Education Advisory Board | Advancement Forum

Optimizing the Campaign Pipeline

Part I: Accelerating Donors Up the Giving Pyramid

Longer Timeframes, Bigger Goals

Modern Campaigns Rely on Major Gifts to Hit Ambitious Targets

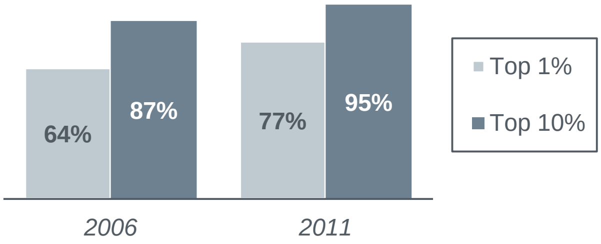
Burgeoning Campaign Goals

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

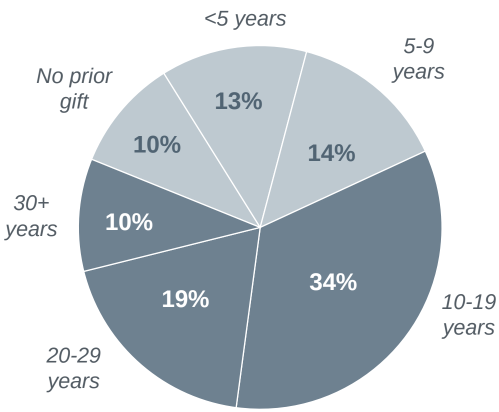
Source: Council for Advancement and Support of Education, "CASE Campaign Report," 2011; EAB interviews and analysis.

The Campaign Pipeline

Today’s Core Supporters Progressed through the Annual Fund

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

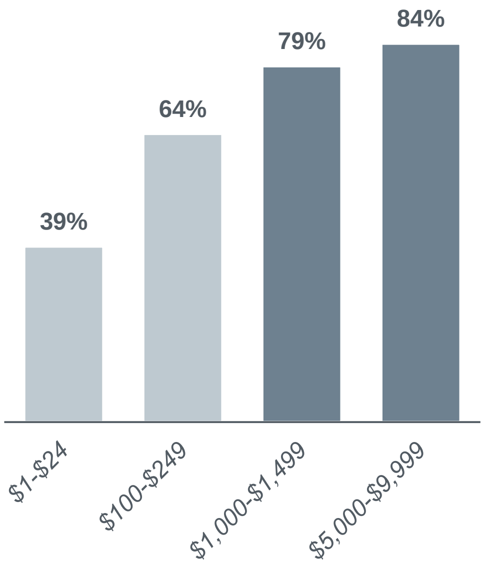
Source: Barry F, “Cultivating Lifelong Donors: Stewardship and the Fundraising Pyramid,” *Blackbaud,* 2010, https://www.blackbaud.com/files/resources/downloads/Book_CultivatingLifelongDonors.pdf; Philanthropy Leadership Council, *Enduring Relationships: Stewarding Donors to Deepen and Sustain Institutional 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."

