Raising Money During Challenging Times

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Contents

Executive Summary

In the nonprofit world, it's "survival of the fittest" during times of economic recession. But that doesn't necessarily mean you have to be the largest, best-funded organization to survive — more importantly, it's how you react to the economic environment that makes all the difference. You need strong management with a solid plan, along with a lot of good old-fashioned hard work. You can prepare by examining areas of operation that are less efficient than they should be and by applying time-tested and proven strategies for keeping afloat.

Introduction

Whether we call it a recession, economic downturn, or time of uncertainty, there is no longer any doubt that the American economy faces trouble in the months ahead. The government's bailout of the financial industry, a volatile stock market, rising unemployment, soaring cost of living, and shaky consumer confidence are combining to add pressure to our daily lives, as well as to our work in the nonprofit community.

Regardless, our efforts to raise funds for our nonprofit organizations must continue, and we know from previous experience that charitable giving continues even during difficult economic periods. However, it is incumbent upon us to investigate methods and strategies that promote fiscal responsibility within our organizations as we continue to raise funds for our missions.

While I cannot offer a "quick fix" to the economy, I can discuss the effects the recession may have on the nonprofit community, and, most importantly, suggest strategies for continuing fundraising success in these times.

Knowing Your Constituencies

Although certain effects of a recession are national in scope, such as the impact of energy costs on transportation and heating or cooling our homes, there often are differential experiences based on location and the key elements of the regional economy in which one lives. For example, California is in a

Continued on following page

serious real estate slump, while other states with ties to automobile manufacturing are suffering layoffs and plant closures. As a result, it is more important than ever that you understand your constituents and how they are affected by this recession.

If your organizational constituencies are diverse and national or international in nature, it is more difficult to have a comprehensive view of all the regional factors impacting your donors and prospects. But as difficult as it is, you must try to understand as much as possible. As you continue to plan development trips, special events, or phonathons, know as much as possible about the communities you are visiting before you schedule the trip, event, or activity. The following ideas may work for you:

1. If you're planning development calls, it is a great time for development officers or research staff to update prospect profiles before appointment calls are made. Knowing more about individual situations will better prepare you to make the call and respond to concerns that your donor or prospect expresses.

2. If you're thinking of holding a special event in a particular region, understand the economic dynamics and consult with your best donors and volunteers regarding the viability of an event at this time. Make these individuals part of the team. It may be possible to still schedule the event, and suggestions from your constituents may help you set the appropriate tone.

3. If you are an educational institution employing students as full-time callers, now is a good time to ensure that your students are well versed on current events and the economy. Intelligent callers paint a great picture of your campus, and socially aware and compassionate students are more likely to build rapport with your alumni and friends, even if now is not the time to maximize gift support.

It is very important to remember that your donors, members, and prospects do not stop caring about your mission during a recession. Yes, they may become more individually focused and it may become necessary for them to decrease giving or postpone a pledge payment, but you remain in their thoughts and hearts. How you compassionately manage your relationship with your constituents in the next few months will create opportunities for future growth when the economy improves.

Your Organization and The Recession

Certain fortunate nonprofits, colleges, and universities may find that the effect of the recession upon fundraising and membership activities is negligible. I hope that is your reality! If it is, I encourage you to still read on, as many of the proffered strategies will work for you as well.

Some organizations realize that economic downturns tend to be temporary and act internally as if very little has changed. Hopefully they remain aware that their constituents may have different fears and realities and subsequently build in an understanding of these concerns into their communication plans.

Most organizations, however, find that a tough economy impacts their daily internal operations, as well as their outreach efforts. Notable effects include:

Continued on following page

About the Author

Lawrence Henze, managing director of Target Analytics, has extensive experience in fundraising, market research, and the application of predictive modeling services to the nonprofit marketplace.

The founder of Core Data Services, which Blackbaud acquired in 2001, he has also served as vice president of predictive modeling services at USA Group Noel Levitz and president of The Philanthropic Division of Econometrics, Inc.

Mr. Henze has 15 years of experience in development, raising more than $125 million, primarily for higher education institutions. During his career, he has personally reviewed the giving histories of more than 30,000 planned givers across the country. He holds a BA in political science from Carroll College in Wisconsin, and an MA in public policy and administration and a law degree from the University of Wisconsin at Madison.

