

# The Blackbaud Index for Higher Education

Higher Education Fundraising Performance in 2013

*Presented by Chuck Longfield, Chief Scientist, Blackbaud*

The Blackbaud Index for Higher Education tracks fundraising revenue for colleges and universities throughout the U.S. and studies giving trends in the higher education sector based on data derived from Giving USA™. Chuck Longfield, creator of the Index and chief scientist at Blackbaud developed this Index to track actual fundraising in the higher education sector on a monthly basis, versus annually or semi-annually as other reports do.

Giving USA™ estimates that charitable giving to the education sector is \$41.3 billion per year, of which 75 percent (\$31 billion) goes to higher education institutions. With more than \$1.5 billion in giving, the Blackbaud Index for Higher Education represents nearly 5 percent of all giving to higher education institutes, as well as giving to more than 10 percent of all colleges and universities.

## HIGHER EDUCATION GIVING TRENDS—KEY FINDINGS FROM THE BLACKBAUD INDEX FOR HIGHER EDUCATION

*By Todd Cohen, Founder, Philanthropy North Carolina*

According to Blackbaud Index for Higher Education research, overall fundraising revenue for 558 colleges and universities in the U.S., representing \$1.5 billion in annual fundraising, grew 8.9 percent in 2013 as compared to 2012, while online fundraising revenue for 436 colleges and universities, representing \$132 million in annual fundraising, grew 15.1 percent in 2013 as compared to 2012. Helping to fuel that growth, particularly schools with capital campaigns, was a healthy stock market.

While fewer alumni made gifts last year, the number of alumni for whom colleges and universities now have contact information has grown because online tools have made it easier for schools to find alumni. While the growth in contacts, combined with a decline in the number of alumni who give, has resulted in lower participation rates, “finding alumni is a good thing,” Longfield said. “If you find them, you have an opportunity to engage and cultivate them so they’ll give.”

### Key Sector Trends

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Continued

of the recession,” said John Lippincott, president of the Council for Advancement and Support of Education (CASE). “Schools that have shown successful fundraising are also doing a good job in their stewardship of donors, including younger donors, by engaging them in their institutions in ongoing ways.”

In a recent CASE survey, its members estimated that donations to their institutions grew 5.1 percent in 2013 compared to 2012, and predicted an additional growth rate of 5.2 percent in 2014—a projected pace roughly equivalent to the 20-year average growth for CASE members.

## Major Gifts

Driving the growth scene has been the recovering economy and the cultivation of major gift donors, or those making gifts of seven figures or more. In a fundraising campaign with a goal of raising \$1 billion or more, 87 percent of funds typically are given by 1 percent of donors.

“What accounts for the kind of success people are anticipating comes down to the development of the relationships with the major donor community. Those donors are giving as a result of the long-term relationships they have with institutions,” stated Lippincott. Institutions that are doing well, “are the ones that spent a lot of time listening to their donors during the worst of the recession and now they're the ones reaping the benefits.”

## Stewardship

The key to cultivating major donors is to find ways to meet the growing expectation that they have, “a level of engagement with the institution beyond simply the transaction of the gift,” Lippincott said.

“That kind of stewardship, which often can lead to future gifts, typically involves inviting major donors to serve, either formally or informally, in an advisory or governance role at the school so they truly become key advisers and stakeholders at the institution.”

Scholarships represent a good opportunity to develop and maintain relationships by providing major donors with ongoing interaction with scholarship recipients, with the donors often serving as mentors.

## Younger Donors

Research shows millennial donors, those born between the early 1980s and the early 2000s, are as generous as other generations were at the same age, but are focused on supporting causes at institutions that are important to them.

For example, a school might ask recent graduates, or even current students, to support a bike sharing program on campus. In comparison, a 1971 graduate makes an annual gift because he or she feels obligated to and will not specify where or how the donation should be used.

“The appeal that institutions often make is very specific to people several years out of the institution,” Lippincott said. This is so young alumni can see how their donation will have a meaningful and immediate impact.

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## Digital Media

Schools also are increasing their use of digital media to reach donors more effectively. For younger donors, who handle many if not all their transactions online, digital media represents a natural platform for giving. For those donors, social media also represents a platform that is more important for donor acquisition than it is for dollar acquisition.

“Through the use of social media it’s important that recent graduates get into the habit of giving, even if gifts are \$10 or \$25, and that institutions acquire information about what they’re interested in. These can be used in the future to sharpen appeals,” Lippincott said.

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## Planned Giving

Planned giving continues to be a key fundraising program at many colleges and universities, and provides the bridge from annual donor to major donor for those unwilling or unable to provide large outright gifts during their lifetime. It’s often been said that many donors—in particular, fiscally conservative donors—make their largest gift later in life and it is widely believed by nonprofit experts that this will be true in the long-term.

