



The Sustainability Crisis in Higher Ed Fundraising

An Excerpt from the New Frontiers in Pipeline Development

Advancement Forum

Navigating GoToWebinar



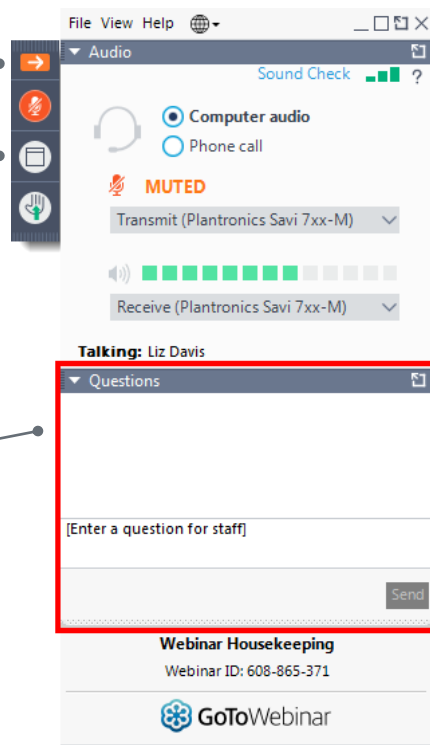
Basic Logistics

Click the orange button to open or hide the control panel.

Click the gray button with the screen icon to make the presentation full screen.

To Ask a Question

Enter questions or comments in the question box and click "Send."





▶ Start with best practices research

- › Research Forums for presidents, provosts, chief business officers, and key academic and administrative leaders
- › At the core of all we do
- › Peer-tested best practices research
- › Answers to the most pressing issues

▶ Then hardwire those insights into your organization using our technology & services

Enrollment Management

Our **Royall & Company** division provides data-driven undergraduate and graduate solutions that target qualified prospective students; build relationships throughout the search, application, and yield process; and optimize financial aid resources.

Student Success

Members, including four- and two-year institutions, use the **Student Success Collaborative** combination of analytics, interaction and workflow technology, and consulting to support, retain, and graduate more students.

Growth and Academic Operations

Our **Academic Performance Solutions** group partners with university academic and business leaders to help make smart resource trade-offs, improve academic efficiency, and grow academic program revenues.

