Building your Annual Giving Program
From Chore Girl to Cinderella

DEKALB COUNTY NONPROFIT PARTNERSHIP

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Thinking strategically about annual giving
Thinking strategically

**Mission:** What your organization exists to do

**Vision:** What difference it wants to make in the future to those it exists to serve

**Goals:** How it intends to achieve that difference

**Impact:** How well your organization does what it exists to do, what difference it is making, and how well it is accomplishing its goals
Thinking strategically about annual giving

All nonprofits depend on revenues to fulfill mission, realize vision, and make an impact.

Cash flow and revenue growth strategies are essential to organizational strength.

Annual contributions constitute a strategic source of revenue.
Plotting revenue sources

What sources and amounts of revenue does your organization depend on annually?

Which revenue sources are included in your annual giving program?

What proportion of your organization’s annual revenue comes from annual giving?

From each source of annual giving, e.g. individuals, foundations, businesses, etc?
Projecting revenues

Cash flows to nonprofits are not typically evenly distributed across 12 months.

Critical to project when grants and contributions might be expected:
- When do foundations make grant awards?
- When do corporations/businesses budget for and pay sponsorships?
- When do individuals typically make charitable contributions?
- When do you hold your annual gala or other fundraising events?
Why do these things matter?

Knowing when annual gifts are likely to be received helps you schedule your fundraising activities and it helps your organization anticipate cash flow.

Budgeted support to fiancé annual giving should reflect the extent to which the organization depends on annual gift revenue:
- The greater the dependency on annual giving the greater the budgeted resources.

Monitoring trends in annual giving by source helps you anticipate where you have to make adjustments, e.g. foundation grants are ending next year, can you make up the difference with larger annual gifts?

Consider what the impact on your organization is if annual gift revenue goes:
- Up
- Down
- Remains unchanged
Buzz group conversation

Groups of two – Not from the same organization
You have 10 minutes
No need to report back to the group
Discuss the sources of revenue your organization relies upon each year.
What proportion of your organization’s total revenue comes from annual giving?
What are the consequences—both in the short term and longer term—if annual giving goals aren’t met?
How much money is budgeted to support annual giving efforts?
If you don’t have answers to some or all of these questions, what is your plan to find out?
Annual giving is a BIG deal
The importance of annual giving

The word "Cinderella" has come to mean one whose attributes or importance are unrecognized. Wikipedia

Hopefully, the prior discussion helps us appreciate the importance of annual giving to your organization’s over-all revenues.
Best practices (source: GG+A Quarterly Review, Winter 2013)

An effective annual giving program:

◦ Provides opportunities for every organizational constituent to make at least one gift every year
◦ Is a key component of a long-range plan for constituent engagement and cultivation
◦ Has a consistent identity and definition
◦ Is well-understood by donors
◦ Is valued as part of an integrated, fundraising program that includes major and planned giving, also
Defining annual giving

Gifts intended for immediate use
- Unrestricted or restricted uses
- Usually from donors’ income
- Can range from small to leadership levels

Gifts intended for current special purposes
- Usually at leadership annual gift level or greater
- May be from donors’ income or assets
- These donors usually arise from a pool of donors making smaller gifts for immediate use.
The importance of annual giving

Annual giving is part of the equation for building an integrated and sustainable giving program:

Annual Gifts + Major Gifts + Ultimate Gifts = Life Time Value Giving
Thinking big & small

Annual giving includes:

**Smaller gifts** that are usually encouraged through direct mail, phone, crowdfunding, etc.

**Mid-level gifts** that need more personalized engagement.

**Leadership annual gifts** that require highly personalized relationships.
A gift range chart

Assumptions: (Henry A. Rosso, The Annual Fund)
- Top 10% of gifts will provide 60% of total dollars
  - Usually the result of the largest Leadership Annual Gifts
- Next 20% will provide 15% to 25% of total dollars
  - Likely to come from Mid-Level and Some Leadership Annual Gifts
- Remaining 70% of gifts will yield another 15% to 25% of total dollars needed
  - Mostly smaller gifts

<table>
<thead>
<tr>
<th>Donors</th>
<th>Prospects</th>
<th>Gift $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>40</td>
<td>60,000</td>
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<tr>
<td>20</td>
<td>80</td>
<td>25,000</td>
<td>85,000</td>
</tr>
<tr>
<td>70</td>
<td>280</td>
<td>15,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Group discussion

How do you/would you define annual mid-level gifts for your organization? Leadership-level gifts?

Do you currently identify and approach donors differently for small, mid-level, and leadership annual gift? Why or Why not?