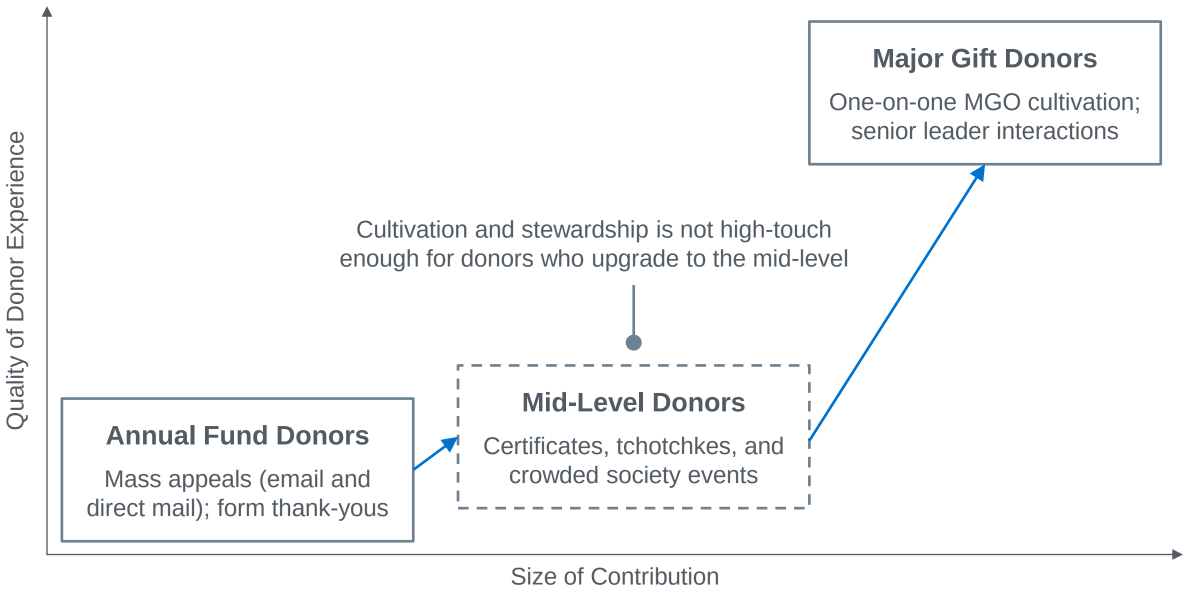
Becky Zrimsek
Director of the Annual Fund
Carleton College

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



Source: EAB interviews and analysis.

"It's Hurting Us Now and in the Future"

The Consequences of an Undercapitalized Middle

Short- and Long-Term Effects

Immediate Threats

- Untapped Major and Planned Gifts
- Decline in Unrestricted Giving

Future Problems

- Sparse Major-Gift Pipeline
- Unrealized Lifetime Donor Value

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

Source: EAB interviews and analysis.

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

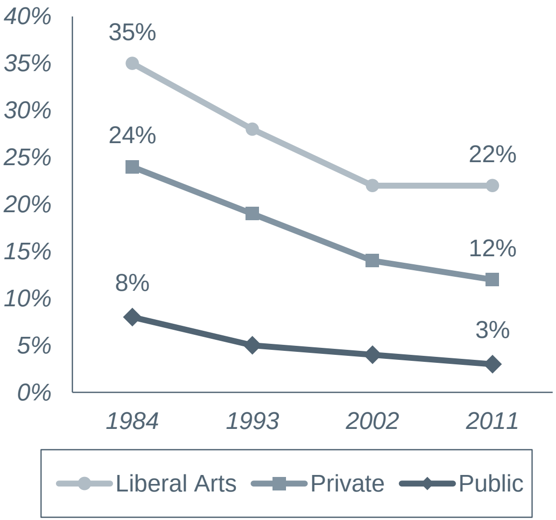
Source: EAB interviews and analysis.

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."

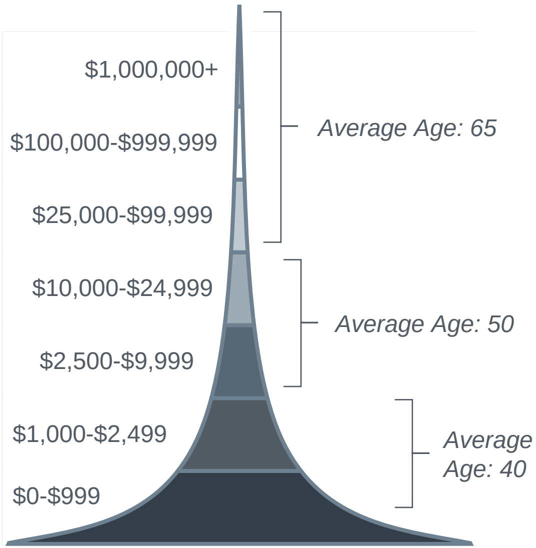
Associate Vice President of Advancement Operations
Private University

Source: Council for Aid to Education, *Voluntary Support of Education Survey* (2012), http://vse.cae.org; EAB interviews and analysis.

