



Education
Advisory
Board

Advancement Forum

Optimizing the Campaign Pipeline

Part II: Surfacing Untapped Major Gift Capacity



Longer Timeframes, Bigger Goals

Modern Campaigns Rely on Major Gifts to Hit Ambitious Targets

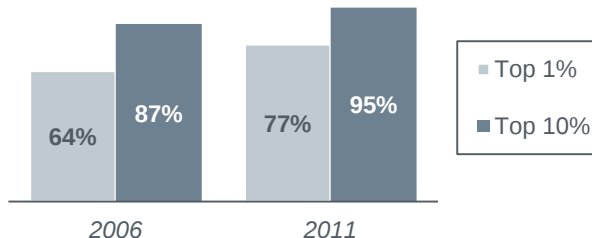


Burgeoning Campaign Goals

18% Longer timeframes for current campaigns than for past campaigns (2011)

43% Growth in median campaign goals from 2000 to 2011

**Percentage of Total Campaign Dollars
Provided by Top Donors**
CASE Campaign Report (2011)



Change at the Top

“I’ve been looking a lot at how fundraising has changed over the past 20 years. We all know the 80/20 rule—20% of donors will give 80% of the funds we bring in. The problem now is that 80/20 doesn’t hold up anymore. It’s changing. It’s more like 90/10, or even 95/5. That’s order of the day in shops like this.”

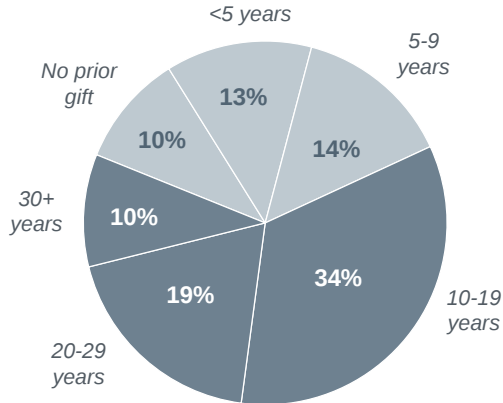
*Ron Cohen
Vice President of University Relations
Susquehanna University*

The Campaign Pipeline

Today's Core Supporters Progressed through the Annual Fund

3

Length of Top Donors' Giving Histories Prior to Biggest Gift
Philanthropy Leadership Council, 2006



Small Starts, Big Potential

9x

Increased likelihood that a donor who upgrades consistently will become a major donor

80%

Of alumni major gift donors make consistent gifts in first 5 years after graduation

\$255

Average first gift amount from major donors at the University of Virginia

Source: Barry F. "Cultivating Lifelong Donors: Stewardship and the Fundraising Pyramid," *Blackbaud*, 2010, https://www.blackbaud.com/files/resources/downloads/Book_CultivatingLifelongDonors.pdf; Philanthropy Leadership Council, *Enduring Relationships: Stewarding Donors to Deepen and Sustain Institutional Ties*, Advisory Board Company, 2008: 6; Meer J. "The Habit of Giving," *Economic Inquiry* (March 2013), <http://onlinelibrary.wiley.com/doi/10.1111/ecin.12010/abstract>; Alumni Relations Task Force, "Appendix C: The Link Between Alumni Engagement and Alumni Giving," *The Scenes of their Youthful Studies: The Next Era in Alumni Relations*, University of Virginia: 2004, <http://www.virginia.edu/virginia/ARTFReport20040629.pdf>; EAB interviews and analysis.

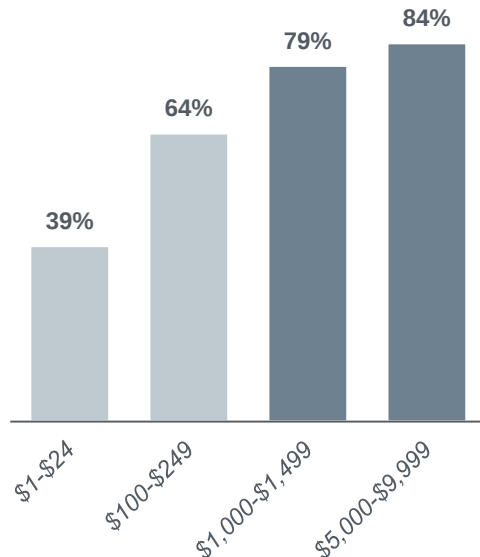


A Turning Point at the Mid-Level

The \$1,000 Threshold: An Indicator of Affinity and Potential

Overall Donor Retention Rate by Giving Level

Target Analytics, 2014



Even More Room for Growth

“The mid-level donors are the people we need to pay attention to. They’re the ones consistently giving \$2,500 to \$10,000 a year—which aren’t small sums. They have the most potential for growth. We really need to focus here.”