If you currently include mid-level and leadership-level gift solicitations, how are they different from solicitations of smaller annual gifts?

What challenges, if any, would you/do you find in using a gift range chart to build your annual giving strategies?
Annual giving is a shared responsibility
The “do’s” of an annual giving culture

Annual giving is what donors *choose* to do.

Inspiring annual giving is what organizational leaders *are called* to do.

Facilitating giving and engaging donors is what development staff & volunteers *know how* to do.

Stewarding gifts, nurturing loyal support and building lasting donor relationships is what everyone *does*. 
Role of Board and CEO

Ensure the organization documents its impact

Easily articulate case for support

Make annual giving a visible priority

Give personally

Include fundraising director/volunteer in budget discussions for goal setting

Allocate sufficient resources to support annual giving

Participate in cultivating and soliciting leadership-level annual donors

Say thank you and steward donor relationships

Evaluate performance
### Responsibilities of fundraising staff/volunteers

<table>
<thead>
<tr>
<th>Case preparation; good story telling</th>
<th>Timely and effective <strong>execution</strong> of the plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and engagement activities</td>
<td>Management of <strong>donor information and relationships</strong></td>
</tr>
<tr>
<td>Informed <strong>goal-setting</strong></td>
<td><strong>Donor stewardship</strong> and acknowledgement</td>
</tr>
<tr>
<td>Tactical <strong>work plan</strong> with specific revenue goals and cost projections</td>
<td><strong>Metrics</strong> to track costs, gift revenues and donor participation</td>
</tr>
<tr>
<td><strong>Master timeline</strong> with assigned responsibilities</td>
<td>Timely <strong>reporting</strong> of net results</td>
</tr>
<tr>
<td></td>
<td><strong>Analysis and</strong> <strong>evaluation</strong></td>
</tr>
</tbody>
</table>
Small group discussion

Groups of 5

15 minutes discussion

Select a reporter to summarize discussion for the whole class

Discuss: (1) How, ideally, the annual fundraising roles and responsibilities of Board members, the CEO, and fundraising staff/volunteers can inter-relate and complement one another.

(2) Where do you see likely conflicts or frictions between roles?

(3) How do you/would you prepare your Board members, CEO and volunteers to assume their roles in annual giving?
Telling a great story well
Preparing the outline

Start with the case for support—

◦ An inspirational story for your donors
◦ About how your organization is fulfilling its mission
◦ What its intended impact is to those it serves
◦ What actions and resources are required
◦ What annual gifts will be used for – what they will make happen
Preparing a “case” for giving

The case should have some longevity—most things cannot be achieved in one year.

But the case should be updated every year to chronicle progress.

It should elicit emotional as well as rational engagement from donors.

The case is the source document for all communications:
- Website,
- Solicitation letters,
- Newsletters,
- Social media, etc.

The case provides talking points for group and individual presentations.
Telling a story donors want to hear

Things that a charity wants to tell a donor:
- About our mission
- Why we need your money
- What we believe
- Our new approach
- Why we think we're different
- We've been in the news
- How great we are

How we helped solve a problem:
- Why you should support us
- How you can support us

Things that a donor wants to hear from a charity:
- What you achieved with my money
- Why I made the right decision to support you
- That you value me
- That you think I'm special
- You'll ask how I want you to communicate
- That you know why I give and what I care about
- That you've remembered what I've done and what I've said
Donor education and engagement

- Awareness
- Interest
- Experience
- Participation
- Ownership
Donor education and engagement

Share the case and key messages with your donors:
- Test the case first with a small group of donors
- Modify if needed
- Distribute through multiple communication channels
- Or tailored to each donor’s preferences if known
- Several times over the course of the year
- Provide opportunities for two-way discussion of the case

Engage donors through participation:
- Volunteer opportunities
- Meeting beneficiaries
- Visiting/Sitting in on programs
- Special events
- Sharing of their reasons for supporting your organization
- Small group gatherings
- Meeting other donors
# Getting to know your donors

## PERSONALLY

Meet as many as possible at events, gatherings, one-on-one

Be sincerely interested in their views about your organization and their desires to be engaged

Build long lasting relationships between donors and leaders, staff, volunteers, beneficiaries

Ask them about their giving interests

## THROUGH RESEARCH

Evaluation committees

Data modeling

Wealth screening
Planning for annual giving success
Setting strategic goals

Goal setting is a balancing of these four critical factors:

Historic annual giving patterns

Knowledge of donor pool capacity and likelihood of giving

Knowledge of external factors that may affect giving

Realistic multi-year projections of future giving
Annual goal setting

Participate in the organizational budgeting process to set realistic goals for annual gift revenue

Set three types of dollar goals for annual gifts:
- Same as last year
- Incremental growth
- Exceptional growth

Goals should be supported by realistic tactics and budgets

Remember that, in the end, goal attainment is not completely controlled by the organization or the fundraising staff/volunteers: Donors make the final decision!