1. Institutional budget freezes or cuts
2. Programmatic reductions or eliminations
3. Hiring freezes for vacant or new positions
4. Staff layoffs

Any or all these changes may be in store for your organization now or in the near future. How you react to the situation will impact your organization as well as your career, but rest assured that there are significant opportunities for you to succeed in spite of these significant hurdles.

The Recession and You

I'm not a psychologist or therapist in real life, nor do I play one on television. It is obvious, however, that what affects us in our personal lives weighs upon professional careers as well. It is highly likely that we'll be hit by the recession as well. For example, high energy costs introduced a new term into the summer season —"staycation." Many of us chose to spend our time off pursuing fun activities close to our primary residences.

Without a doubt, the ways in which your organization reacts to the economy will affect your work as well. Indeed the problem may be circular — we really don't know which problem hits us first — but you may take positive steps to prevent being trapped in a negative cycle if you follow some of the advice in this paper.

Now is a good time to assess potential organizational responses to the recession as well as the role you may play to help your institution to weather the economic storm. Identify areas in which your organization may become more efficient and effective rather than waiting for direction to do so. Take a chance to be a leader and make yourself indispensable. Here are a few methods and strategies that can help you enhance your organizational response to the recession and identify you as a proactive problem solver.

Market Research

Yes, I am in the market research business, so (not surprisingly) I suggest employing analytical services to better know your constituencies as a strong, proactive move to take in recessionary times. Why?

Simply put, knowing our market segments enables us to develop targeted communication strategies that increase response likelihood. This knowledge promotes efficiency (a potential reduction in contacts) and effectiveness (a potential increase in response rates). It addresses two consistent, widespread problems in the nonprofit industry: over-solicitation using one-size-fits-all messaging.

Perhaps you've heard me speak at a conference before, and right now you're thinking that I don't change my tune about the subject matter in good or poor economic times — and you would be correct! Being smart, effective, and efficient should be daily goals of any successful nonprofit organization. It is just that in these difficult times it is even more critical to take the opportunity to become smarter about our contact and communication strategies.

Continued on following page

Customized statistical analysis will give you the insights necessary to implement more communication and solicitation strategies. Ongoing internal data mining and predictive modeling can save your organization precious resources and increase donor loyalty, provided that you implement the necessary strategies to take advantage of your increased understanding of your constituencies.

Now let us discuss some additional concrete strategies for maintaining or growing your fundraising success during a recession.

Ideas that work — Donor relations

Regardless of the state of the economy, I find that the majority of colleges, universities, and nonprofit organizations I interact with do not have an accurate reading on the number of communications initiated by them with each of their constituency groups in any given year. Are you able to answer that question, not just for areas of your own responsibility, but for the institution as a whole? Is it not reasonable to assume that the relationship any individual has with the organization is impacted by the entirety of the messaging he or she receives?

There are many historical reasons that explain why we don't look at the length and breadth of our donor communications. These include but are not limited to:

1. A narrow view of donor relations focusing on communications directly related to fundraising efforts
2. A siloed approach to the structure of our development operations which encourages compartmentalized communication plans
3. The willingness to not account for, or even seek, the donor's opinions of all of our communication streams

I am frequently bombarded by three, four, or five direct mail contacts per month from organizations I support with my gifts, particularly during peak fundraising months, such as October or November. I wonder if anyone in that organization is aware of that number, or is interested in knowing what I think of the frequency of these contacts? My thoughts rest on simple solutions the organization could employ:

1. Determine and chart the average number of contacts — direct mail, telephone, and email — the different constituents receive from your organization each month for the entire year. Move outside your own area of operations to view the entirety of its communications stream from your organization as a whole
2. Analyze the content and purposes of each communication and chart accordingly (for example, cultivation, solicitation, information, or recognition)
3. Identify areas in which these communications overlap, looking for opportunities to consolidate or eliminate individual pieces

Continued on following page

4. Ask your donors, through surveys via email, direct mail, or the telephone, which communications they value, as well as those that are not personally important to them

5. Implement a communication plan reflecting the donor's wishes

Remember that knowledge is both powerful and enabling, and the insights your donors and prospect share with you create opportunities for stronger relationships. Do not assume that an individual's request to receive fewer communications is a sign of declining interest in your organization. It is equally, if not more, likely to be a thoughtful response indicating the elements of your mission that are of particular interest, thus defining that person as a better prospect. In the end, fewer touch points may create a more meaningful relationship, particularly if you communicate your interest in being more cost effective.