*Becky Zrimsek
Director of the Annual Fund
Carleton College*

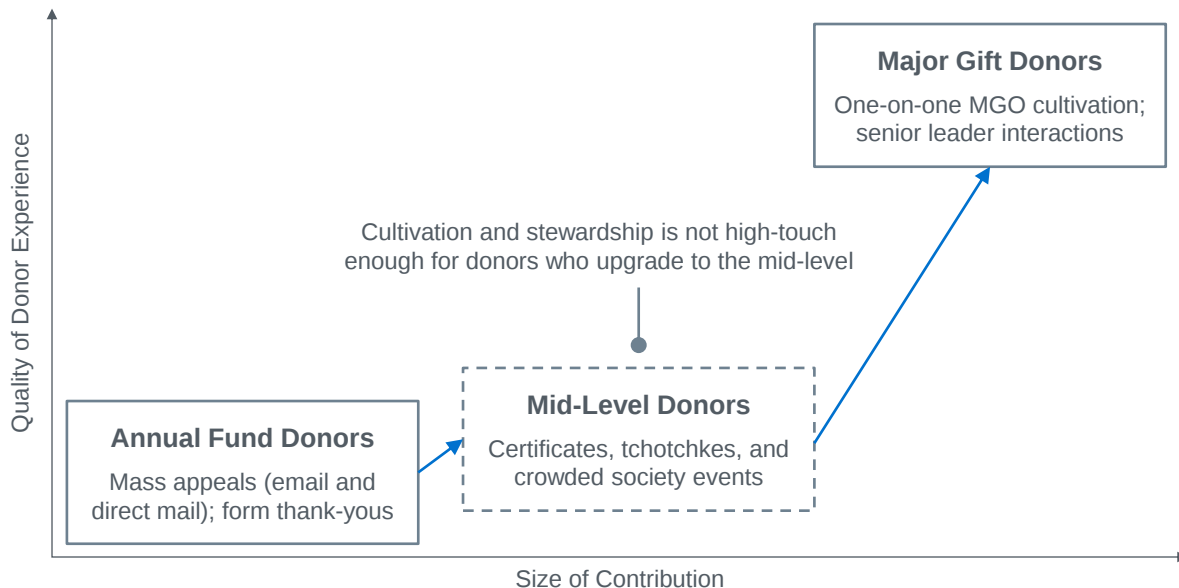
Source: Target Analytics data reported in Allenby D, “The Bigger They Are,” Annual Giving Network, <http://annualgiving.com/2014/05/21/the-bigger-they-are/>; EAB interviews and analysis.

Disappointed Expectations in the Middle



Donor Experience Fails to Keep Pace with Upgrades in Giving

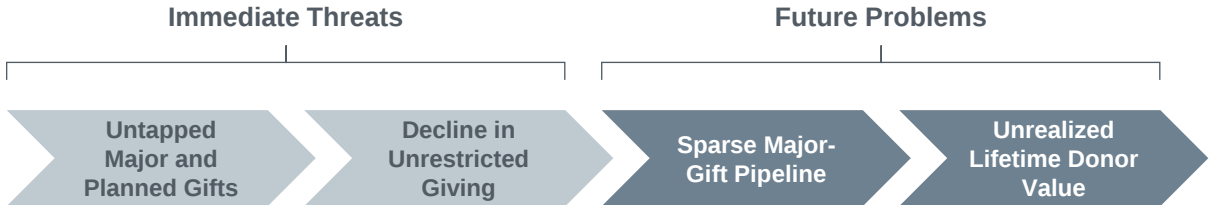
Quality of Donor Experience Relative to Size of Contribution



“It’s Hurting Us Now and in the Future”

The Consequences of an Undercapitalized Middle

Short- and Long-Term Effects



“

Threatening Our Sustainability

“This is really taking a toll on our fundraising. We’re not getting the most out of the donors we already have in the pipeline—the ones who are most loyal to us. On top of that, I’m worried about our next campaign. When we close this one out and start thinking about an even more ambitious goal for the next one, will our donors be ready to step up their gifts? As it stands, I think the answer’s probably ‘no.’”