Fewer Donors “On Deck”

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

The Tapered Major Gift Pipeline



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

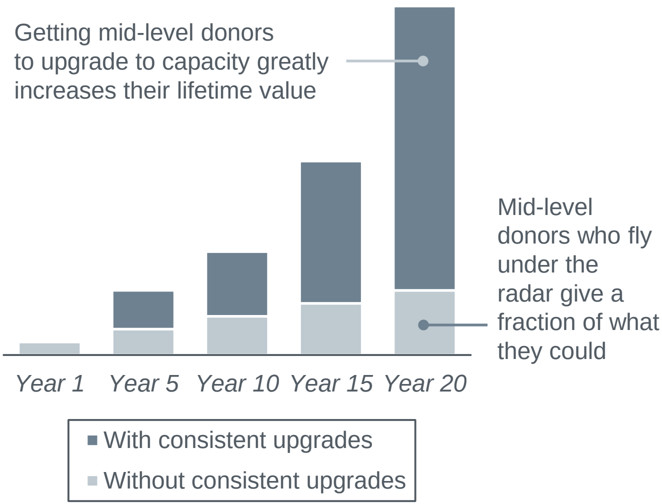
Source: EAB interviews and analysis.

Untapped Lifetime Value

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

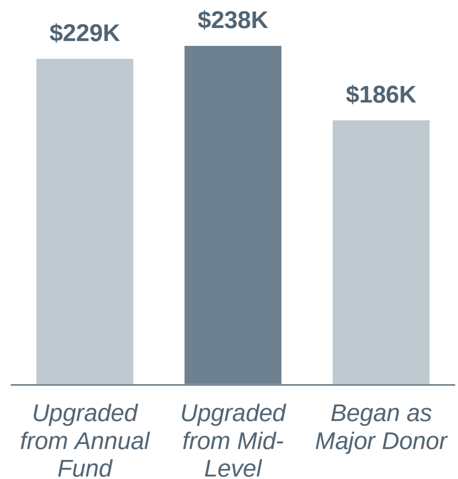
Cumulative Giving of Mid-Level Donors

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

Top-of-Mind Concerns

"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?"

Primary "Pain Points"

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

Source: EAB interviews and analysis.

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**

Source: EAB interviews and analysis.

Accelerating Donors Up the Giving Pyramid

Driving Consistent Upgrades from Mid-Level Supporters

- Targeted Upgrade Proposals
- Gift Match Laddering
- “Mind the Gap” Second Asks
- Fundraising Products

At Risk of Donor Inertia

Considerable Room for Improvement Among Institutions

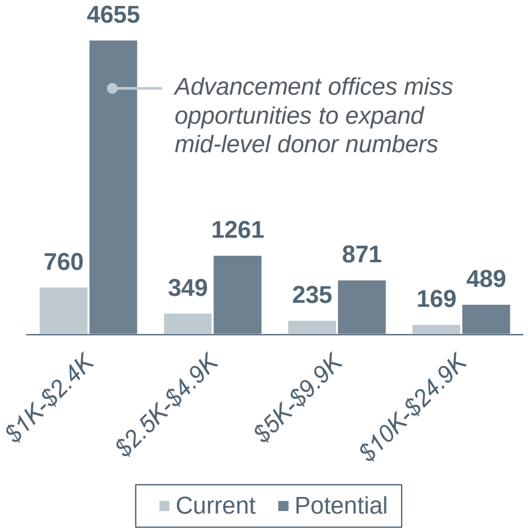
Stagnating in the Middle

"More and more we are seeing donor files that have a great number of lower-dollar donors and quite a few mid-level donors…, but very few major gift donors. **It's almost like once a donor gets in that middle range, they can't move up**. We're seeing plenty of them moving down or going away entirely, but the funnel up to major gifts is clogged. Something is not happening, and they can't get up and out."

Jeff Schreifels
Senior Partner
Veritus Group

Number of Donors at Leadership Giving Levels, Current and Potential

Private Research University, 2010



Source: Schreifels J, "Unclog Your Major Gift Program—Invest in Mid-Level Donors," Passionate Giving Blog, May 26, 2014, http://veritusgroup.com/unclog-your-major-gift-program-invest-in-mid-level-donors/; Target Analytics, 2010; EAB interviews and analysis.