Finally, special events often serve a dual purpose of building donor relationships and ongoing fundraising. During a recession, you may want to think twice about introducing new special events, particularly those of the "gala" genre. And take a look at ongoing events as well to ensure that these activities are successfully addressing stated goals. For example, if the primary purposes of your annual 'Harvest Ball' are to cultivate and solicit major donor prospects, and if you observe little post-event staff interaction with attendees, it may be time for a makeover.

In all honesty, my personal and professional bias is that most events lose focus over time. Recession or not, it is a worthwhile undertaking to annually review each event to ensure that its original goals and objectives are being met. Are you seeing growth in annual and major giving from event attendees, or doesn't their giving match the event fee? Perhaps this is a topic worthy of its own paper for another time.

Ideas that work — Annual giving

1. How are we perceived by our giving constituents? Do we want them to see us as an efficient organization that applies the majority of gift revenue to programmatic and mission-supportive activities?

2. Are we able to solicit loyal donors more efficiently? If historical evidence indicates that most of our donors give once annually, and many give on or about the same time each year, why don't we ask them to give at the appropriate time and eliminate the untimely asks?

3. Are we willing to be forthright with these donors and engage them as partners in our efforts to reduce the administrative overhead? Isn't it a positive message to ask our donors to participate in a cooperative effort to make the giving process fit their individual preferences? I think so.

4. Should we operate the annual fund as a one-year-at-a-time, "thank goodness we made the goal this year" enterprise? If we approach each year as an independent effort to reach certain targets for number of dollars raised and number of donors realized, should we be surprised that our donor attrition rate is high?

Continued on following page

5. If donor loyalty lies at the foundation of most ultimate giving, which it unequivocally does almost every organization, should we not establish donor retention as the chief goal of the annual fund? And is it not worth at least a tested limitation of the solicitation program that asks less often, that encourages and acknowledges donor loyalty at any gift level?

6. Does our organization over-solicit? If your most frequent method of contact is in the form of a solicitation, it is highly likely that you are doing just that. If most donors give once annually under these circumstances, it becomes highly probable. In tough economic times, reduced solicitation attempts can yield budget savings, which may be applied to budget relief or reallocated to the cultivation of major and planned giving prospects. And you will earn the respect of your donors.

You will, of course, have donors who give more than once annually. I'm not suggesting that you try to convert their giving patterns to one gift per year. Encourage their continuing loyalty through multiple gifts accordingly. However, if you solicit these donors 12 times annually, and many give only in June or December, doesn't that make you think that some of the intervening requests are unnecessary?

Ideas that work — Major giving

We are nearing the end of this paper, and if I've done well communicating my ideas the pervasive themes should be evident:

1. Fundraising does not stop during a recession
2. Some people may reduce or eliminate charitable giving during a recession, but most will not
3. It is a great time to practice smart, effective, and efficient fundraising strategies
4. Most of these smart strategies will work as well in an economic boom

And these thoughts lead us to major giving in challenging economic circumstances.

It is critical that the cultivation of major giving prospects continues through economic downturns. Do not assume that people who have been prospects and/or donors will not be able to give. Many wealthy prospects will not be adversely affected by a recession, and some individuals actually profit during downward economic trends.

And, you may ask, what is the point? Major giving is all about cultivation, or, more specifically, the building of a relationship with your prospects and donors. Even if a donor's ability to give is limited or thwarted by the economy, the relationship should continue. At the very least, as the economy recovers, you will still be in the thoughts of your donors. If you withdraw from the relationship, you jeopardize its continuity and the lifetime giving potential.

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As you talk with your donors, your effectiveness in communicating the mission of your organization and its ability to cope in this economy will speak well of your nonprofit and its forward thinking. Once again, take the initiative and lead your organization through the process of positioning your mission to succeed in spite of the anticipated pressures caused by a down economy.

