

2008 Index of Higher Education Fundraising Performance

Summary of Annual Fund Key Performance Indicators

July 2007-June 2008

April 2009

National Trends in 2008 Mirror 2007, with Some Nuances

According to the **Target Analytics Index of Higher Education Fundraising Performance**, the trends that have been observed over the past several years, and specifically in 2007, repeated in 2008. The bottom line is that donor counts are down and dollars are up. While programs overall continue to shed modest numbers of donors and participation rates continue to dip, the good news is that the donors who are giving have tended to give more. In general, donors are becoming more selective about the charities they support, but are clearly willing to upgrade their support of their favorite organizations.

Overall, donor retention dipped slightly in 2008, reversing previous trends of slightly increased retention rates. This downward trend was especially impactful to private institutions, which have seen this key measure drop each of the last three years. Even more challenging for programs was reactivating lapsed donors. The Index shows an overall decline in the median reactivation rate of nearly six percent. These two trends taken together –retention and reactivation—clearly indicate that keeping donors, and/or bringing them back on board, was increasingly challenging in 2008. It is likely this trend will continue into 2009, particularly in light of the tough economic climate.

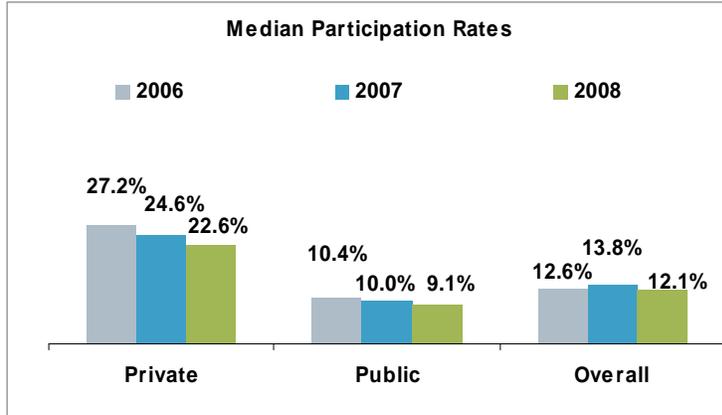
Acquisition of new alumni donors, a key measure of annual giving programs, was down for the second consecutive year. One trend not reflected in the data is the move away from alumni solicitations to “friends” or parent audiences for acquiring new donors to feed the annual giving pipeline. Young alumni acquisition continues to be a challenge for most programs, and has only added to the acquisition trends experienced over the past several years.

While donors are trending towards giving larger gifts overall, it should be noted that private institutions experienced a significant increase in revenue per retained donor in 2008, while public institutions saw a slight decrease. When looking at all donors (not just retained donors), the trend reverses; whereby private institutions saw a modest decrease in median revenue per donor, public schools had a modest increase. In general, however, the upgrade behavior among various donor groups is positive.

Overall the decrease in donors and increase in revenue trends continue. But, for the first time we are beginning to experience some challenges relative to donor retention and reactivation simultaneously and institutions will need to begin thinking about how to counter these trends. The economic strain of 2009 will likely not help in reversing these trends.

Median Participation Rates

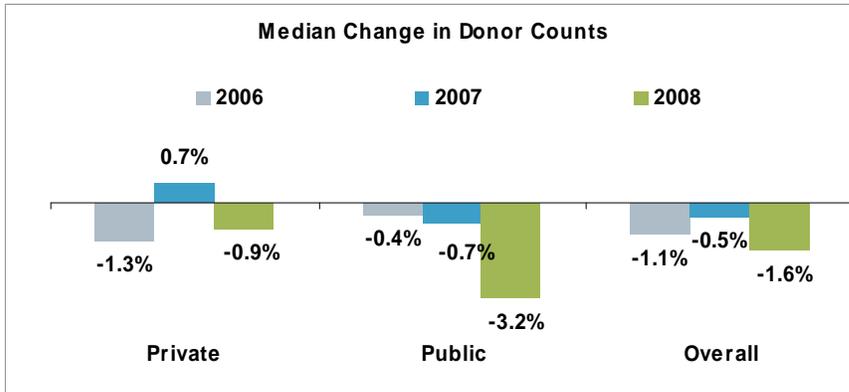
The data indicates that the trend of lower participation rates over the course of this decade continues from 2007 to 2008. The median rate for private institutions dropped from 24.6 percent to 22.6 percent while public institutions decreased from 10 percent to 9.1 percent. In an era of increased graduation rates, coupled with younger alumni being less inclined to support higher education, these rates