Laddering Up the Mid-Level

Three Key Steps for Upgrades in Annual Leadership Giving

High-Return Approaches to Increasing Mid-Level Donor Value

Ask the Right Donors…

Smart segmentation strategies target donors whose capacity and gift history positions them for upgrades

Profiled Strategies

Targeted Upgrade Proposals

Oregon State University

Gift Match Laddering

Furman University

…At the Right Time…

Upgrade proposals are sent to current-year donors when they are primed to increase their gift level

Profiled Strategies

"Mind the Gap" Second Asks

Carnegie Mellon University

…With the Right Appeal

Mid-level donors are solicited for mini-major gifts that have a direct, visible impact on institutional priorities

Profiled Strategies

Fundraising Products

University of North Florida

University of Michigan (*College of Literature, Science, and the Arts*)

Source: EAB interviews and analysis.

Aiming for the Right Donors

Different Goals for Various Segments at Oregon State University

Targeted Upgrade Proposal Populations

Entry-Level President's Circle Donors
(New in 2014)

Individuals whose giving hovers around $1,000

Purpose: Solidify donors' commitment to the university

Established President's Circle Donors

Mid-level supporters who consistently give $2,500+

Purpose: Continue movement toward major gifts

Highly-Rated Non-Donors

Uncultivated major gift prospects

Purpose: Generate first gifts to begin major gift cultivation

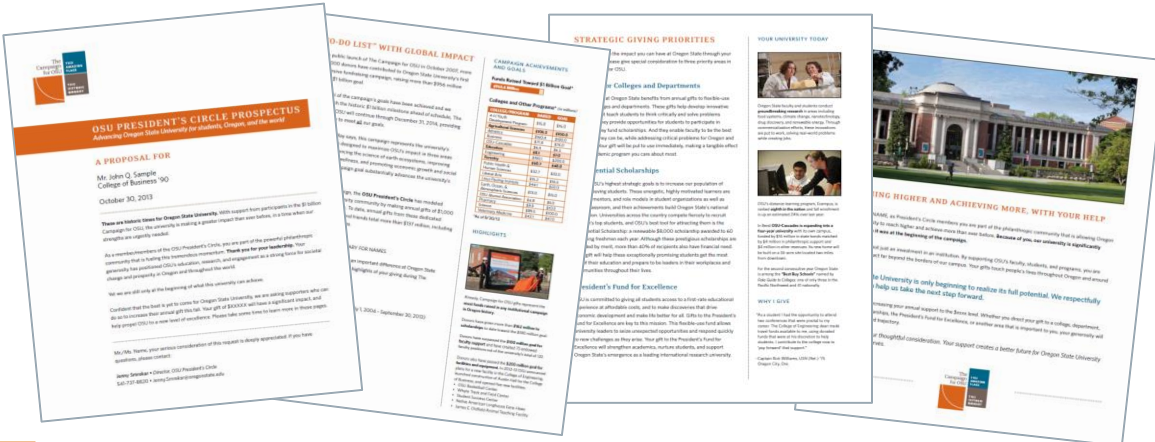
The Initiative's Reach

906	847	$4.44
Mailings sent in 2013	Mailings sent in 2014	Cost per mailing

Source: EAB interviews and analysis.

Major Gift Treatment for Mid-Level Donors

Targeted Upgrade Proposal Makes a Strong Case for Investments



Key Proposal Elements

- Four-page impact-driven investment prospectus
- Personalized letter from a senior leader
- Highly customized reply card and envelope
- Large, priority-mail envelope
- Handwritten address on the outer envelope

Source: EAB interviews and analysis.

Remarkable ROI

OSU's Proposals Ladder Up Donors

Targeted Upgrade Proposals

Key Performance Indicators (KPIs)

Performance Metrics	2013	2014
Response Rate	5.6%	9.6%
Number of Donor Households	51	81
Average Gift Amount	$3,023	$2,590
Total Revenue[1]	$186,842	$229,000
Return on Investment (*excludes staff time*)	46:1	61:1

Mailing list expanded to include entry-level leadership donors

Entry-level leadership donors responded enthusiastically to targeted upgrade proposal

Average gift sizes decreased as lower-capacity donors made gifts, but total revenue and return on investment increased due to larger donor volume

1) Total revenue includes matching gifts of $32,680 for 2013 and $20,000 for 2014.