*Chief Advancement Officer
Private Research University*

The Hidden 10%



Select Group of Mid-Level Donors Ripe for Major Gift Cultivation

Three Mid-Level Donors with Hidden Capacity



Jane Doe

Known Variables: \$1,000 annual gifts for 5 years, \$10,000 capacity rating
Unknown Variables: Private yacht, wine collection, summers on Cape Cod



John Smith

Known Variables: Recent upgrade from \$250 to \$2,500, unrated
Unknown Variables: Received \$1.5 million inheritance, intends to donate half



Mary Johnson

Known Variables: \$5,000 gift every 2-4 years, \$20,000 capacity rating
Unknown Variables: Immense savings account, currently writing a will



Overlooked Potential

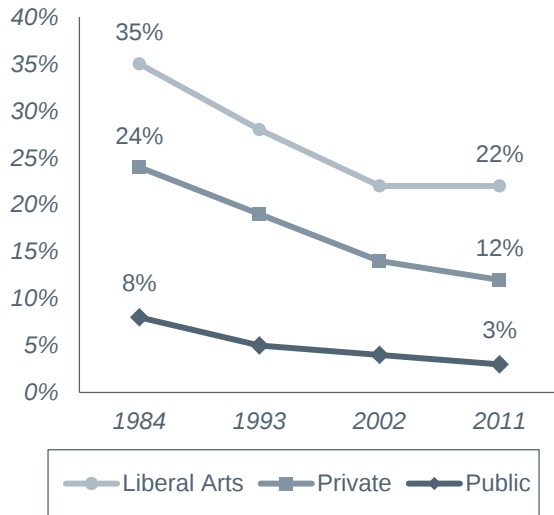
“I know all of our million dollar donors. I don’t know the 10% of \$1,000 donors who could give a million dollars.”

*Keith Inman, Vice President for Advancement
University of Louisville*

The Unrestricted Giving Gap

Mid-Level Donors Are Overlooked Source of Much-Needed Support

**Percentage of Private Support
Directed to Unrestricted Funds**
*Voluntary Support of Education Survey,
1984 – 2011*



“

Major Gifts Won't Help

“The \$100,000 level is where our unrestricted giving drops off. It's been that way for a while. It just wasn't a part of our culture to encourage large donors to make an unrestricted gift to the annual fund when they could set up an endowment with a \$100,000 gift. We had a culture of restricting anything we could. But then the economic downturn came, and it became very clear that having some unrestricted gifts would be really nice.”

*Associate Vice President of
Advancement Operations
Private University*

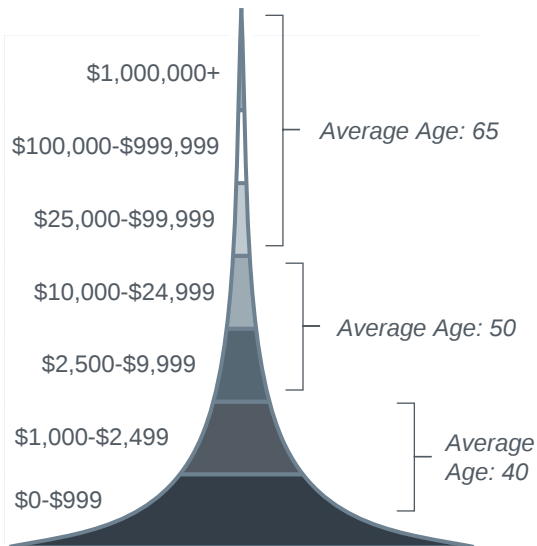
Fewer Donors “On Deck”

Inattention to Mid-Level Creates Empty Bench for Future Major Gifts



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The Tapered Major Gift Pipeline



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Attrition at the Top

“Yes, it’s true that 95% of your money will come from the top. But the top won’t be around forever. And if you’ve ignored the rest of the pyramid and you’re left with just a few donors giving right below that major-gift level, you better hope that all those donors are billionaires. Otherwise you’re out of luck.”

*Director of Alumni Programs
Public Research University*

Untapped Lifetime Value

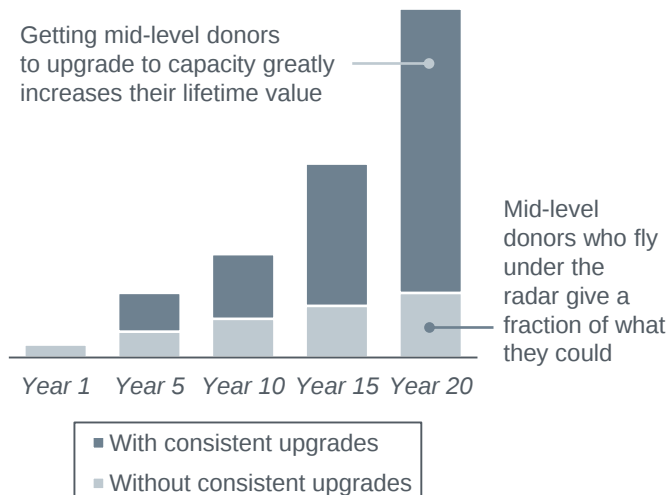
Status Quo Misses Long-Term Revenue Potential of Mid-Level Donors