will likely continue to be a challenge for most annual giving programs and institutions in general. A steady participation rate, given the current climate, should actually be viewed as a positive trend. More programs are beginning to reexamine how much emphasis to put on this particular measure and instead are focusing more on total number of donors giving to the annual fund program. This has allowed programs to redefine who they prioritize in their solicitation plans, which may now include more parents and friends and fewer alumni populations, particularly those alumni who have continued to say “no” for many consecutive years.

Median Change in Donor Counts

2008 was not a strong year for many programs in terms of the total number of donors supporting their annual giving programs. For private institutions the median change in donor counts was off nearly one percent and for public institutions over three percent. This is a dangerous trend given the solicitable universe of donors increases each year with more graduates becoming alumni. Also



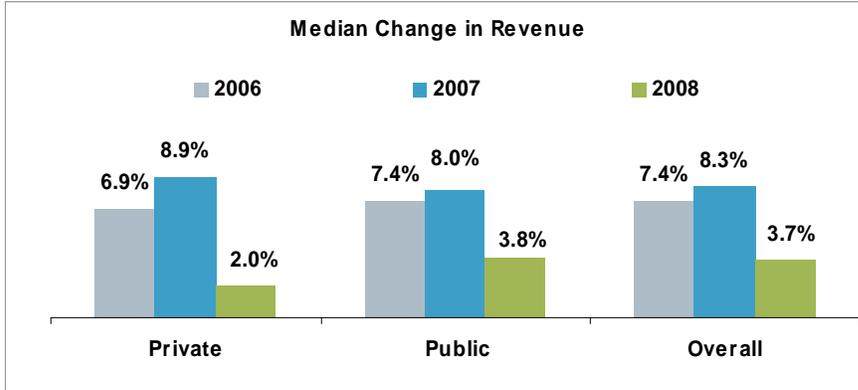
alarming is the fact that the overall results among all institutions shows shrinkage in the median number of donors each of the last three years. To combat this trend, programs need to focus more closely on their donors and lapsed donors and ensure these audiences receive highly

personalized solicitations at least six times during the fiscal year. Many programs are now doing up to eight solicitations annually to top prospects. While donors are becoming increasingly focused (and more selective) on which organizations they support, creating a compelling case for support is more important than ever before. Programs should challenge themselves to develop a case for support for annual fund dollars that resonates with donors and alumni, as well as one that demonstrates the broader global impact of supporting education.

Median Change in Revenue

The overall median change in revenue was a positive 3.7 percent in 2008, the third year of growth in this important measure. Public institutions had a slightly higher growth rate in 2008 at 3.8 percent compared to 2 percent among private institutions. The good news is that despite a decline in the number of donors, those that are continuing to give are giving larger gifts. This matches the trend that donors are becoming increasingly selective and when higher education is their charity of choice,

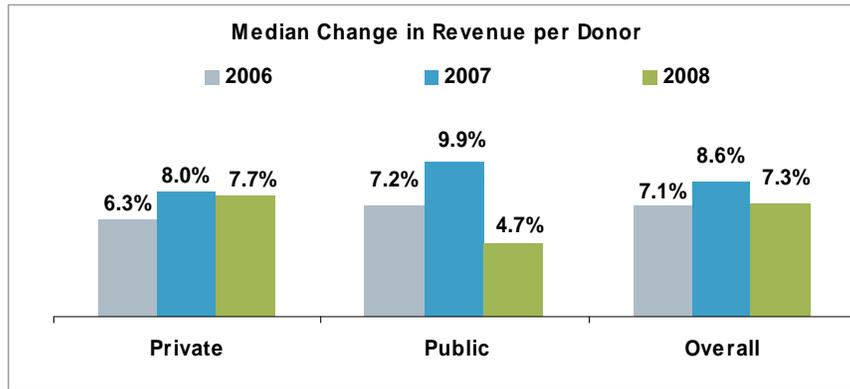
their gifts sizes are increasing. This allows programs to experience growth in overall dollars. Institutions should continue to stay focused on this important growth in revenue, asking their donors and reactivated donors for aggressive upgrades and second gifts during the year.



