Group fundraising (team/event fundraising)

**Percentage representing organisations that use electronic newsletters as an online tool in their Internet strategies**



For the previous years, nonprofit organisations have indicated electronic newsletters are very important as an online tool, and this year, more than half of the respondents are using electronic newsletters as a way to communicate to their donors and supporters.

**Percentage representing organisations that use Online fundraising in their Internet strategies**



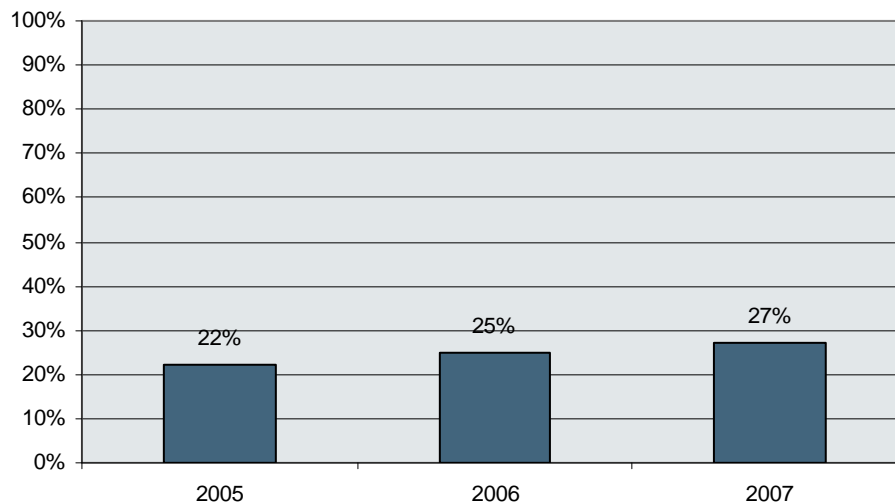
Since 2005 and 2006, there has been a significant growth in nonprofit organisations using fundraising as a strong tool in their organisation’s Internet strategy.\*

**\*Editor’s Note:**

A useful reference on online fundraising as an acquisition tool is available at:

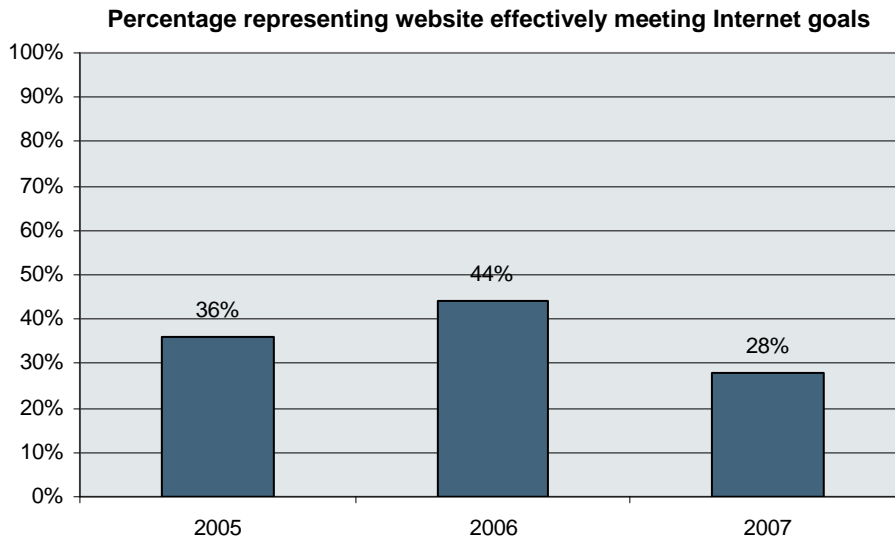
<http://www.targetanalysis.com/home.php>

**Percentage representing organisations that use group/team fundraising as an online tool in their Internet strategies**



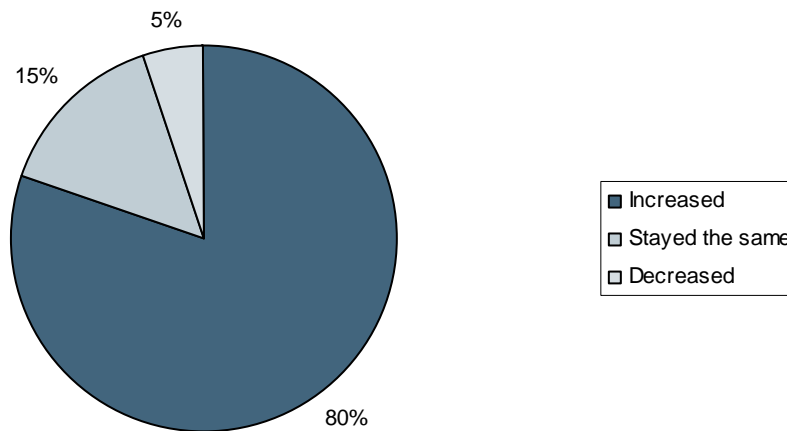
There has been a slow growth for group/team fundraising in 2005 and 2006; around 25% of the respondents have indicated that group/team fundraising is an important online tool for their Internet strategy. This year, 27% of the respondents are using group/team fundraising as part of online strategy.

