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Fundraising Basics Part I

A love story

Prospecting, courting and maintaining individual donors

The art of development is similar to a romantic affair. In order to appeal to donors and build lasting relationships, your organization must first find someone with similar interests, make a connection and then let the wooing begin.

Unfortunately, the challenge fraught with finding one's soul mate is often similar to finding those loyal and lasting donors.

When the economy began its decline in 2008, nonprofits started desperately seeking donations as their funding began to dry up. At the same time, Americans tightened their purse strings and individual gifts decreased between 20 to 30 percent for many nonprofits. This translated to fewer donor dollars and more hands reaching into the same pot.¹

Those nonprofits that suffered the least—or even increased the amount of individual gifts secured—likely owe their success to positive and well-maintained relationships with donors. Their donor lists are up-to-date, their asks are well-positioned, and their communications are with purpose.

They recognize that in identifying prospects, evaluating giving potential and habits, and cultivating potential leads plays a critical role in ensuring that their organization will be able to maintain a pool of resources.

So, are you one of these nonprofits? Does your organization have the donor base needed to withstand the test of time? If the answer is “no,” or you are unsure, read on to gain basic insight on successful prospecting and cultivation tips to build donor relationships that last.

Wanted: Loyal donor seeking long-term commitment (LDSLTC)

At the heart of donor prospecting and cultivation lies research—specifically, research of the wants, needs, interests, habits and motivations lying within your donor bases.

“Nonprofits must identify individuals inclined to support the mission and projects of the organization,” says Molly Schar, principal of fundraising consultancy Right for Donors. “These are people who may have been affected by the work of your

¹ “AFP State of Fundraising 2008 Final Report.” Association of Fundraising Professionals - AFP. Web. 14 Oct. 2009. <<http://www.afpnet.org/Audiences/ReportsResearchDetail.cfm?ItemNumber=2800>>.

Prospectors



organization, or know someone who has. They may live within the community served. Or they may be friends with a board member or a volunteer.”²

Successful research in prospecting can:

- Reveal new connections and relationships.
- Assist in determining the capacity of an individual to give.
- Assist in determining which prospects should be the primary focus of a fundraising campaign.
- Build confidence in the staff making the ask by arming them with strategic information.
- Provide insight into the background and interests of an individual—which will later be useful in creating conversations and tailoring asks and other elements of a fundraising campaign.



Before you begin prospecting, your organization needs to do two things:

First, address how to manage the information obtained. Much of the information found through basic research may be public, while the use of powerful prospecting software can often be very private. Regardless of your method, your organization should handle this information with respect and confidentiality, and donor files should always be stored securely. Jason Dick, author of the fundraising blog www.asmallchange.net, offers a good rule of thumb: Only keep information that you would be willing to hand over if that donor asked for his or her own file.³

Next, you will want to outline a research plan. A prospecting research plan contains many of the same elements of a traditional business research plan:

- A market analysis — Who are your current donors and constituents?
- A service potential analysis — Who could your donors be?
- A fundraising strategy — What is your timeline to accommodate the goals and objectives of prospecting, and how will you achieve them under budgetary restrictions?
- A SWOT analysis — What are the strengths, weaknesses, opportunities and threats to your strategy, organization and prospecting efforts?

This plan will help in focusing your research to identify hot prospects, what level of cultivation they require and the appropriate amount of communication that is needed.

² Schar, Molly. "Creating a Development Plan for Nonprofit Donors: Fundraising Cycle Strategies to Raise More Money | Suite101.com." *Non-Profit Fundraising | Suite101.com*. Web. 14 Oct. 2009.

http://nonprofitfundraising.suite101.com/article.cfm/creating_a_development_plan_for_nonprofit_donors.

³ Dick, Jason. "Prospecting New and Existing Donors." *Web log post. A Small Change*. 10 Dec. 2007. Web. <http://www.asmallchange.net/prospecting-new-and-existing-donors/>.