Source: EAB interviews and analysis.

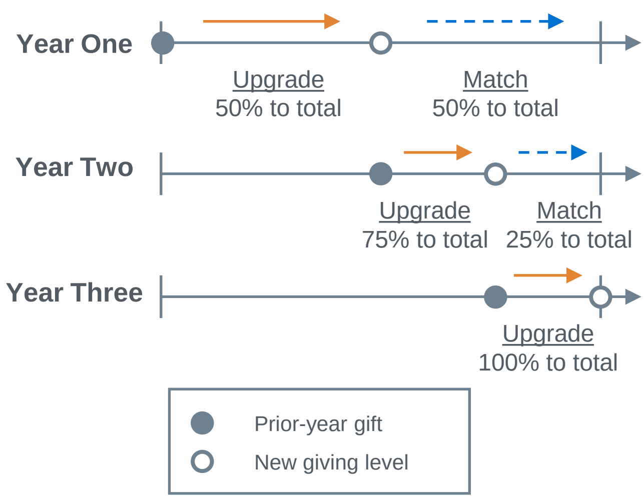
Making Upgrades More Attainable

Furman University's Gift Match Laddering Initiative

The Step Up! Challenge

- Ran from 2004 to 2009
- Large estate gift funded the challenge
- Advancement staff marketed challenge through emails and one-on-one gift officer meetings
- Challenge targeted donors rated $1,000+ and donors who consistently gave around $500
- Continued Step Up! pledges without gift match after 2009

Percentage Upgrade Required and Matched for Step Up! Pledge



Source: EAB interviews and analysis.

Targeting High-Return Populations

Furman Upgrades Young Alumni and High-Capacity Donors

Young Alumni

Recent graduates upgrade to leadership giving society in a way that maps to their growing capacity

Prospective Major or Planned Gift Donors

Higher capacity donors ramp up their investment in the university step by step

Biggest Returns at Entry Levels

75%

Of laddered donors upgrade their giving to $1,000[1]

20%

Of laddered donors upgrade their giving to $10,000[2]

1) First level of leadership giving society
2) First level of Richard Furman Society

Source: EAB interviews and analysis.

"They Upgraded, Now What?"

Gift Officers Focus On Upgraded Donors to Ensure Revenue Retention

Who Is Responsible for Preserving Gains?

Annual Leadership Giving Officers

Visit smaller laddered donors to maintain expanded investment

Major Gift Officers

Cultivate larger laddered donors to explore possibility of major-gift upgrade

Notable Retention

90%

Of laddered donors continue giving at the upgraded level or higher

Leading into the Next Upgrade

Gift Match Ladder Upgrade → Gift Officer Assignment → Stewardship and Cultivation → Strategically Timed Upgrade Ask

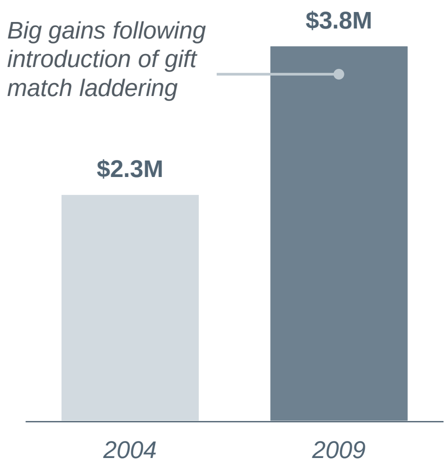
Source: EAB interviews and analysis.

Explosive Revenue Growth

Gift Match Laddering Supports Near-Doubling of Annual Fund Returns

**Furman University
Annual Fund Returns**

2004 and 2009



Big Gains at the Top

65 Number of donors at $10K+ level in 2004

110 Number of donors at $10K+ level in 2009

The Start of a Conversation

"This has been really successful at getting people to step up to leadership level giving and start thinking about major gifts."