This is why knowing our donors and building sincere relationships between donors and our organizations is so important.
Tactics in priority order

**Renewal/Retention: Job #1 -** Keeping last year’s donors

**Upgrade:** Getting selected donors to give bigger gifts

**Acquisition:** Attracting new donors

**Recapture:** Re-engaging lapsed donors

**Outcomes**
- Growth in over-all gift revenue
- Increases in donor retention
- Sustainable relationships with lifetime value
- Major gifts
- Planned/Estate gifts
Planning

Segment prospect & donor pools according to tactics

Analyze segments and set goals for each: no change in net revenue, incremental increase, exceptional increase

Decide on methods needed to reach each goal
  ◦ Personal visit by whom
  ◦ Personal letter signed by whom
  ◦ Phone call from whom
  ◦ Mass direct mail
  ◦ Et al
## Segmenting donor and prospect pools

<table>
<thead>
<tr>
<th>Segments</th>
<th>Criteria</th>
<th>Method</th>
<th>Responsible Party</th>
<th>Same as Last Year</th>
<th>This Year’s Incremental Goal</th>
<th>This Year’s Exceptional Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewals</td>
<td>Gave $1k&gt;</td>
<td>Personal</td>
<td>Board</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Gave $500&gt;</td>
<td>Personal</td>
<td>CEO</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Gave $100&gt;</td>
<td>Phone</td>
<td>DoD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gave under $100</td>
<td>Direct mail</td>
<td>Staff</td>
<td></td>
<td></td>
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<tr>
<td>Upgrades</td>
<td>Gave same $ in at least 3 of last 5 years</td>
<td></td>
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<tr>
<td></td>
<td>$1k&gt;</td>
<td>Personal</td>
<td>Volunteer</td>
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<tr>
<td></td>
<td>$500&gt;</td>
<td>Personal</td>
<td>CEO</td>
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<tr>
<td>Etc</td>
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## Frequency: Yearly, Quarterly, Monthly?

**Solicit donors when they prefer to give**

Research donor patterns:
- Which donors give consistently
- Time of year they consistently give
- How frequently they give

Discern whether their pattern reflects their priorities or their responsiveness to your requests

Test their responsiveness to change

**Monthly giving: Hot trend**

In 2015, revenue from monthly giving grew by 24% compared to 18% growth in revenue by one-time giving

Improves donor retention rates

Increases average annual gift amounts

Between 3% - 5% of current donors can be converted to monthly donors in relatively short order
## Budgeting time and money

<table>
<thead>
<tr>
<th>TIME</th>
<th>BUDGET</th>
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<tbody>
<tr>
<td>Set start and finish dates for each activity</td>
<td>Estimate all direct costs for each segment, e.g. printing, postage, address service, online payment transactions, crowdfunding site fees, etc.</td>
</tr>
<tr>
<td>Estimate time needed for each critical task e.g. producing lists from data base; confirming contact information; recruiting and preparing solicitors, etc.</td>
<td>Prepare a comprehensive budget and secure prior approval</td>
</tr>
<tr>
<td>Schedule staff/volunteer time for gift processing and acknowledgement</td>
<td>Track all actual expenses for each segment as well as all pledges and revenues received</td>
</tr>
</tbody>
</table>
Selecting fundraising methods
Methods and applications

Face-to-face
Direct mail
Telephone
Special events
Email
On-Line
Crowdfunding
Mobile apps
Communicating with donors
Making the ask in person

The most personal way to ask donors for a gift is to ask them face-to-face.

Donors at the top of the annual giving pyramid (top 10% - 30%) should be asked to give in person.

The 4 “Rs” of making the ask: The Right person asking for the Right Amount for the Right purpose at the Right time.