Then, it's time to begin your research!

Know what a likely prospect looks like

Essentially, if you can find a prospect that has both the ability to give and a passion for your organization's mission, you have a recipe for successful procurement.

In general, a likely prospect has three qualities⁴:

1. The **capacity** to give—they have money that they are willing to give
2. The **willingness** to give—they want to give
3. The **interest** to give—they have a vested interest in an organization's mission, outcomes, services or people



Once you're aware of what a likely prospect looks like, arm yourself with demographics.

By knowing the average giving habits of a prospect based on demographics before you begin prospecting, you will be able to determine the likelihood of securing a gift—especially in judgment-call situations when you are unable to find solid information on his or her giving history. Knowing demographic information merely helps your assessment though; it should never be the assessment itself.

Consider these giving clues and habits, based on generational demographics:^{5, 6}

1. The Civic (or "Great") Generation (those born before 1924)
 - Known for extraordinary generosity and volunteer activity
 - Rapidly declining philanthropic segment
 - Planned giving decisions are likely already in place
2. The Adaptive (or "Silent") Generation (born 1925 – 1942)
 - Transferring tremendous personal wealth to charitable causes, children and grandchildren
 - Most receptive to direct mail contact and appeals
 - Many respond well to the authority and paternalism in outright asks
3. The Idealist (or "Baby Boomer") Generation (born 1942 – 1960)
 - More likely than other generations to engage in hands-on charitable efforts
 - Rarely seek to give online
 - Respond best to personal requests made by someone with whom they have an established relationship
4. The Reactive (or "Gen X") Generation (born 1961 – 1981)

⁴ Snyder, Andrea. "From Prospect Research to Donor Relations." SlideShare. Web. 19 Oct. 2009. <<http://www.slideshare.net/GrantsCollection/from-prospect-research-to-donor-relations>>.

⁵ "Communicating with Donors." The Captive Consultant. Web. 18 Oct. 2009. <<http://thecaptiveconsultant.wordpress.com/category/communicating-with-donors/>>.

⁶ "Generational Patterns of Giving, Old Hippies vs. Young Techies?" Learning to Give - Curriculum Division of The LEAGUE. Web. 18 Oct. 2009. <http://learningtogive.org/parentsraising/section3/02generational_patterns.asp>.

- Question ideological and civic organizations of previous generations
 - Skeptical of authority, giving to organizations that they trust or that their friends have recommended to them only
 - Expect a return on investment for their gift—meaning they expect to be told or shown exactly how their money will be used
5. Millennial (born 1982 – present)
- Motivated by a desire to make the world a better place, it's often predicted that they are likely to mimic the giving patterns of the Civic Generation once they have positioned themselves financially
 - Known for choosing to volunteer time and skill prior to giving money
 - Use the internet frequently to give and to research organizations prior to giving

A few other demographic giving patterns worth exploring: ⁷

- Giving rates are highest in the western portion of the United States—where residents have been found to give up to eight percent of their discretionary income.
- Married couples and single women—especially single mothers—are far more generous than single men in giving habits.
- African-Americans give more money (usually small individual donations made repeatedly over time) than Caucasian donors.
- Self-employed workers are more likely to give than others.
- Those with college degrees give higher percentages to charity, regardless of income level.
- Mormon donors, due to the religion's belief in tithing, are found to give upward of 19 to 27 percent of their discretionary income to charities.
- City dwellers give less to charity on a yearly basis than their "country" counterparts; yet, they give more to secular charities than rural residents.



Now that you have a basic understanding of prospects who are motivated to give, continue your research to find out specifics.

Start with what you have

Going through your donor files with a fine-tooth comb will help assess your current relationships and give a better feel for areas you need to focus on (i.e. relationship building or identifying opportunities for growth).

⁷ "The Chronicle, 5/1/2003: How Americans Give." *The Chronicle of Philanthropy: The Newspaper of the Nonprofit World*. Web. 20 Oct. 2009. <<http://philanthropy.com/freelarticles/v15/i14/14000601.htm>>.