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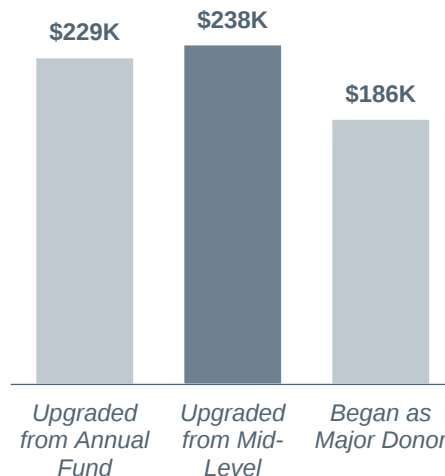
Cumulative Giving of Mid-Level Donors

With and Without Consistent Upgrades



Lifetime Giving of Major Donors by Highest Previous Gift Level

Pursuant Ketchum, 2013



Source: Lodhi A, "Secrets We Keep From Our Donors," *Pursuant Ketchum*, 2013, http://www.adrp.net/assets/Webinars/2013/april_13/secrets%20we%20keep.pdf, EAB interviews and analysis.

A Flurry of Concerns, But Two Main Problems

Upgrade and Stewardship Strategies Are Lacking for Mid-Level Donors



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Top-of-Mind Concerns



Primary “Pain Points”

“Do donors care about my gift society?”

“Are my annual renewal appeals lowballing my mid-level donors?”

“How can I compete against the new generation of tech-savvy nonprofits?”

“What’s the fastest way to find my hidden high-capacity donors?”

“Should I approach the mid-level like annual fund donors, with mass communications—or like major-gift donors, with one-on-one touches?”



Upgrades

- Mid-level donors are not targeted with compelling appeals for ambitious upgrades
- High-capacity mid-level donors do not move to major gift cultivation



Stewardship

- Mid-level donors receive minimal information on gift impact
- Individuals are not treated as insiders through access to senior leadership

New Approaches to Mid-Level Giving

Study Road Map

Meeting Today's Campaign Goal

1



**Accelerating
Donors Up the
Giving Pyramid**

2



**Surfacing
Untapped Major
Gift Capacity**

Cultivating Tomorrow's Campaign Base

3



**Enhancing
Exclusivity
and Access**

4



**Scaling
Digital Impact
Reporting**



Surfacing Untapped Major Gift Capacity

Rethinking Discovery and Qualification

- Alumni Relations Prospect Referral Form
- Alumni Relations Discovery Officers
- Discovery-Focused Fundraisers
- Transitional Giving Officers

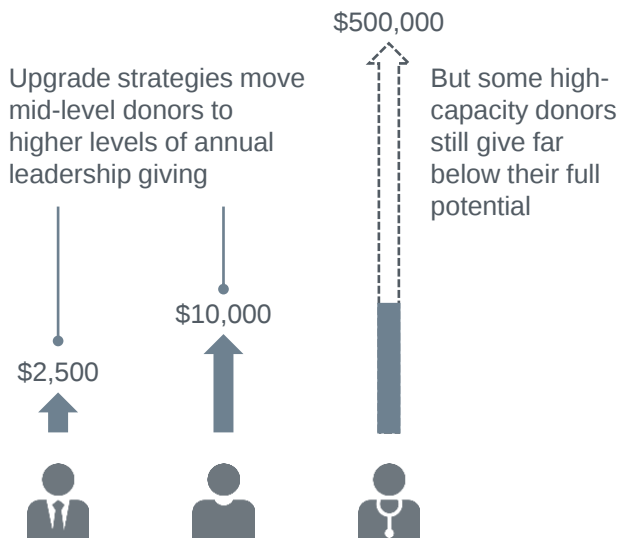
Missing the Needle in the Haystack

High-Capacity Mid-Level Donors Often Undiscovered



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Upgraded Mid-Level Donors



A Big Blind Spot

“We’re missing low-hanging fruit on the major gift side. We’re not assessing what we already have. I think there’s potential to mine our giving society for major donors, but we don’t do a good job finding them and asking them at that major level.”

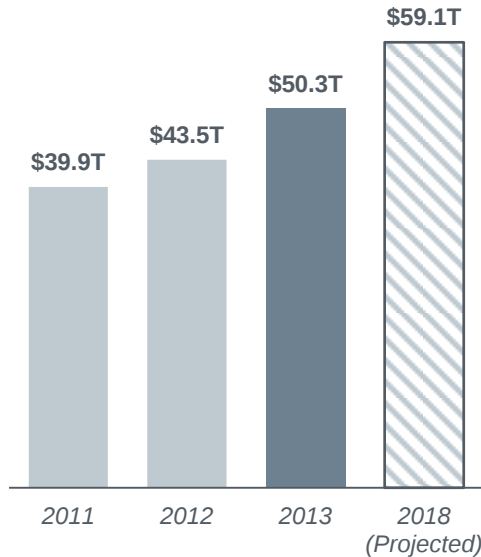
*Chief Advancement Officer
Public Research University*

A Crowded Field of Prospects

Growth in Private Wealth Creates More Major Gift Opportunities

Private Financial Wealth in North America

Boston Consulting Group, 2014



High Wealth Density

7.1M

Millionaire households in the U.S.