This will continue to allow programs to grow their revenue, despite the inherent challenges with increasing participation and donor counts. Particularly during these challenging economic times, most programs would be happy to see growth in total dollars raised each year.

Median Change in Revenue per Donor

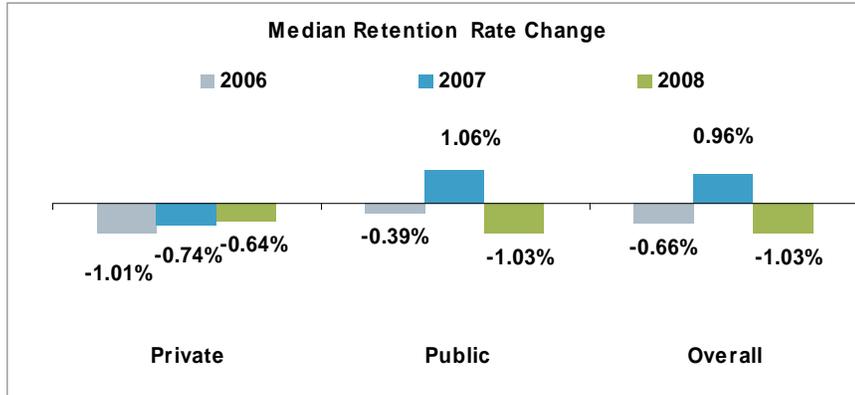
Retained and reactivated donors, as well as newly acquired donors, are giving larger gifts than in the past. Overall, programs in each of the last three years experienced growth in the median change in revenue per donor.



Donors continue to upgrade their support and demonstrate greater “buy-in” to the cause of higher education. The 7.3 percent growth in this measure, which follows 8.6 percent in 2007, and 7.1 percent in 2006, is a testament to the loyalty of donors and their willingness to increase their support. Public institutions had only a 4.7 percent growth in 2008, however, which may be indicative of some donors pulling back a bit during tougher economic times.

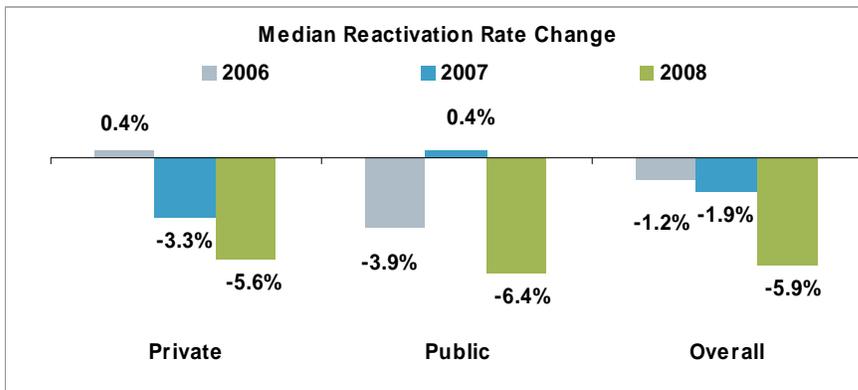
Median Retention Rate Change

Donor retention is among the most important measures of a successful annual giving program. Last year, overall, median donor retention dropped by one percent, following a year where it grew by one percent. In general, donor retention has been flat for the past three years with very little variation or difference between public and private schools. One point to note is that for private schools, the median retention rate, though relatively flat, has been slightly negative each of the past three years. Given the importance of retention, it is advisable that programs begin to look at frequency of solicitation and ensuring donors are asked six to eight times during the year via phone, mail, email and personal visits (when feasible and appropriate). Using all avenues available is a key ingredient to retaining donors. As mentioned earlier, testing and building a strong case for support is also important to retain donors in an ever-competitive environment for charitable dollars.