Over the next five years, a reduction in the number of planned gifts received may be a reality for many institutions. This is due to the low-birth rates between 1925 and 1934. However, with birth rates exploding in post-depression years, the number of planned gifts realized is expected to increase consistently over a 25-year period. Institutions that conduct due diligence continuing to educate, cultivate, and solicit loyal donors in their late 40s and older for planned gifts will reap the benefits of these efforts well into the future.

## A CLOSER LOOK: PROSPECT DEVELOPMENT AT THE UNIVERSITY OF VIRGINIA

At the University of Virginia, fundraising officers are using data to help drive strategy and performance. Two years ago, the fundraising operation team tracked the number of visits by development officers to prospective donors and found that the “mean and medium ask amount was falling below the major gift level for many major gift officers,” according to the University’s Director of Prospect Development, Laura M. Phillips.

Now, the fundraising operation team sets goals for the number of proposals to prospects that each development officer will make and close. “Once we started reporting these metrics, officers became a little more self-aware of what they were doing and asking for,” Phillips said. “We saw our mean and median ask amounts go up into the major gift level more consistently.” The difference was the kind of metrics the University was tracking, and how it was using the data.

## Development Analysis

The prospect development office is responsible for mining data from the University’s database of 350,000 individuals, ranking and scoring prospects, and writing prospecting and development officer performance reports. University analysts also work on developing prospect scoring techniques, as well as more complex statistical analyses to help distill the prospect pool down to the mostly likely giving candidates.

Analysts also produce tools that identify prospects through searches of the University's contact reports using key words or phrases, such as "historic preservation," "arts," or "politics." Particularly for fundraising units at the University that may not be part of a particular school, those searches can yield prospects for special fundraising initiatives.

Phillips' team then builds reporting tools for development officers, such as a matrix that rates the giving capacity and propensity of prospects, including prospects for major gifts, those of \$100,000 or more, and for principal gifts, those of \$5 million or more.

The prospect development team also helps frontline fundraisers develop a portfolio of prospects or find prospects for specific initiatives. "We help them think more broadly, inside our database and externally with other resources, about how we might creatively identify prospects for initiatives that might not seem obvious since the initiative doesn't belong to a school with an alumni base or other obvious constituency," said Phillips.

## Performance Metrics

At the beginning of every fiscal year, chief development officers throughout the University give Phillips' team the goals for the development officers they manage, based on five metrics:

- The number of visits each development officer will make to prospects
- The number of proposals each development officer will solicit
- The total dollar amount of those proposals
- The number of proposals each development officer will close
- The dollar amount associated with those closed proposals

Each month, Phillips' team gives the chief development officers reports on progress, including charts and other illustrations that show every single proposal solicited during the fiscal year.

As a result, the University is able to ask for larger donations. "When we only measured visits, we weren't seeing that translate into money. Now that we have proposal goals, we have seen more evidence of actual solicitation activity, and at a more appropriate level," said Phillips.

## Lessons for Nonprofits

While the University of Virginia is a large institution, smaller nonprofits can apply some of the same strategies for using data to help drive fundraising strategy and performance. "Start small and simple, because these things build over time. If you're a really small organization, hire one researcher to do prospect ratings that can help you understand your prospect pool," advised Phillips.

If a single researcher proves effective, a nonprofit should consider focusing on a good portfolio and prospect management. Based on those results, a nonprofit with these tools or resources might then consider hiring a consultant to analyze data from its prospect pool.

The essential questions for higher education fundraising are whether development officers are talking to people and prospects with the capacity and propensity to give, and whether those donors are likely to give to an institution.

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"Finding the answer to these questions is not always simple. Once you get that information, you need to find a way to harness the data in reports that mean something to you. It doesn't have to be complicated," said Phillips.

Nonprofits should also remember that data is only half of the picture. Equally important is "the direct interpersonal information that's gathered by development officers in the field. It is critical to document relevant facts that will help you understand and tell the story of your organization's relationship with its donors and prospects," Phillips said. "This is essential for analysts, researchers, and development officers working in your organization now, as well as those who will work in your organization in the future."

## About the Blackbaud Index

Economic conditions, natural disasters, and market fluctuations have made it extremely difficult for nonprofits to make fundraising decisions informed by the latest donor behavior. That is why we created The Blackbaud Index in 2010—to provide insight into what happened in the prior few weeks and valuable analysis by leaders in the sector into what fundraisers can learn from it.

The Blackbaud Index brings you the most up-to-date information on charitable giving today. Tracking approximately \$13 billion in US-based charitable giving, the Index is updated on the first of each month and is based on year-over-year percent changes. Featuring overall and online giving, the Index can be viewed by size and sub-sectors of the nonprofit industry. Visit [www.blackbaud.com/blackbaudindex](http://www.blackbaud.com/blackbaudindex) to experience the recently-enhanced interactive Index charts, where you can easily compare by size or sector and view historical performance.

## About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 30,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: [fundraising](#), [eMarketing](#), [advocacy](#), [constituent relationship management](#) (CRM), [financial management](#), [payment services](#), [analytics](#), and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, the Netherlands and the United Kingdom. For more information, visit [www.blackbaud.com](http://www.blackbaud.com).

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