1,100⁺

College and
university members

10,000⁺

Research interviews
per year

475M⁺

Course records in our student
success analytic platform

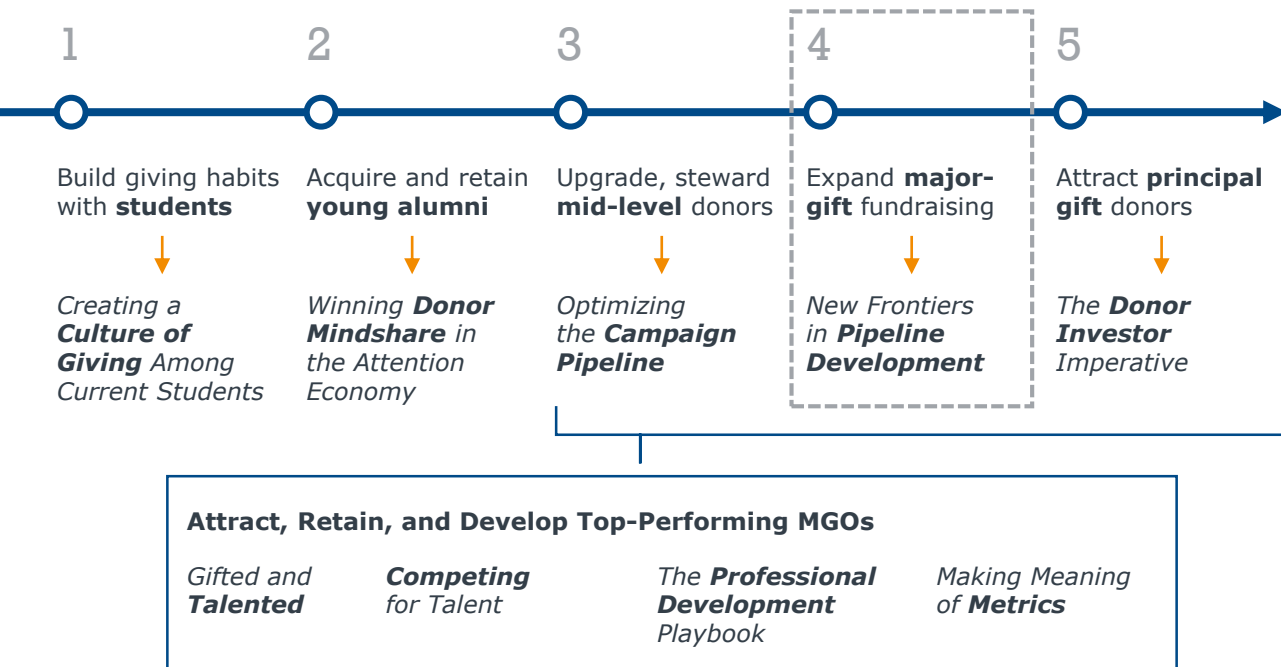
1.2B⁺

Student interactions
annually

EAB Across the Pipeline

How Today's Discussion Fits Into Our Larger Research Enterprise

Advancement Forum Pipeline Research



Strong Returns from Higher Ed Advancement

2017 Brings Record-High Fundraising Results

Voluntary Support of Higher Education by Source, 2016-2017

Council for Aid to Education

	2016 \$ Raised	2017 \$ Raised	Growth % (Current \$)	Growth % (Inflation-Adjusted)
<i>Alumni</i>	\$9,930	\$11,370	14.5%	11.7%
<i>Non-Alumni Individuals</i>	\$7,520	\$7,860	4.5%	2.0%
<i>Corporations</i>	\$6,600	\$6,600	0.0%	-2.4%
<i>Foundations</i>	\$12,450	\$13,130	5.5%	2.9%
<i>Other Orgs</i>	\$4,500	\$4,640	3.1%	0.6%
<i>Total</i>	\$41,000	\$43,600	6.3%	3.7%



Individual donors reopened their checkbooks in 2017 as **a strong stock market fueled rising personal giving** that in turn powered an increase in contributions to higher education institutions.”

Rick Seltzer, Inside Higher Ed

Source: <http://www.insidehighered.com/news/2018/02/06/personal-giving-pushes-donations-colleges-and-universities-new-level-2017>

An Overabundance of Wealth



Economic Gains at the Top Bring Increased Opportunities

Breaking News for 2016!

BUSINESS INSIDER *"Record Number of US Households Achieve Millionaire Status"*

...And for 2015...

CNBC *"Record Number of Millionaires Minted in US"*

...And 2014...

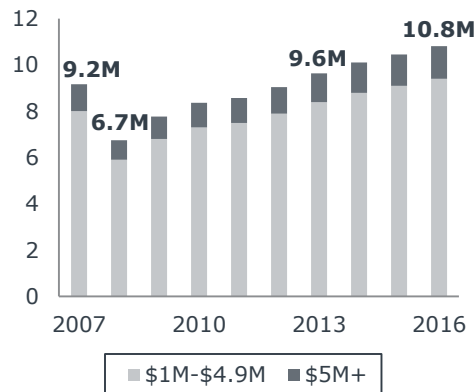
TIME *"US Millionaires Club Grows to Almost 10 Million"*

...And 2013

FOX BUSINESS *"Number of Millionaires in US Hits New High"*

Meteoric Growth in Wealth

US Households with \$1M+ Net Worth¹



1 in 17

US households in 2008 were millionaire households



1 in 12

US households in 2016 were millionaire households

¹ Wealth calculations exclude primary residence.

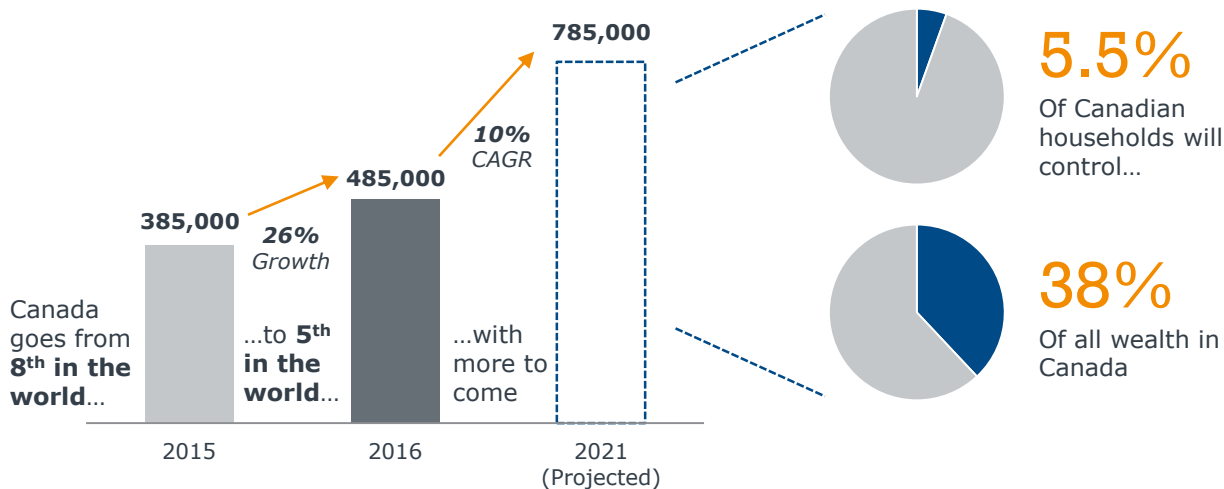
Source: Business Insider, CNBC, Time, and Fox Business News; Spectrem 2017 Market Insights; Statista, "Number of households in the U.S. from 1960 to 2016," <https://www.statista.com/statistics/183635/number-of-households-in-the-us/>; Advancement Forum interviews and analysis.