Median Reactivation Rate Changes

Reactivation was especially challenging in 2008. The overall decline in the median reactivation rate dropped nearly six percent, following two years of decline. Lapsed donors for many programs account for a large portion of their alumni bases, and developing aggressive means for bringing lapsed donors back on board is essential. Soliciting 1-5 year lapsed donors via a combination of phone, mail and email at least six times annually is one important step towards ensuring maximum reactivation rates. Some programs are reaching out to this audience up to eight times. Additionally, testing a new case for support could assist in reactivating more donors. Since many of these donors have lapsed because they have tightened their philanthropic priorities, changing the primary message for annual fund support can help recapture these important past donors. Increased

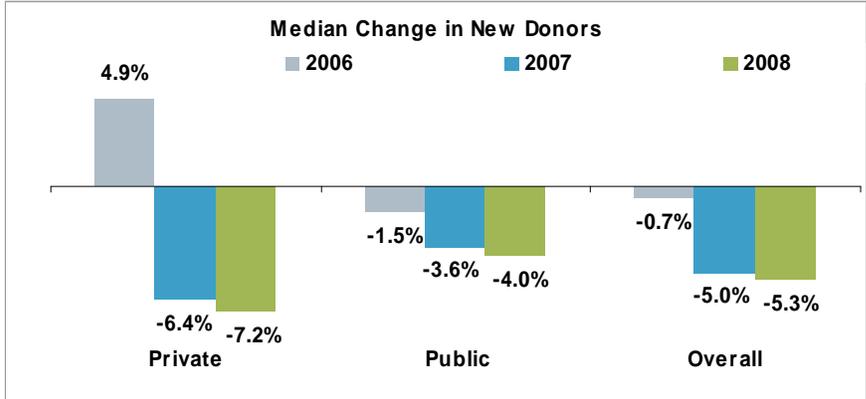


competition and busy lifestyles also hinder the ability to reactivate donors. Being creative in capturing the attention of alumni is essential and always incorporating a high degree of personalization demonstrates the institution is aware of the lapsed donor and their relationship with

the institution. As for-profit entities have mastered the art of personalization, higher education must keep pace or prospective donors will lose interest. Despite tough economic times, it is important that these lapsed donors are aggressively solicited.

Median Change in New Donors

Acquiring new donors has become increasingly challenging for most programs, with declines of 5 percent in each of the past two years. Many new donors come on board as part of senior class gift efforts and are then lost the following year. Additionally, soliciting alumni who have said “no” for multiple years has become counter-productive for most programs. Many programs are moving away



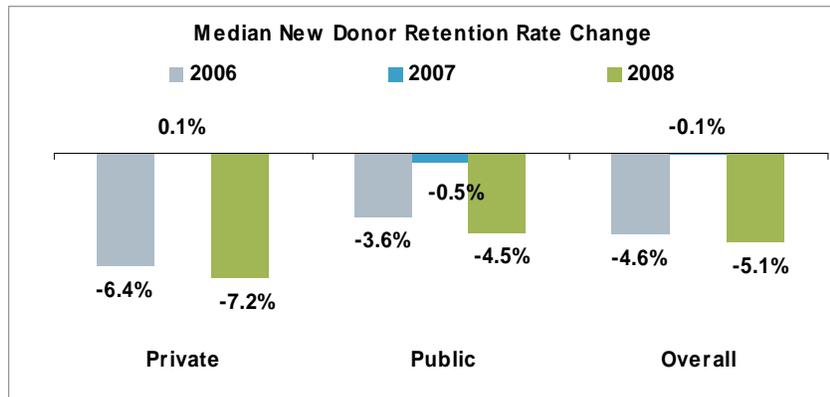
from alumni donor acquisition and exploring other “friends” groups to increase their donor base. The five percent decline in the median change in new donors in 2008 is likely a product of less emphasis on acquisition, less attention on alumni acquisition, and the

increased difficulty in convincing young alumni that higher education is a worthy philanthropic cause. Young alumni, in particular, must be engaged differently and desire an experiential opportunity to engage with a charity prior to making the gift. Annual giving programs must understand this phenomenon and adapt their programs accordingly. Since younger generations are focused on solving global issues, institutions of higher learning must more effectively articulate how higher education assists in solving (in fact, is the driving force) global challenges. Acquiring new donors during tough economic times will also be especially difficult. Right or wrong, many programs are placing more emphasis on donors and lapsed donors and reducing their acquisition efforts in light of tougher times, tighter budgets, and staffing challenges.