**How effective is your organisation’s website at meeting your organisation’s strategic Internet goals?**



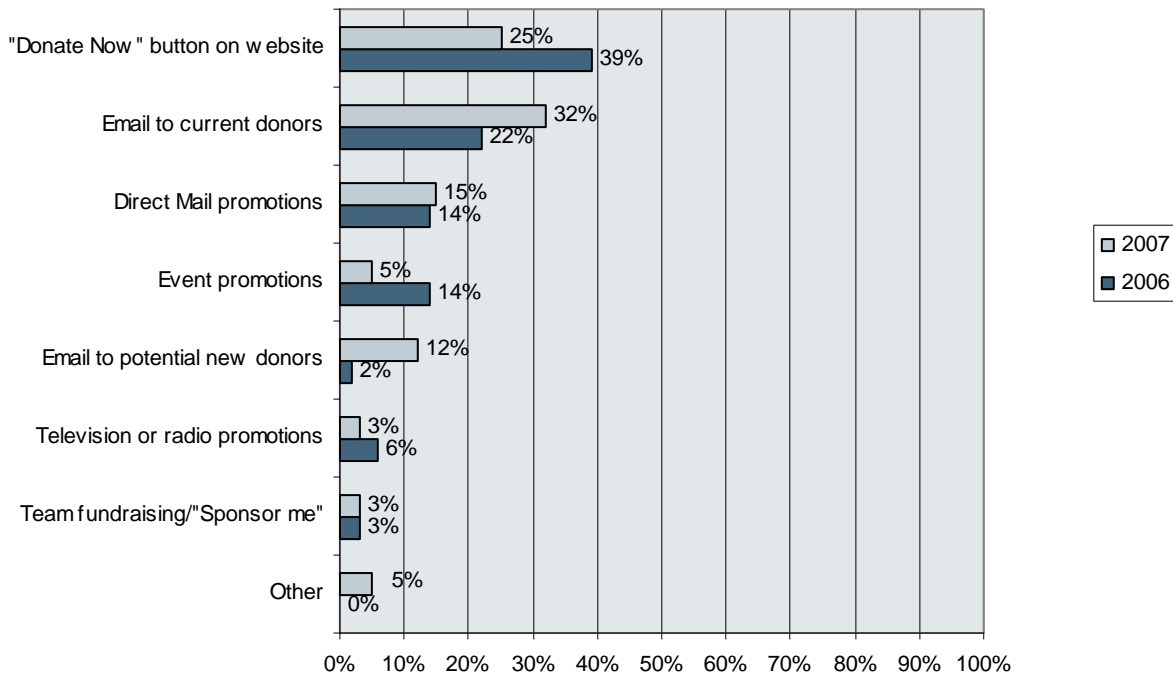
Nearly half of the respondents in 2006 indicated that their website was effectively meeting their Internet goals; however, this year only 28% of the respondents responded similarly. This result might be due to greater media coverage on “Web 2.0” and new media communications, i.e., there is a better understanding of what can be done using the Internet.

**How did the dollar amount of online contributions to your organisation change over the past year?**



Despite online fundraising being a small percentage of total revenues generated for the nonprofit organisations, it is growing rapidly as per the recent trends of online activities.