Start by examining the giving history of each donor, looking for the frequency of gifts, the average amount of gift and the date of his or her last gift. Then, analyze the engagement history your organization has with each donor. Is there ongoing communication? Have thank-you notes been sent on each giving occasion? What was the last event you invited them to? If you find that contact with donors is limited to asks and appeals, you have a major red flag on your hands—your organization is neglecting relationship building.

Once these donor files have been examined, move on to examine other elements of your organization: your staff, board members, volunteers and those who use your services and resources or attend events.

Then, seal the deal by going one step further to research the donors and board members of similar organizations to yours—go to their Web sites or call and request an annual report. This can give you some great examples to learn from in reshaping your donor relationship model.

Be an online super sleuth

Use Internet sites like Google™, Yahoo!®, Bing™, LinkedIn® or Technorati™ to fill in any research gaps you may have in your current files, or build new files by conducting simple name searches.

Keep in mind that you are seeking information that will not only allow you to make a base assessment of giving potential to help determine what amount to ask for and expect, but also information that will provide topics of conversation and interest as you move forward in developing a meaningful relationship with a donor. Much like a marketer conducts market research in order to create advertisements that appeal to their intended audiences' interests, development teams mine for information to appeal to donors. As you search, seek out the most authoritative sources, and be sure to check the dates of information and confirm your results—prospecting research is no different than other forms of research: It needs to be credible!⁸

Online research can help you find out:

- Where they work, what they do, what their title is.
- What past titles they have held, previous employers, past board positions.
- What organizations they are involved in or fund.
- What other nonprofit or charitable organizations they give to—as donors or volunteers.
- Who they know—a friend or family member may be just as or better able to make a gift than the prospect. Use social networking sites like

⁸ Snyder, Andrea. "From Prospect Research to Donor Relations." SlideShare. Web. 19 Oct. 2009. <<http://www.slideshare.net/GrantsCollection/from-prospect-research-to-donor-relations>>.



FacebookSM and LinkedIn to see who your board and staff members know or have connections with.

- If they have connections with any foundations—even if you cannot secure an individual gift, cultivating a relationship with them may lead to other funding sources.
- If they have appeared in the press for any reason and what that reason may be.
- If they are politically primed to align with the efforts and mission of your organization. Use sites like www.opensecrets.org to determine if they have made political contributions in the past.
- What their interests are—do they have a blog? Have they written a book? Did they keynote at any conferences or speak at any public events?

Harness the power of prospecting tools

If your organization has the budget for it, consider investing in donor development software like [Sage](#) or [Blackbaud](#), or a subscription to an online program like [Foundation Search](#) or [ProPlatinum](#). These tools have the ability to streamline prospecting efforts and many contain access to databases with donor information, allow you to input and maintain your own database and track your contacts with donors—like phone calls, direct mail pieces and thank-you notes.



Prospecting tools are often powerful enough to easily run algorithms that give nonprofits the power to make correlations between donors and prospects and giving potential. For example, The Minneapolis Institute of Arts has used prospecting databases to identify potential donors in its files by examining information on a donor and correlating it to the organization's own donor history. Ann Ullring, major gifts officer, says that the system has identified prospects who have given works of art, but no cash gifts, and others who have given no more than \$35 over more than two decades. Ulrich explains that these donors had the capacity to give, but just had never been asked or courted properly because the correlation had previously not been made.⁹

Another prospecting option is list acquisition—the purchase of names, addresses and sometimes other information from third-party organizations to grow your pool of potential donors. This method is often extremely hit or miss and in order to be remotely successful the list needs to be highly targeted so that it's obvious to recipients why they are receiving contact from you.

⁹ "Launch Your Program - Prospecting." CPB - Major Giving Initiative. Corporation of Public Broadcasting Major Giving Initiative. Web. 22 Oct. 2009. <<http://majorgivingnow.org/launch/prospecting.html>>.