Median New Donor Retention Rate Change

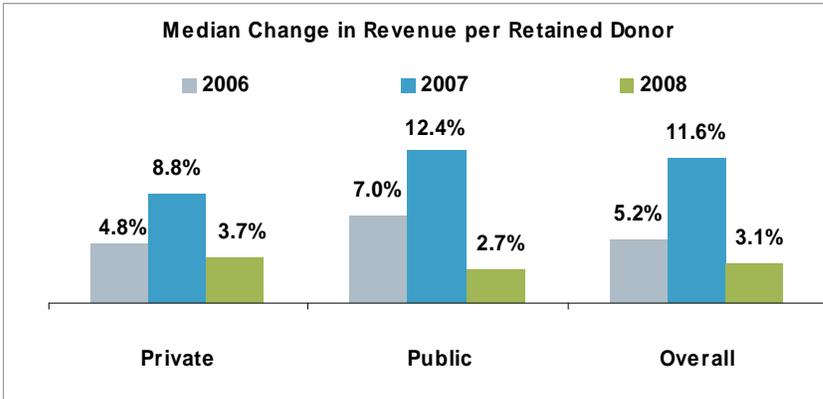
Once new donors are acquired, retaining them the following year has always been a challenge for nearly all programs. This was no different in 2008 with a greater than 5 percent decline in the median new donor retention rate. Private institutions actually experienced a seven percent decline, which followed a flat year in 2007. Unique stewardship activities for new donors such as acknowledging this is their first gift and thanking them repeatedly (at least three times during the year) can assist in retaining

some of these donors. Programs should also consider second ask programs among this group, which encourages the giving habit and reinforces the importance of giving more quickly than waiting an entire year to re-engage. This would mean that a few months after their first gift (and appropriate stewardship of that gift) ask for a second gift within the fiscal year.



Median Change in Revenue per Retained Donor

While the overall revenue per donor was up significantly in 2008 (7.3 percent), the increase among retained donors was more modest at 3 percent with only modest variation between public and private schools.

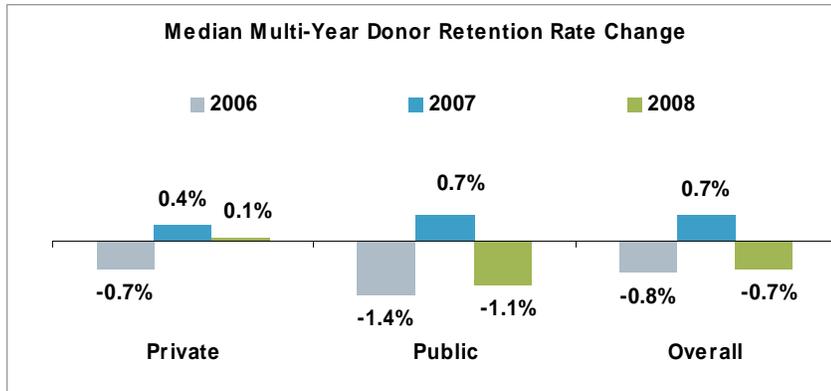


Often retained donors have become a bit more complacent in their giving and programs must work more diligently to secure upgrades. Second ask programs among donors (which can generally result in 40 percent of donors making a second gift that matches the level of their first gift), are an effective means of

increasing the revenue per donor among retained donors. Making a case for why upgraded support is necessary and including that case in all mail, email and phone correspondence should be a key component of the solicitation strategy for donors.