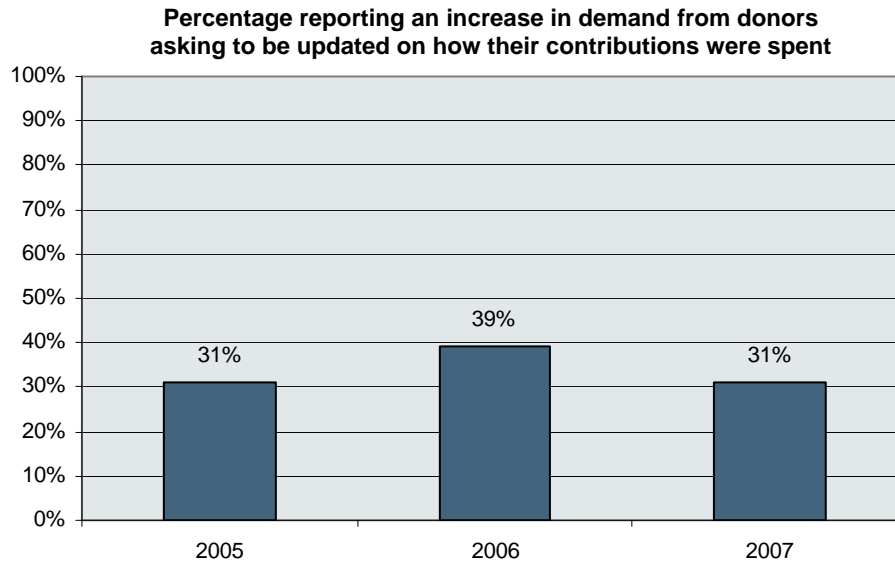
**What are the top two (2) ways your organisation plans to drive online donations this year compared to last year?**



Email solicitation to current donors has increased from last year as opposed to having a “donate now” button on the website. This might mean that organisations now know that they need to drive people to their websites.

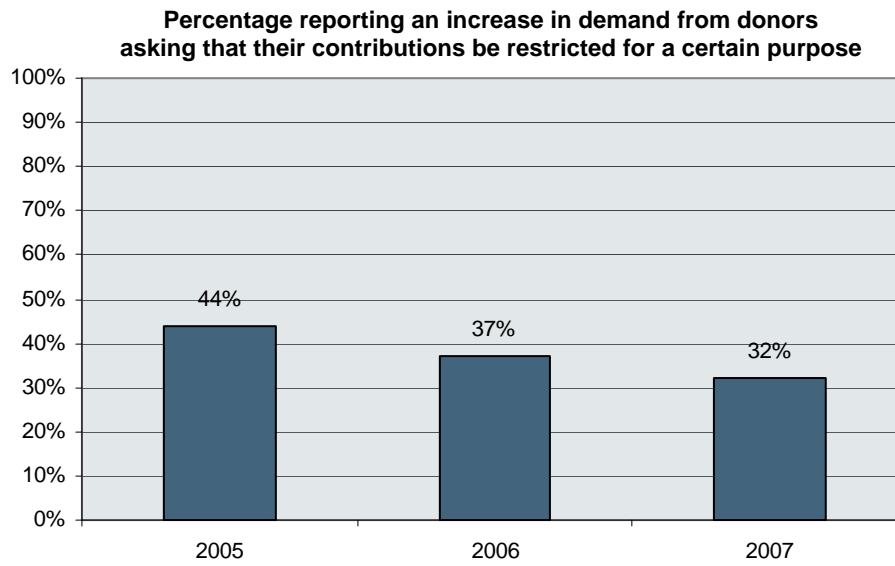
**Accountability and Stewardship**

**Has your organisation seen an increased demand from donors asking to be updated on how their contributions were spent?**