Embrace the donor life cycle

It's important to understand that all donors—current and prospective—are within a cycle of giving, whether they (or you) realize it or not. Known as Lifecycle Segmentation, this method helps in determining when prospects are more likely to give and the extent of that gift.

The donor lifecycle model often looks like this ¹⁰:

1. **New donors**—They have no prior giving history, and their first gifts tend to be polarizing, meaning they give smaller amounts hesitantly or larger amounts enthusiastically. These donors are perfect candidates to receive regular contact through phone calls, direct mail pieces, in-person meetings and events.
2. **Transition donors**—They have given once or twice before and are primed to be asked again within the next fiscal year.
3. **Core donors**—These donors have consistently given to your organization in the past two to three fiscal years. These donors are best managed with regular personalized contact.
4. **Lapsed donors**—They have not given in the last fiscal year. The relationships of recently lapsed donors (those who have not given within the past 13-24 months) are much easier to recover than those of deeply lapsed donors (those who have not given in over 25 months). Lapsed donors can serve to indicate that either communication between your organization and the donor has been ineffective or inconsistent, or they can indicate a change in the way a donor has viewed your organization.



It can also be helpful to take in consideration the personal lifecycles of donors—events like marriages, the death of parents and the birth of children all pose the opportunity for planned gifts. Conversely, events like children in college, divorce and new mortgages are indicators that prospects may currently be unable to give. ¹¹

Rank your findings and build a list

Use the information and research you have uncovered to rank the likelihood that a prospect will give along with an estimated range of a possible gift. Also consider rating based on relationship—begin your efforts where you are most likely to see a return.

¹⁰ *The NonProfit Times - The Leading Business Publication For Nonprofit Management.* Web. 16 Oct. 2009. <<http://www.nptimes.com/howtos/fundraising.html>>.

¹¹ "CharityVillage® Research: The donor life cycle: Life stages and resulting opportunities." *Charity Village® Home Page.* Web. 15 Oct. 2009. <<http://www.charityvillage.ca/cvlresearch/lrpg31.html>>.

After ranking, compile a list using donor databases, prospecting software or a plain 'ol Excel spreadsheet with mailing and contact information so you're primed and ready to make contact.

Their eyes meet, and the wooing begins!

Once armed with sufficient background information and a prioritized rating of each prospect, it is time to make contact.

Nonprofits can court their prospects and donors by educating, inviting and engaging.

Educate

Introduce yourself—or, in the case of lapsed donors, reintroduce—to prospects and donors. Inform them of your organization, its mission, impact and need for individual gifts. Tell them of the work that your organization does and the differences it is making—for the cause and in the community. The ideal communication channels to accomplish this include:

- Web site and social media—making sure that content on your Web site is up-to-date and chock-full of examples of how your nonprofit is making a difference. Make your organization available to a variety of audiences by exploring a presence on social media sites like blogs, Facebook, YouTube™, Flickr® or TwitterSM, and demonstrate purpose and interact with users through cause-related content.
- Direct mail pieces—such as form letters of introduction paired with brochures, newsletters or postcards.
- Phone calls—strike up a conversation by introducing yourself and your organization, and why you feel they may be interested in your mission. Reference past contact the individual may have had with the organization or an employee or board member. Then, invite them to a relationship-building event like the ones noted below.

Invite

Extend an invitation to prospects and donors to tour your offices, join you and the director for coffee, or host regular luncheons as a way for donors to meet each other, board members and high-level staff. The ideal communication channels to accomplish this include:

- Web site and social media—post donor event information on your Web site along with any necessary R.S.V.P. information. Consider sending e-vites or [Twtvites](#) (both are customizable, electronic invites ... one for e-mail and the other for Twitter) or creating an event on Facebook and inviting users.