1 in 17

U.S. households have \$1M or more in private wealth



Wealth Indicators All Around

“When I first started in this business, if they drove a Mercedes, you had to call them. Now everyone drives a Mercedes.”

*Keith Inman
Vice President for Advancement
University of Louisville*

Source: “Global Wealth 2013: Riding a Wave Growth,” BCG Perspectives, 2014, https://www.bcgperspectives.com/content/articles/financial_institutions_business_unit_strategy_global_wealth_2014_riding_wave_growth?chapter=2; EAB interviews and analysis.

Many Barriers to Discovery

Organizational Problems Disrupt Major Gift Pipeline



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Obstacles to Surfacing High-Value Prospects



Too Many Prospects

- Lack of affinity information gives little indication of propensity to give
- Data-mining turns up thousands of “priority” prospects with no guidance on where to start



Little Time to Qualify

- Stringent revenue goals lead MGOs to deprioritize qualification visits
- MGO discovery efforts only touch small percentage of uncultivated alumni



No Referral System

- Annual fund staff underreport capacity to avoid surrendering their best donors
- Little collaboration between major gift operation and annual fundraisers

Students and Volunteers Surface Prospects



Two Models for Low-Cost Discovery

Model #1: Student Discovery Initiatives



- Originated at Georgetown University
- Students visit prospects and donors during breaks to identify hot leads

Pros

- Student visits excite and inspire alumni
- Student visits are easier to book than fundraising meetings

Cons

- Students lack discovery skills or polish necessary for interactions with wealthy donors
- Hard to “close the loop” with students after interviews

Model #2: Alumni Volunteer Referrals



- Volunteers flag wealthy peers from list
- Alumni with unknown giving capacity receive volunteer visit

Pros

- Engages volunteers in meaningful work
- Surfaces more candid information than would be shared with development

Cons

- Volunteer management can be burdensome on staff
- Visits from volunteers may be valued less by alumni

Engaging Alumni Relations in Discovery

Unit Staff Well-Situated to Surface Prospects



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Key Components

- 1 Volume of Interactions**
Alumni relations staff see hundreds of alumni every year from all demographics
- 2 Engagement as Cultivation**
Meaningful engagement kick-starts cultivation before gift officer steps in
- 3 Overlap with Development**
Alumni-facing work and shared reporting lines create synergies within advancement

“

Choosing the Right Messenger

“Often times, outreach from the alumni association may be met with a lot more receptivity than outreach by development officers. They’re in a great position to engage prospects. Because of that, the expectation is that they’ll bring back prospect research information.”

*Jeffrey Schanz
Assistant Vice President, Institute
Advancement, Development &
Alumni Relations
Rensselaer Polytechnic Institute*

Giving Staff Tools to Succeed



Marquette University Builds Alumni Relations Prospect Referral Form

Alumni Relations Prospect Referral Form

Constituent Name: *

Class Year: RE Record ID

Home City, State:

Your Name (Referral):

☐ Business Ownership (listen for: type of business, years in business, sales trends, recent sale)

☐ Career Path (promotions, titles)

☐ Board Involvement (business or civic)

☐ Secondary Homes

☐ Investment Properties (commercial, apartments, farms, vineyards)

☐ Family Foundation

☐ Major Philanthropic Gifts to Other Organizations

☐ Vacation Spots

☐ Yachts, Private Airplanes

☐ Collections (art, jewelry, antiques)

☐ Country Club Membership

☐ Hobbies (show horses, wine collecting, cars, sailing)

☐ Boarding Schools for Children

☐ Hired Help (nannies, chauffeur, interior decorator)

☐ Other

Select one or more of the above and elaborate below, with as much detail as you recall (click on the submit button when you're done):

(description required)

Constituent information connects leads with alumni records

Alumni relations staff are asked to record revealing wealth indicators

Free-text description gives development staff more specific information to evaluate prospects

Referral Forms Lead to Major Gifts

Marquette Alumni Relations Staff Surface Highly Productive Leads



Turning Up Untapped Dollars

20 High-quality leads submitted by alumni relations and verified by prospect research

3 Major donations made by prospects surfaced through alumni relations leads

\$50K Endowment given as a result of alumni relations lead



Success Yields Next Steps

“Some of the leads were so good that they were put into major gift officer portfolios. One of them was a major endowment that already came in. So that’s a success story.... But we have about 7,000 constituents in qualification pools and 1,500 who are viable and who we need to start seeing. So we’re about to transition our roles in alumni relations to infuse even more qualification work in what we’re doing.”