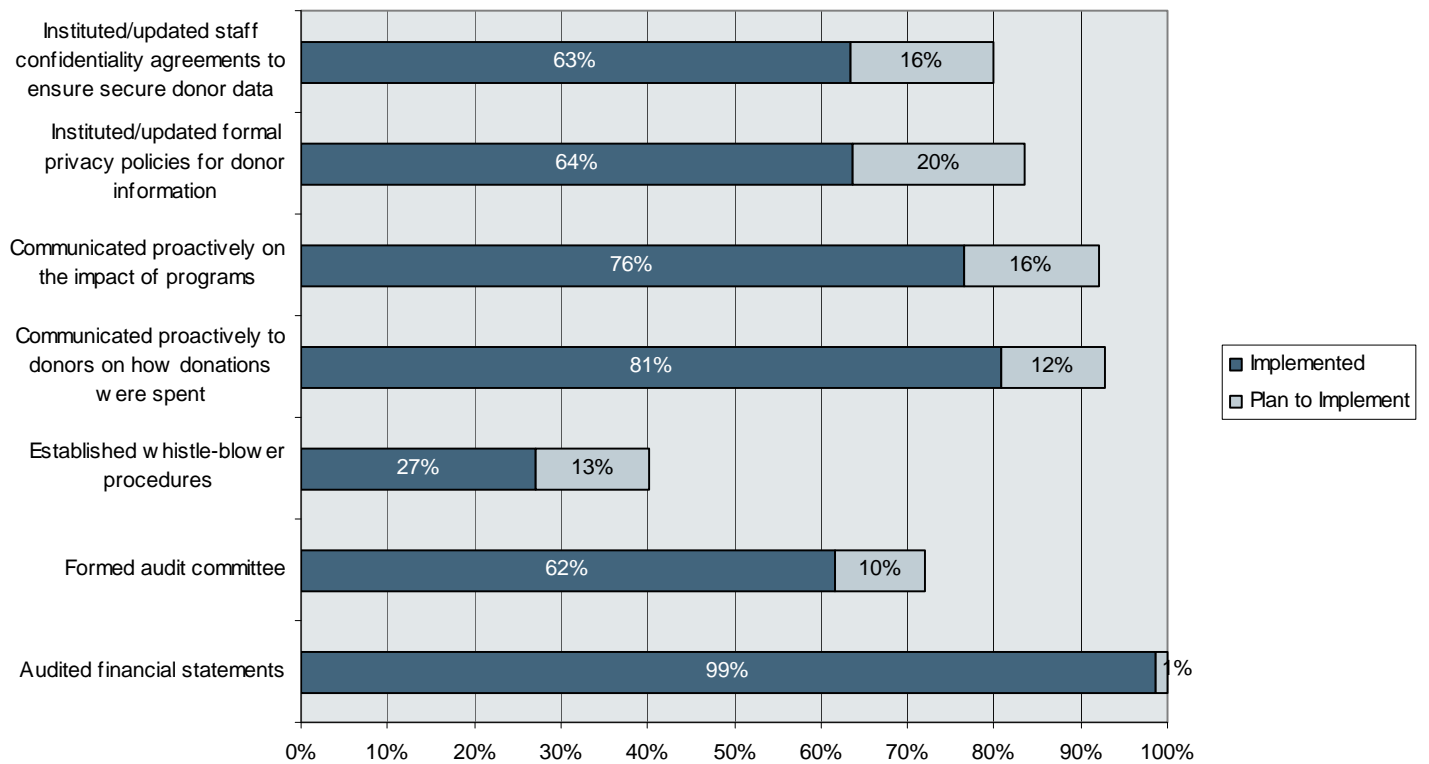
A fewer percentage of organisations reported they are seeing increased demand from donors asking to be updated on how their contributions were spent. This suggests that the increase in 2006 might have resulted in some of the bad press around the destination of tsunami funds at the end of 2005 and the beginning of 2006; still, it appears that donors want to be involved.

**Has your organisation seen an increased demand from donors asking that their contributions be restricted for a certain purpose?**



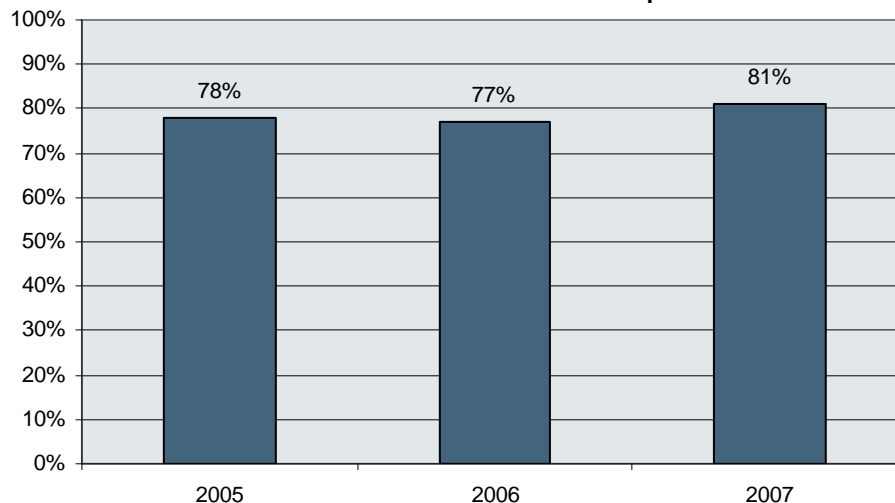
There has been a continuous decrease in demand from donors asking that their contributions be restricted for a certain purpose, which might suggest that donors trust that the nonprofit organisations will spend their donations wisely.

For each of the following practices, please indicate the action your organisation has taken.



Nearly all respondents have indicated they have implemented audited financial statements. 81% are communicating proactively to donors on how donations were spent, with another 12% planning to implement the action.

Percentage that communicate proactively to donors on how donations are spent



Comparing last year to 2005 and 2006, there has been a slight increase in the number of nonprofit organisations that communicated proactively to donors on how donations were spent.

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