- Personal mail or e-newsletter—a personalized note or invitation is appropriate.
- Phone call—could be a follow-up to the initial contact made while educating, or as part of the educating phone call.
- Personal invitation—have the invitation come directly from the staff member, board member or volunteer that recommended them during prospecting.

Engage

Maintain regular contact with prospects and donors, and engage them through meaningful involvement. Give them the opportunity to see the work of your organization in action. The ideal communication channels to accomplish this include:

- Web site and social media—again, make sure your organization’s Web site contains up-to-date content that illustrates the differences you are making. Use social media in the same way, providing updates of your organizations efforts and successes while interacting with users.
- E-mails or e-newsletters—send out organization updates via an e-mail or distribute e-newsletters. Remember, however that e-newsletters should only be sent to those who have subscribed or requested them and should include a no-fuss link to unsubscribe if recipients change their minds.
- Direct mail pieces—these should be more content-rich than the pieces originally sent and don’t always require a personal note. Newsletters and program catalogues are ideal.
- Phone calls—call to follow up on the last contact that was made with a donor, and continue to explore how they feel about the organization and what they think could be improved. Also continue to extend invitations to events.



A note on events

Events and meetings are wonderful ways to connect with donors on a more personal level and help to put a face to the organization. Donors may also see in-person cultivation as a benefit to giving—the organization is investing in them, taking an interest in them, rewarding them with conversation, refreshments or entertainment and giving value to their time, knowledge and insight. It’s also a fantastic way to allow donors and prospects to see the results of giving and an even better way to continually explore opinions and suggestions of prospects and donors.

Jason Dick recommends a few ice breakers to get the conversation going ¹²:

- How did you find out about our organization?
- What first connected to you about us?
- Why have you stayed connected?
- Are there things you'd like to see us doing that we're not?
- What are your favorite programs?

Case in point: The Canadian Women's Foundation

The most successful donor events give donors and prospects further reason to stay invested in your organization's mission—they involve them beyond the giving process, allowing them to more actively participate. The Canadian Women's Foundation (CWF), a nonprofit organization devoted in-part to investing in programs that end violence against women, experienced this success first-hand.

In 2003, CWF implemented a donor education strategy over a three-year period to create awareness of its cause and engage donors with the goal of both advancing its mission and securing individual gifts. This strategy revolved around a series of half-day education sessions for donors, featuring speakers and content that revealed facts, case studies and accounts of women and girls who had been affected by violence. These sessions also offered solutions—highlighting how individual donors could help, through a monetary gift or otherwise. Since implementing these events, CWF has seen a \$200,000 increase in individual gifts per year. ¹³

Communication efforts like the ones previously outlined should be ongoing—donor communication is not a once-and-done effort. Reach out to donors, follow up with further communication and information, create and maintain interest in your organization and build a foundation worthy of ongoing gifts. Do this, and when they decide to give in the future, your organization will immediately come to mind.



The proposal

Once you've made contact and laid the foundation for donors to give, it's time to develop the strategies to make the ask and continue stewardship of prospects and donors.

¹² Dick, Jason. "Prospecting New and Existing Donors." Web log post. *A Small Change*. 10 Dec. 2007. Web. <<http://www.asmallchange.net/prospecting-new-and-existing-donors/>>.

¹³ "Community Foundations of Canada 2006 National Conference: Engaging Donors, a Case Study." *Community Foundations of Canada*. Web. 22 Oct. 2009. <<http://community-fdn.ca/conference06/>>.

Whether it's an annual appeal, planned gift or major gift—ask donors and prospects to do something by giving money. Explain in clear terms what difference their donation will make and who will benefit from the support of your nonprofit's mission.

Donor prospecting and cultivation is a never-ending cycle of bringing people in to support your organization's mission, keeping them involved and deepening their relationship with your organization. Put care and effort into building relationships. After all, it is a "love story," with potential for huge reward.

In [part two](#), we will look at how to turn prospects into donors.



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