Median Multi –year Donor Retention Rate Change

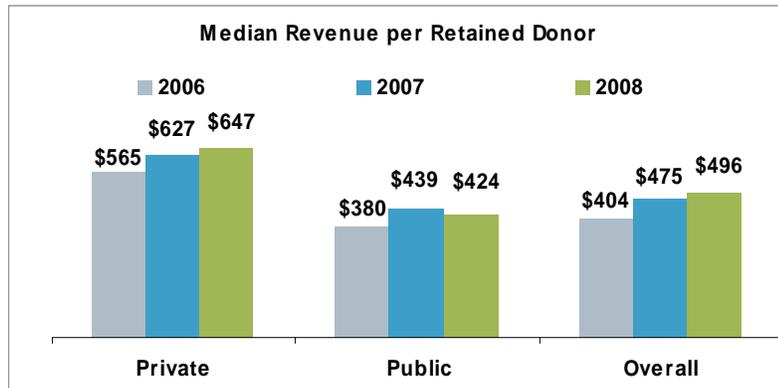
Donor retention in general was relatively flat over the past three years and the multi-year donor retention rate changes mostly mirror that of the overall changes. However, public institutions saw a 1 percent decline in this measure. This indicates that even the most loyal donors are



not exhibiting growth in retention rates. While “flat” is not necessarily bad, and given the tough economy, this could be considered a victory, programs should continue to segment donor pools and pay specific attention to the behaviors of multi-year donors. These are among the most loyal and very best donors, especially in terms of revenue per donor.

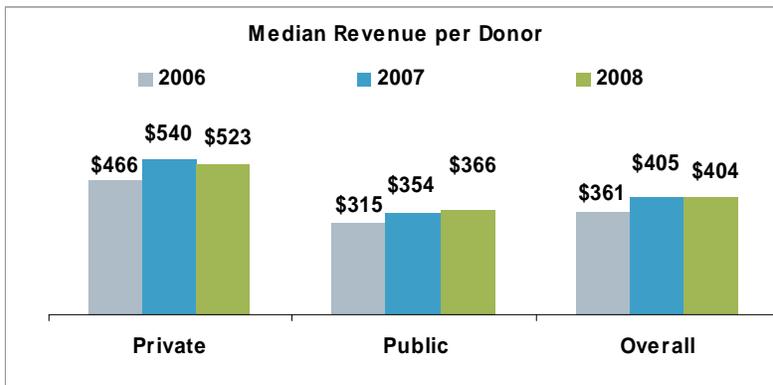
Median Revenue per Retained Donor

The median revenue per retained donor, as mentioned earlier, was up in 2008. The overall results show significant growth from a median of \$404 in 2006 to \$496 in 2008. However, it should be noted that for public institutions the median actually fell slightly from \$439 in 2007 to \$424 in 2008. Aggressive ask strategies and second ask programs are among the most effective means for ensuring growth in revenue per retained donor.



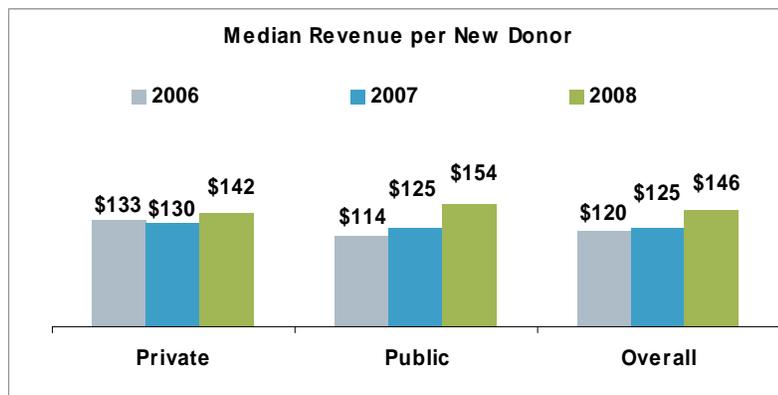
Median Revenue per Donor

The median revenue per donor, which includes all donors, not just retained donors, was flat in 2008 after significant growth in 2007. The \$404 in 2008 compared to \$405 in 2007 shows little movement in this measure. Again, the distinction varies when looking at public versus private schools. In this measure, private schools experienced a decline from \$540 in 2007 to \$523 in 2008. While retained donors demonstrated growth for private schools, clearly other donors pulled down the overall median. Public institutions median revenue per donor was up from \$354 in 2007 to \$366 in 2008.