Shon Herrick
Associate Vice President for Development
Furman University

Source: EAB interviews and analysis.

Asking at the Wrong Time

Once-a-Year Renewal Strategy Leaves Money on the Table

Three Years of Giving from Jane Q. Donor

September 2010
$600 gift to alma mater

September 2011
Renewal appeal yields $600 gift

September 2012
Renewal appeal yields $625 gift

October 2010-August 2011
$1,050 in gifts to other organizations

October 2011-August 2012
$1,800 in gifts to other organizations

October 2012-August 2013
$1,930 in gifts to other organizations

Donors' Generosity Left Untapped

$2,564
Median philanthropic contribution from U.S. households

$54,783
Median discretionary income of U.S. households

4.7%
Percent of discretionary income given by U.S. households

Source: "How American Gives," Chronicle of Philanthropy, August 20, 2012, http://philanthropy.com/article/Interactive-How-America-Gives/133709; EAB interviews and analysis.

Accelerating the Ask at Carnegie Mellon

Second Asks Capitalize on Momentum from Current-Year Giving

Spring Resolicitations for Current-Year Donors

Gave **$600** in October	Solicited for **$400** in March
Gave **$750** in June	Solicited for **$250** in March
Gave **$800** in January	Solicited for **$200** in March

Within Donors' Capacity

"For some of these donors, writing another $250 check several months after making a first gift might not be a big deal. We're trying to find those people."

Carole Panno
Director of Annual Giving Strategies
Carnegie Mellon University

Second Ask Logistics

1,544
Number of donors receiving mailing[1]

$3.42
Cost per mailing

6-8
Hours total staff spent compiling mailing

1) Lapsed leadership donors are also included in the mailing.

Source: EAB interviews and analysis.

“Mind the Gap” Second Ask Mailing

Appeals Solicit Leadership Upgrades from On-the-Edge Donors

Carnegie Mellon’s Upgrade Solicitations[1]

Calls out opportunity to join Andrew Carnegie Society

I’d like to join the ACS with a gift of: $485.47

Gifts of $1,000 or more qualify for ACS membership.

An additional gift of $485.47, along with your current fiscal year giving (including matching gifts and claims), will qualify you for ACS membership. Thank you for your consideration of becoming an ACS member!

☐ I’d like to participate with a gift of: $________

☐ Carnegie Mellon Fund ☐ Scholarships

☐ Friends of the Library ☐ Other: ____________________

All undesignated gifts will be directed to the Carnegie Mellon Fund.

John Q Sample
Artco Print & Mail ja13838603
155 Will Dr
Canton MA 02021-3710

Please provide your email for our records: ______________

Please see reverse side to charge your gift or to arrange a matching gift.
Thank you for your anticipated support!

Asks for a specific amount to bring donor to $1,000 annual

Offers option to broadly designate gift

1) Solicitations produced in collaboration with Artco

Source: EAB interviews and analysis.

Breaking the $1,000 Barrier

Second Ask Campaign Gets Donors to Invest More in CMU

Returns from Mailing (*2014*)

49

Gifts in response to mailing

3.1%

Conversion rate of mailing

$47,650

Total additional revenue from donors who upgraded or renewed their gift

Continuing to Resonate

"Second ask programs have dramatically impacted the cumulative revenue per donor…. As more institutions are implementing second ask programs, the evidence that such programs work is apparent. In fiscal year 2012 the median gift per donor change was a positive 0.8%, up for the third consecutive year. Additionally, more gifts were larger in 2012 than in 2011, with the median change in revenue per gift up 1.6%, for a third year of growth."

Target Analytics
2012 Index of Higher Education Fundraising Performance

Source: Target Analytics, "Index of Higher Education Fundraising Performance: 2012 Summary of Annual Giving Key Performance Indicators," 5, no. 10 (2013); https://www.blackbaud.com/files/resources/downloads/TA.HigherEducationFundraisingPerformanceIndex.pdf; EAB interviews and analysis.