Enlist CEO, Board, volunteers, other donors to assist.
## Making the Ask to a Group of Donors

### DIRECT MAIL

- **% of NPOs that reported growth in direct mail fundraising has increased steadily since the Great Recession ended in 2009**
- **25% of NPOs say more than 50% of their fundraising is through direct mail**
- **25% of population say DM is preferred method of communication**
- **37% of online giving may be prompted by direct mail**
- **Those 55+ appear to be most receptive to receiving direct mail.**

### TELEPHONE

- **More personal than direct mail**
- **Two-way conversation**
- **46% say telephone is preferred form of communication**
- **Harder to get people to answer their phones**
- **Need to capture mobile as well as land-line numbers**
- **Younger donors less likely to be responsive**
## Making the Ask to a Group of Donors

<table>
<thead>
<tr>
<th>SPECIAL EVENTS</th>
<th>DIGITAL</th>
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<tbody>
<tr>
<td>Staff and volunteer intensive</td>
<td>Hottest innovations in fundraising/giving methods</td>
</tr>
<tr>
<td>Way to introduce prospective donors to an organization’s mission</td>
<td>Highly appealing to younger adults</td>
</tr>
<tr>
<td>About 25% of NPOs said &lt;10% of fundraising is event-related</td>
<td>Online giving via websites critical part of integrated, multichannel</td>
</tr>
<tr>
<td></td>
<td>approach</td>
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<td></td>
<td>Online giving via crowdfunding sites/fundraising platforms such as Fundraise.com</td>
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<td></td>
<td>In-app donations, e.g. Facebook</td>
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<td>Mobile wallets</td>
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</table>
Group discussion/sharing

What methods are you using?

Why did you choose to use these particular methods?

What is the “best fit” for your donor demographics?

Do you anticipate changing your mix of fundraising methods anytime in the future? Why or Why not?

Do you anticipate donor resistance to change? Based on what?

Are you knowledgeable/Is your organization prepared to implement new methods?
Measuring performance
Does the shoe fit?

Ask yourself: Have we transformed annual giving from an often neglected “chore girl” into the strategic “belle of the ball”?

Data and analysis can help you answer this question.
Analyze donor sustainability

Retention rates: % of donors from last year who repeat their gift this year

Participation rates: % of all donors from the past five years giving this year

First year conversion rates: % of last year’s new donors who gave this year

Fifth year threshold rates: % of new donors from five years ago who gave this year
Why are these data important?

Donors are a significant force in your organization’s strategic success.

Since before the Recession, donor retention has been declining:
- First year retention rates of 50% used to be the industry standard.
- Now, on average, the first year retention rate is 25%!
- You need to know what your rates are and if they are declining, you need to take steps to stop this decline.
- Acquiring a new donor costs 6 to 7 times more than it costs to retain a donor.
- The fifth year threshold usually indicates a greater likelihood the donor is engaged and invested for the long term.
Analyze net revenue growth

ADD number and dollar value of
- New gifts
- Upgraded gifts
- Renewed gifts (repetition of gifts from last year)
- Reactivated gifts (lapsed)

SUBTRACT number and dollar value of
- Last year’s gifts not repeated this year
Why is this important?

Simply tracking total gifts received from year to year doesn’t tell you enough to manage your annual giving program for maximum organizational impact.

You need to know where you are

- Making gains
- Loosing ground
- Marking time
Calculate spendable (net) revenue

Net Gift Revenue = Total gift revenue minus direct costs

◦ Requires you to track fundraising expenses as well as gift revenue
◦ Shows gift revenue--over and above fundraising costs--that is available to support mission-driven purposes

Why is this important?

Because you need to maximize the amount of money available for mission impact. For example, if you raise more dollars than last year but spend even more to raise those dollars, your organization will actually have less to use for mission-driven purposes.
Being good stewards
Acknowledge every gift

Send a thank you within 48 hours of receiving a gift

Personalize the thank you

Tell the donor how the gift will be used

Be mindful of IRS substantiation requirements
  ◦ $75 quid pro quo
  ◦ $250 gifts or greater

Publicly acknowledge the gift with the donor’s permission
Steward the gift

Make sure the gift is used as the donor intended/directed

Invite the donor to see how the gift is being put to use:
  ◦ On-site visits
  ◦ Periodic reports
  ◦ Videos

Inform the donor about the impact that her/his gift is helping your organization achieve
Love your donors

What do donors want?

- Timely notice their gift was received and that you are pleased to receive it. Penelope Burk, *Donor Centered Fundraising*
- “Most donors continue to give because of the relationships we cultivate with them.” Cynthia Gibson, *Nonprofit Quarterly*
- Donors want to know that their gifts are being used and effecting real impact and success
  - 60% of donors surveyed by *Connecting Up* said “impact and success stories” were the kinds of stories they wanted to hear.
- Show your donors that you genuinely care about them. This is everyone’s responsibility: Board, CEO, fundraising staff and volunteers.
Giving happily ever after