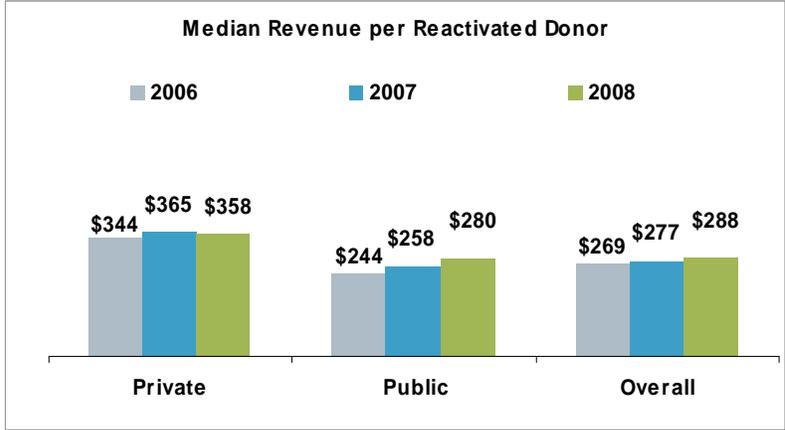
Median Revenue per New Donor

The overall median revenue per new donor was up from \$125 in 2007 to \$146 in 2008, while both public and private institutions experienced growth in this measure. It is interesting, however, that public schools had a higher median (\$154) compared to private schools (\$142) among new donors. This is the only median revenue statistics where public schools outperform private schools and an area where privates led publics in 2007 and 2006. Clearly public schools implemented more aggressive ask strategies in 2008 relative to private schools, which paid dividends.



Median Revenue per Reactivated Donor

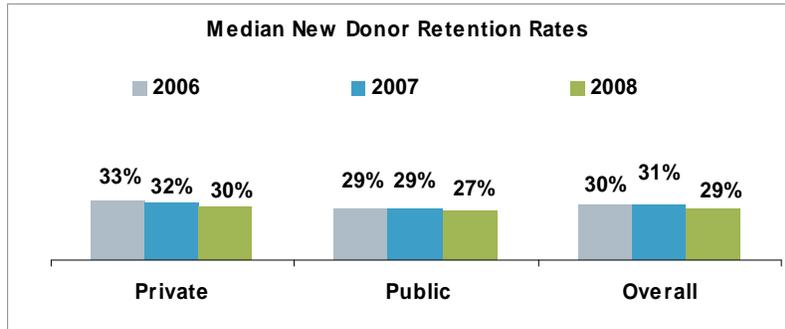
Overall, the median revenue per reactivated donor increased from \$277 in 2007 to \$288 in 2008,



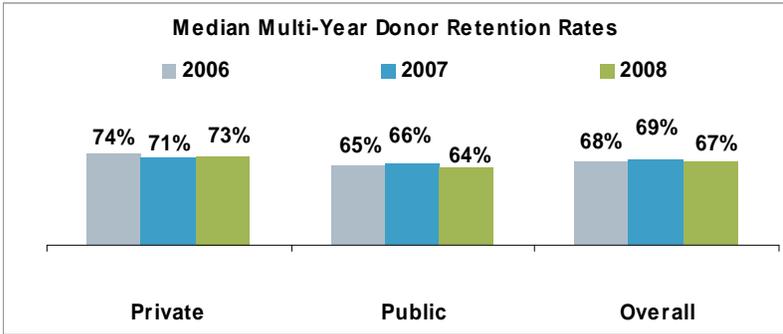
marking the third straight year of growth in this measure. As it has been noted in the past, reactivated donors are very likely to upgrade their support if asked. However, it does appear private schools were less aggressive in upgrading reactivated donors in 2008 than in 2007 since the median revenue per donor actually slipped slightly from \$365 in 2007 to \$358 in 2008.

Median New Donor Retention Rates

As noted earlier, it is increasingly difficult to retain first time donors. After a modest uptick in 2007 from 30 percent to 31 percent, in 2008 the retention rates dropped to 29 percent. For private schools the drop was from 32 percent in 2007 to 30 percent in 2008. Public schools went from 29 percent to 27 percent. This overall negative trend is observed across the last three years for public and private institutions. Special stewardship efforts and second ask programs are likely the best methods to stabilize or increase these retention rates.