Generating a Sense of Ownership

Fundraising Products Bring Major Gift Experience to Mid-Level Donors

Key Components of Fundraising Products

1 **Explicit Price Tag**

Required funding levels attached to priorities allow gift officers to make direct asks for specific amounts

2 **Upfront Impact**

Compelling descriptions of how gifts will be used draw more donors who want to know impact ahead of time

3 **Clear Stewardship**

Parameters of fundraising products give fund admins clear guidelines on how to steward donors

4 **Natural Upgrades**

Larger endowed funds replicate the look and feel of fundraising products, leading to easy upgrades

Source: EAB interviews and analysis.

Named Scholarships for Mid-Level Donors

The University of North Florida Solicits 3-Year Pledges

Named Annual Scholarships at the University of North Florida

- *Minimum Pledge*: $5,000
- *Term*: At least 3 years
- *Stewardship*: One-on-one scholarship lunches, photos of students with their donor, ongoing communication with student recipient
- *Examples*: Nursing student scholarships, study-abroad stipends, business scholarships in focused areas (e.g., logistics)

Feeling a Sense of Ownership

"In the communications back and forth with the donor, we want them to feel ownership of the scholarship. We want to talk about it in terms of them meeting their students and them hearing from their students. We invest some staff time upfront in this, but we look at it as a long-term opportunity to grow to much larger giving."

Ann McCullen
Associate Vice President for Development
University of North Florida

Source: EAB interviews and analysis.

Moving from Mid-Level to Major Giving

Immediate Returns Are the Tip of the Iceberg

A Popular Giving Option

50

Average number of donors giving to annual named scholarships

$100K

Average annual revenue from named scholarships

Next Steps for Scholarship Donors

Completes 3-year term of scholarship pledge

- Upgrades to $25,000 endowed scholarship
- Includes bequest to university in will

A Stepping Stone to Major and Planned Gifts

"The upgrade is kind of an easy sell. They meet the student, they get attached, they feel really good about it. Then we say, 'We would love for you to make this a permanent scholarship by creating an endowment at $25,000.' We move them along, so to speak."

Ann McCullen, Associate Vice President for Development
University of North Florida

Source: EAB interviews and analysis.

Turning Priorities into Fundraising Products

College Advancement Works with Departments to Price Out Needs

Process for Developing Fundraising Products Prior to Campaign Launch

The University of Michigan's College of Literature, Science, and the Arts

Circulate Templates

Central staff send departments a template with key questions for identifying, describing, and pricing funding priorities

Interview Chairs

One staff member from college advancement interviews department chairs to explore priorities and develop products

Develop Collateral

Information on priorities is compiled in attractive, multipage fundraising brochures with prices clearly displayed

Roll Out to Donors

Brochures are circulated to gift officers, who are trained to talk about fundraising products and upsell donors

Source: EAB interviews and analysis.

A Powerful Fundraising Tool

Well-Designed Catalogs Clearly Outline Giving Options

Economics Department Product Brochure

Department-specific branding

LSA ECONOMICS
UNIVERSITY OF MICHIGAN

GLOBAL SCHOLARLY VISIT FUND

$90,000 annually

Michigan Economics has built strong collaborations with economics scholars at institutions of higher education abroad, and this fund would provide resources to support faculty visiting our department for a semester or more to teach and conduct research, as well as support our faculty traveling to institutions abroad for the same purpose. These exchanges of information and research enrich the faculty and contribute to the field at large, as well as provide increased visibility for the Department from a global perspective.

Gift use clear in title

FIFTH-YEAR GRADUATE STUDENT SUPPORT

$50,000 annually per student

Michigan recruits some of the brightest and most innovative young scholars and trains them to lead the next generation of academic talent. Attracting the best students elevates our national ranking and enables productive faculty-student research collaboration. To compete with our better-funded peers at private institutions, we must offer stipends, teaching assistantships, and health care coverage. This funding is especially crucial for the fifth year of the Ph.D. program, when students are concentrating on completing their dissertations.

CURRICULUM TECHNOLOGY INITIATIVE FUND

$15,000 annually

Aspirational amounts for mid-level upgrades

Economics courses, at both the undergraduate and graduate level, rely increasingly on the use of information technology to convey material effectively and monitor interactively that learning is taking place. To continue to attract the best students and provide top-notch classroom experiences, we must invest in creating effective ways to engage students in the classroom and connect with them outside the classroom.