*Stacy Mitz
Managing Director, Engagement
and Affinity-Based Giving
Marquette University*

New Discovery Roles at Marquette



Alumni Relations Staff Increase Capacity to Qualify Prospects

Prospective Visit Goals for Discovery Staff



Dedicated Discovery Officer

Staffing: 1 FTE

Visits: 18 per month



Hybrid Discovery Officers

Staffing: 6 FTE (~12% of their time)

Visits: 7 per month



60 visits per month,
720 visits per year

Aims of Discovery Visits

- 1 Assess prospect's affinity for Marquette
- 2 Learn about current philanthropic giving
- 3 Evaluate prospect's capacity to give
- 4 Surface referrals to other high-potential alumni

Mapping Next Steps to Alumni Potential

Discovery Visits Lead to Both Giving and Engagement



Discovery Officer Conducts Qualification Visit

Officer evaluates both capacity and desire to give



High-Potential Prospects Are Passed to Gift Officers

Gift officers schedule visits to discuss opportunities for philanthropic impact



Other Interviewed Constituents Are Given Engagement Opportunities

Ensures that interested alumni are segmented for invitations and involvement



Prospect Engagement Plans

Affinities

Parents' Council
Women's Council
LGBT Alumni Group
Ethnic Alumni Assoc.

Volunteerism

Admissions
Club Leadership
Event Coordinator
Athletics

Social Media

Online Alumni Club
Ambassadors

Career

Program Speaker
Mentor
Job Shadow

Staffing Up for Annual Leadership Giving

Institutions Dedicate Resources to Cultivating Mid-Level Donors

“

A Growing Need

“Our advancement shop has to start treating the people who give the \$1,000 and \$5,000 gifts more like future major donors. Right now we ask major gift officers to fill dead time on the road with visits to our best mid-level donors, but I’m starting to think we need to have a more dedicated, strategic approach here.”

*Chief Advancement Officer
Public Master’s University*

“

New Investments in Staff

“We just hired four annual leadership giving officers. We realized we couldn’t afford to keep holding our mid-level donors at arms-length. If the only communication we have with them comes through direct mail or phonathon solicitations, we’ll never be able to build a giving relationship with them that culminates in a major gift.”

*Director of Annual Giving
Private Research University*

Junior Major Gift Officers

Prospecting Potential from Annual Leadership Giving Officers

Example of Fundraising Goals and Benchmarks for Frontline Fundraisers

Performance Metric	Annual Leadership Giving Officers	Major Gift Officers
Portfolio Size	125-300	75-125
Annual Visits	100-200	80-180
Experience in Fundraising	0-3 years	3+ years
Dollars Raised	\$100K-\$200K	\$500K-\$1.5M
Number of Gifts	40-75 (annual and/or leadership gifts)	5-8 (major gifts)
Gift Size	\$1K-\$25K	\$25K-\$1M+

Annual leadership giving officers frequently visit hidden-capacity donors

The Broken Pipeline in the Annual Fund

Annual Leadership Giving Officers Fail to Communicate Leads



Generating Leads While Driving Upgrades

UNC-Chapel Hill's Hybrid Discovery Fundraisers Strengthen Gift Ladder



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Annual Leadership Gift Officer Staffing (3 FTE)



Upgrade Annual Leadership Donors

Meet with prospects, make the case for giving, solicit annual leadership gifts, encourage upgrades

Refer Untapped Major Gift Prospects

Assess capacity and affinity, explore philanthropic motivations, identify priorities of interest, pass prospect leads



Criteria for Visits

- Leadership giving for 5+ consecutive years
- Giving at any level for 15+ consecutive years
- Highly rated annual fund donors and non-donors



Prospect Pool Characteristics

1,500 Total priority prospects

1,200 Prospects meet two of the three criteria

700 Prospects meet the leadership giving criteria

Instilling a Culture of Collaboration



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Hybrid Staff Undergo Unit-Based Trainings to Smooth Referrals

Key Concepts of Discovery Training Curriculum

Intensive on-campus training program lasts for 6-8 weeks and includes...