Median Multi-year Donor Retention Rates

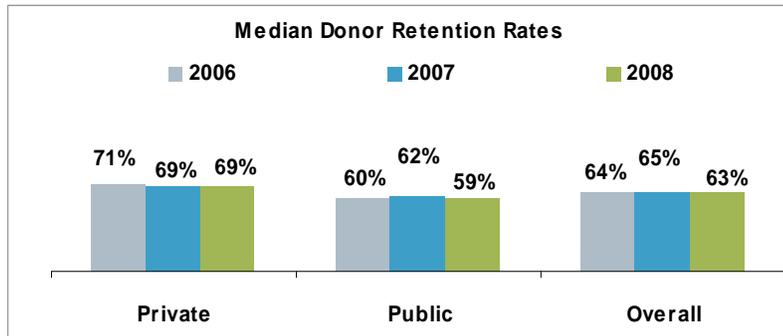


In 2008 public and private schools had mixed results in actual retention rates among the most loyal donors with publics dropping from 66 percent in 2007 to 64 percent in 2008 and private schools increasing from 71 percent to 73 percent. While retention has become a more difficult measure to maintain, increased focus on this

audience will pay the biggest dividends in overall annual fund results as this is the most productive and important donor group.

Median Donor Retention Rates

When combining first-year and multi-year donor retention rates, an overall picture of erosion forms. The median donor retention rate for all schools dropped from 65 percent to 63 percent in 2008, was flat for private institutions and down to an all time low of 59 percent among public institutions.



Overall Thoughts

The trends we have witnessed over the past decade continued in 2008 with a drop in participation rates and number of alumni donors supporting institutions of higher learning. This has been, in many ways, offset with the good news that overall revenue and revenue per donor rates continue to increase. As we have seen for many years now—donors down, dollars up is the trend. However, for the first time in this decade we are beginning to see more strain and challenge on retention rates among all types of donors—first time and multi-year donors. This is a potentially alarming observation since donor retention is the key to program success. Given the current economic climate, it will be interesting to see if donor retention rates, and perhaps more significantly, revenue retention rates are dramatically impacted in 2009.

Further Information

Findings from this and future reports will be posted at www.blackbaud.com/targetanalytics.

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Index Methodology

Target Analytics applied the following rules to standardize data from each of the undergraduate institutions participating in the 2008 Index:

Direct mail and telemarketing are by far the dominant revenue sources for most schools; however, web, telemarketing, event, and other sources are included. Indicators are calculated on a cash payment basis, as opposed to a pledge basis. Gifts or donors are defined as new, retained, or reactivated according to relative gift dates rather than organization-specific business rules or source codes. Retention rates are calculated by dividing the number of donors giving in the current year who also gave during the previous year by the total number of donors who gave in the previous year. Revenue per Donor refers to the cumulative giving per donor per year.

Definitions

Medians are the middle values in a ranked order of numbers. The Index utilizes this statistical practice to measure trends because it minimizes distortion caused by the wide range of organizations' file size or extreme changes at a few organizations.

Participating Private Institutions

Barnard College
Bentley University
Brown University
College of St. Benedict
The College of St. Catherine
The College of William and Mary
Cornell University
Dartmouth College
Depaul University
Emerson College
Gustavus Adolphus College
Harvard University
Johns Hopkins University
Loyola University Chicago
Luther Seminary
Massachusetts Institute of Technology
Niagara University
Ohio Wesleyan
RPI
Salve Regina University
Skidmore College
Smith College
Southern Methodist University
St. Olaf College
Syracuse University
University of Notre Dame
Ursinus College
Valpariso University
Vanderbilt University
Virginia Tech
Wellesley College
Willamette University

Participating Public Institutions

Arizona State University
Colorado School of Mines
Indiana University
Iowa State University
Kansas University Endowment
McGill University
McMaster University
Michigan State University
The Ohio State University
Ohio University
Pennsylvania State University
Purdue University
Queen's University
United States Air Force Academy
University of Arizona
University of California, Davis
University of California, San Diego
University of California, Santa Barbara
University of Delaware
University of Georgia
University of Houston
University of Illinois
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University of Michigan
University of Minnesota
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University of Oregon
University of South Dakota
University of Texas at Austin
University of Virginia
University of Wisconsin, Madison
Wilfrid Laurier University