ECONOMICS STRATEGIC FUND

$10,000 to $50,000 annually

Flexible giving options to precipitate bigger gifts

The Economics Strategic Fund provides the Department with a powerful source of discretionary support to address urgent needs and maximize opportunities. In recent years, gifts to the Strategic Fund have allowed us to recruit and retain outstanding faculty, fund graduate students traveling abroad to conduct research, support career and mentoring events hosted by undergraduates in the Michigan Economics Students (MES) organization, and recognize Honors students for exceptional academic achievement in Economics. Your gift of any size will have a direct impact on the lives of students and faculty.

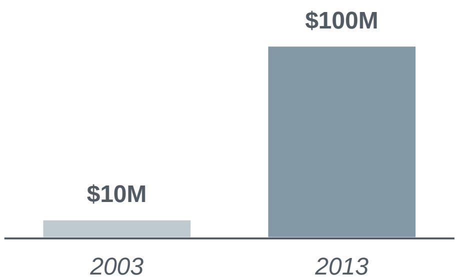
Source: University of Michigan Department of Economics, "Departmental Priorities", http://www.lsa.umich.edu/UMICH/supportlsa/Home/Department%20priorities/Economics.pdf; EAB interviews and analysis.

A Boon to Giving

Fundraising Products Spur Exponential Increase in Annual Returns

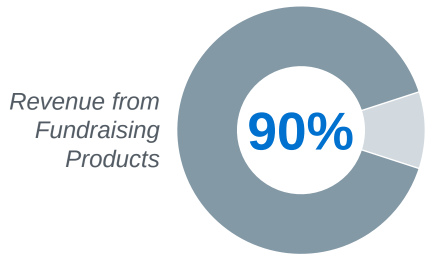
Annual College Gift Revenues Before and After Fundraising Products' Introduction

2003 and 2013



Gift Revenue from Fundraising Products and Other Sources

2013



An Incredible Donor Experience

"I was a top salesperson at Xerox for 15 years. I never walked in to people just loving me because they had such a good experience. I had a lot of customer loyalty, but not like this."

Peggy Burns, Assistant Dean for Advancement[1]
University of Michigan

1) Full title is Assistant Dean for Advancement in the College of Literature, Science, and the Arts.

Source: EAB interviews and analysis.

A Road Map to Larger Gifts

Fundraising Products Provide Pathway for Upgrades

Example Campaign Gifts

	Campaign Year 1 *Initial Investments*	Campaign Year 4 *Upgraded Support*	Campaign Year 7 *Transformational Gifts*
Economics	**$5K annual** Visiting scholar seminar series	**$40K annual** Experimental economics technology center	**$800K endowed** Center for the study of financial markets
History	**$10K annual** Career development for history majors	**$50K annual** Visiting fellowships for historians in the Global South	**$1M endowed** Visiting professorship in the history of law
Molecular Biology[1]	**$20K annual** Outreach program for molecular biology student recruitment	**$50K annual** Undergraduate summer research fellowships	**$2.5M expendable** New equipment for biological imaging lab

1) Full title of department is Molecular, Cellular, and Developmental Biology.

Source: EAB interviews and analysis.

Moving Up the Giving Pyramid

Strategies for Executing on Accelerated Upgrades

High-Return Approaches to Increasing Mid-Level Donor Value

Ask the Right Donors…

1. Define attributes that position donors for upgrades
2. Segment database by those attributes
3. Develop and circulate high-touch appeal to target donors

…At the Right Time…

1. Compile list of current-year donors in “upgrade window”
2. Spotlight benefits of leadership giving in appeal
3. Time appeal for 3-6 months after majority of donors give

…With the Right Appeal

1. Work with unit staff to identify and price out priorities
2. Design compelling product catalogs
3. Train gift officers to integrate product asks in visits

Source: EAB interviews and analysis.

Surfacing Untapped Major Gift Capacity

Rethinking Discovery and Qualification

- Alumni Relations-Led Discovery Initiatives
- Discovery-Focused Fundraisers
- Transitional Giving Officers