Externally produced webinars on qualification essentials, capacity indicators, and fundraising skills



Presentations and department tours led by major gift officers in each of the 13 schools (about 2-4 hours each)



Extensive review of development materials outlining strategic fundraising priorities at all giving levels

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Setting Expectations Early

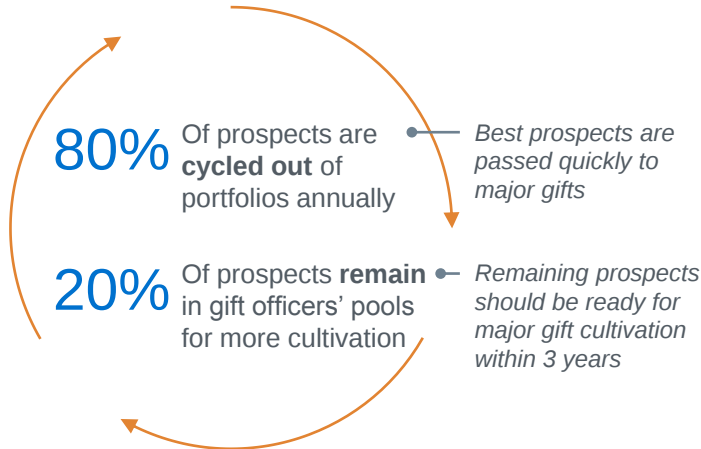
“We drilled constantly in training that this is about referrals. This is about providing a service to our schools and units and being donor-centered. It’s about identifying prospects and determining their interests, then aligning them with the area on campus that’s the best fit. That’s what’s going to get the greatest major gifts.”

*Rebecca Bramlett, Director of Annual Giving
UNC-Chapel Hill*

Turning Training into Action

Program Mechanics Support Major Gift Referrals

Rapid Portfolio Churn Encourages Referrals



Other Referral Drivers



Secondary Solicitor Status

Co-listing on gift proposals boosts revenue performance



Referral Goal (*Prospective*)

10% referral goal for visits may apply to future evaluations

Major, Planned, and Annual Giving Gains

Promising Early Results from UNC-Chapel Hill

In the program's first 6 months...



Early Achievements

192

Visits made to high-priority prospects and donors

25%

Of visited prospects gave annual gifts

4

Donors referred to planned giving to document estate gifts

7

Donors referred for \$25K-\$100K gift cultivation

In the program's next 6 months...



To Do List

- Establish performance benchmarks based on current-year outcomes
- Cultivate relationships with prospects who are remaining in the portfolio for now
- Begin stewardship of donors who give in response to visits
- Work with units to update officers on funding priorities

Untapped Major Gift Capacity in the Annual Fund



High-Potential Prospects Elude Major Gift Officers at McGill University

Siloed Approach to Fundraising



Annual fund officers focused exclusively on making annual fund asks



Data Not Used to Fullest Potential



Prospect ratings combine affinity and capacity; no ability to look at variables independently



Unknown Prospects With \$25K+ Capacity



1,200 high-value prospects “hidden” in annual leadership gift officers’ pools

“

Stuck in the Annual Fund

“When we redid the financial ratings, in the annual fund officers’ pools, we found 1,200 donors whose five-year financial ratings were actually \$25,000 and up. Essentially, these special and major gift prospects were hidden. As they were giving already on an annual basis, we knew that their affinity for the university was good, but these donors actually had the capacity to make more significant gifts. At the time, however, we saw them as donors who made leadership level annual fund gifts and not as prospects according to their real philanthropic capacity.”

*Anne Carbonneau, Managing Director of Development Programs
McGill University*

Building a Business Case for Change



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Senior Leaders Presented with Costs of Maintaining Status Quo

Key Intel Shared with Stakeholders



Number of highly rated prospects
coded as annual fund donors



Examples of high-capacity, small-gift
donors who upgraded after move to
MGO management



Sustained high-value giving over time
from donors who upgraded and were
subsequently managed by an MGO

Overlooked Prospect Profile

Who: Ultra high net worth alum

Lifetime giving: \$0

Combined capacity/affinity rating:
\$25,000

Five-year philanthropic capacity rating:
\$50,000,000

Cause of rating deflation: Prospect's
weak affinity significantly deflated true
philanthropic rating

Next steps: Develop a capacity-
appropriate strategy for building a
relationship and engaging prospect
with the institution toward an initial
seven-figure gift

Rightsizing Prospect Pools

Capacity Audit and Gift Officer Redeployment Improves Pipeline

Pipeline Overhaul and Repair Process

Step 1

Split Capacity from Affinity Ratings

Review donor ratings and rerate prospects based exclusively on wealth scores

Step 2

Reorganize Pools

Reorganize prospect pools into three groups based on adjusted ratings; deploy based on affinity

Step 3

Realign Staff

Reassign annual leadership giving staff to manage prospect pools rated \$25,000-\$99,999