In fact, I would take it one step further. We draft case statements for capital campaigns, and we include mission statements in our funding proposals. So why don't we draft a similar document that details our planning and preparedness for the recession, including:

1 A brief explanation of how you will continue to meet mission goals, including an honest assessment of what may need to be reduced or cut back

2. A discussion of your efforts to trim expenses, specifically mentioning our efforts to partner with donors to cut fundraising expenses

3. A statement of your ongoing gratitude for their loyalty and support of our mission.

Remain in communication with your top prospects and your efforts will be rewarded, if not now, perhaps later as the economy improves.

Ideas that work — Planned giving

In recent months, my colleague at Target Analytics, Katherine Swank, and I have published several papers on planned giving. You may find these papers on the Blackbaud website here or here . These articles address the fundamentals of establishing successful planned giving efforts, and the principles espoused hold true in tough economic times as well as economic upturns. Many of the ideas address such issues as your readiness for a planned giving program, how to talk with planned giving prospects, and simple marketing strategies that can work for your organization.

There is a strong temptation to scale back planned giving cultivation and solicitation in these uncertain economic times, as the need for current operational funds becomes first and foremost for many organizations. I understand that temptation, as it is true that "new" planned gift commitments will not bring cash for years to come.

Nevertheless, there are many reasons to continue planned giving cultivation during a recession. Let's start with one reason that may already be obvious to you as you look at gift receipts over the past year or two. It is likely that your organization has already been the beneficiary of one or several estate gifts in recent months. These gifts were "planned" or "committed" several years ago, and fortunately for your organization, the proceeds of these gifts are becoming available to you at a very important time when other funds may be limited.

One way in which our organizations are better prepared to survive economic downturns is through these planned gifts. Don't you want to ensure that future leaders of your organization have these types of gifts available to them?

Continued on following page

Some planned giving experts are suggesting that marketing efforts aimed at promoting charitable bequests among younger prospects, ages 40 through 60, may be curtailed or postponed at this time because the proceeds of any gift commitments are likely to be realized 30 to 50 years from now. I don't agree, although in keeping with the theme of this paper I do continue to suggest smart and effective techniques for these cultivation efforts based on insightful market research. This may be the right time for increasing the significance of your relationship with many of these prospects, and I don't think you want to lose potential ultimate gift opportunities for possible short-term savings.

A recent study reports that almost 50% of all charitable bequests are first created by donors between the ages of 40 and 60. If you step back from this potential, even if only for one or two years, you risk in my estimation hundreds of thousands of dollars in future gift opportunities.

Also remember that tough economic circumstances breed conservative financial behavior, and conservative financial behavior goes hand-in-hand with certain types of planned gifts, including bequests and charitable gift annuities. These gifts offer many of our committed donors or members an opportunity to provide a significant long-term commitment to the organizations we love that match our fiscal needs. As I've said many times before, bequests require no current cash outlays and annuities provide income stream to donors worried about their long-term financial viability. Those are ideas that work in a recession.

Additionally, there are other planned giving opportunities that may be more attractive in a recession. For individuals with multiple properties, a gift of real estate may make sense when homes are difficult to sell. Similarly, a life estate in a primary residence also addresses the need for housing while providing some excellent tax benefits.

Finally, Congress has extended the IRA rollover contributions tax provisions through 2009. I do not know how these gifts will be affected if the economic conditions continue to decline, but these have been very popular gifts since Congress acted. I would continue to market these opportunities in the months to come.

Conclusion

In a recession, there are many positive actions that you may take to better position your organization to raise money and trim costs — actions that will continue to work through economic recovery. Don't sit back and let a recession act upon your efforts; rather, be a leader and proactively seek strategies that make your organization smarter, more effective, and more efficient.

About Blackbaud

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 24,000 organizations — including The American Red Cross, Cancer Research UK, Earthjustice, International Fund for Animal Welfare, Lincoln Center, The Salvation Army, The Taft School, Tulsa Community Foundation, Ursinus College, the WGBH Educational Foundation, and Yale University — use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Australia, Canada, Hong Kong, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.