Annual Fund

- <\$25K capacity
- Cultivated through segmented large-scale programming

Special Gifts

- \$25K-\$99K capacity
- Managed by former annual fund officers

Major Gifts

- \$100K+ capacity
- Major gift officers take on previously underrated prospects

Changing Gift Officers' Direction



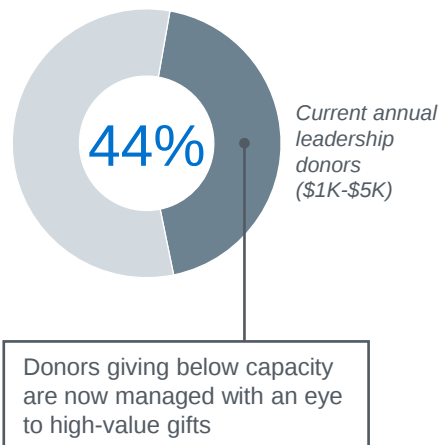
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Frontline Fundraisers Turn Their Sights to Wealthier Prospects

	<u>Old Model</u>	<u>New Model</u>
Attribute	Annual Giving Officers	Development Officers
Portfolio Size	300 prospects	120 prospects
Philanthropic Capacity	<\$25,000	\$25,000-\$99,999
Change in Salary Cost	N/A	No change
Supervising Administrator	Associate Director of the Annual Fund	Associate Director of Development Programs
Purpose	Sustain and grow revenue for the annual fund	Cultivate and upgrade high-potential donors who give below capacity

Development Officer Portfolios¹

Average Number of Annual Leadership Donors in Higher Capacity Pools



1) Does not include major gift officer portfolios.

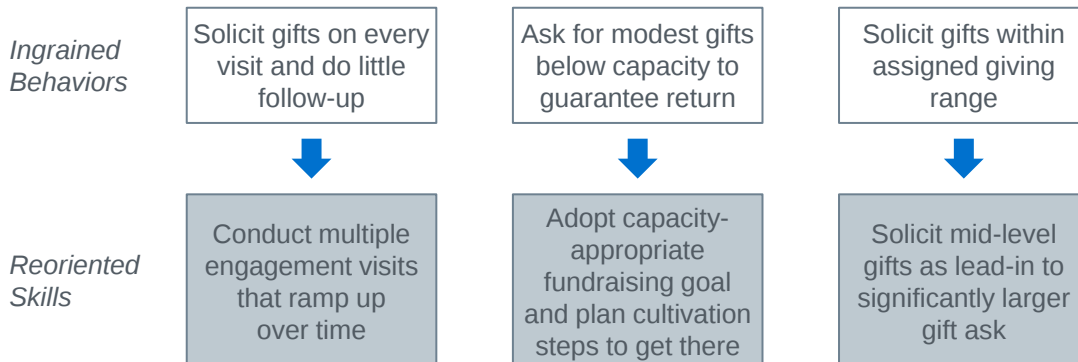
Going Beyond a New Portfolio

Upskilling Redeployed Staff



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Gift Officer Retraining Focus Areas



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Shooting for Big Gifts

“We put a lot of work into training and changing the way [gift officers] thought about ratings. They had been saying, ‘We’ll be lucky if we get x-amount from this person.’ Now they’re saying, ‘This is the donor’s total philanthropic budget, what is our strategy to gain a more significant part of it?’”

*Isabelle Roy, Director of Prospect and Pipeline Management
McGill University*

“Go Where the Money Is”

Redeployed Gift Officers Manage and Cultivate High-Value Portfolios



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Managing Bigger Gifts

\$400K

Value of prospect pool managed
by five gift officers prior to
redeployment (2012-2013)



\$1.2M

Value of prospect pool managed
by seven gift officers after
redeployment (2013-2014)



Building Up to Capacity

“The intent is to build up to that ultimate gift. But in the first instance, if this person has never given and they’re rated \$50,000 to \$99,999, securing a leadership annual gift from this prospect would be an excellent first step. That’s the beginning of stewarding them toward their maximum capacity gift.”

*Kathryn Muller
Associate Director of
Development Programs
McGill University*

Identifying Unknown Major Gift Prospects

Strategies for Executing on Next-Generation Discovery Initiatives



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High-Return Approaches to Surfacing Untapped Major Gift Capacity



Enlist Alumni Relations Staff

- 1 Audit and minimize administrative responsibilities
- 2 Train staff on qualification and discovery skills
- 3 Prioritize visits with high-capacity annual fund donors



Look within the Annual Fund

- 1 Recruit frontline fundraisers to focus on mid-level gifts
- 2 Enhance training to focus on discovery and qualification
- 3 Fine-tune incentives and KPIs to encourage referrals



Redeploy Annual Gift Officers

- 1 Reevaluate capacity ratings based solely on wealth
- 2 Move annual fund officers to same unit as major gifts
- 3 Train redeployed staff for high-quality cultivation