Boom Times North of the Border

Canada Also Sees Upswing in Millionaire Households

A Growing Base of Wealth

Number of Millionaire Households in Canada, 2015-2021



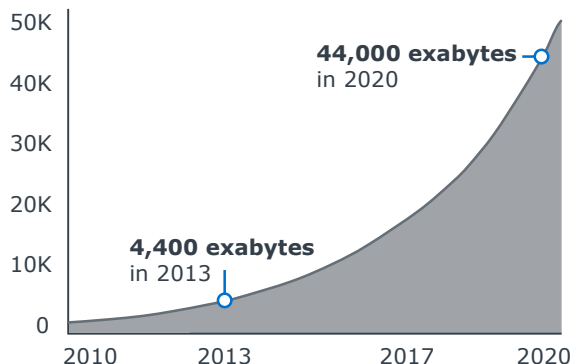
Source: Beardsley B, et al., "Transforming the Client Experience," *Global Wealth 2017*, http://image-src.bcg.com/Images/BCG-Transforming-the-Client-Experience-June-2017_2_tcm9-161685.pdf; "Canada Ranked 5th on List of Millionaire Households," MSN Money, <https://www.msn.com/en-ca/money/topstories/canada-ranks-5th-on-list-of-millionaire-households/ar-BBCMqBV>; Advancement Forum interviews and analysis.

The Promise of Big Data

Wealthy Prospects Are Easier to Find than Ever

An Explosion of Information

Total Global Exabytes of Data, 2010-2020¹



The **Oakland A's** revolutionized player recruitment with sabermetrics



Target identified and marketed to pregnant customers using purchase data



EAB models student-success risks, flags individuals for early interventions

Data Increasingly Critical to Advancement

86% Of advancement shops use **wealth ratings**

68% Of advancement shops use **propensity ratings**



Fundraisers Reap Millions by Using Data 'Gold Mine'

“There’s been such a proliferation of data and decrease in cost. We don’t really need more data. **We need our officers to go see the people the data’s identified.**”

*Marijana Boone
Director, Advancement Services
College of Charleston*

Source: Gantz J, D Reinsel, "The Digital Universe in 2020: Big Data, Bigger Digital Shadows, and Biggest Growth in the Far East" (December 2012); EMC, IDC, "The Digital Universe of Opportunities" (April 2014); Lewis M, *Moneyball* (2003); Duhigg C, "How Companies Learn Your Secrets," *New York Times* (Feb. 16, 2012); Ruffalo Noel Levitz, "Advancement Leaders Speak 2017" (2017); Wallace N, "Fundraisers Reap Millions by Using Data 'Gold Mine,'" *Chronicle of Philanthropy* (May 5, 2014); Advancement Forum interviews and analysis.

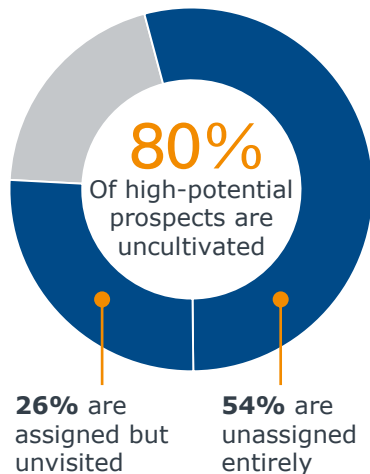
¹ 1 exabyte = 1,000,000,000 gigabytes (or 200,000,000 first-generation iPods).

An Alarming Oversight

Data Analysis Reveals That High-Potential Individuals Often Go Ignored

Most Major Gift Prospects Are Overlooked

Reeher LLC, 2013



Poor Pipeline Penetration Leads to Millions in Lost Revenue

Advancement Investment and Performance Initiative, 2014-2016¹

Capacity Tier	Identified Prospects	Current Gifts in Tier	Minimum Untapped Capacity ²
\$100K-\$499.9K	2,235	28	\$13,958,143
\$500K-\$999.9K	220	4	\$4,766,141
\$1M-\$9.9M	179	4	\$9,546,403
\$10M+	16	0	\$10,000,000
Total	2,650	36	\$38,270,687

The median institution receives \$100K+ gifts from just **1.4% of its identified prospects**

1) Data presented in this table represent medians.

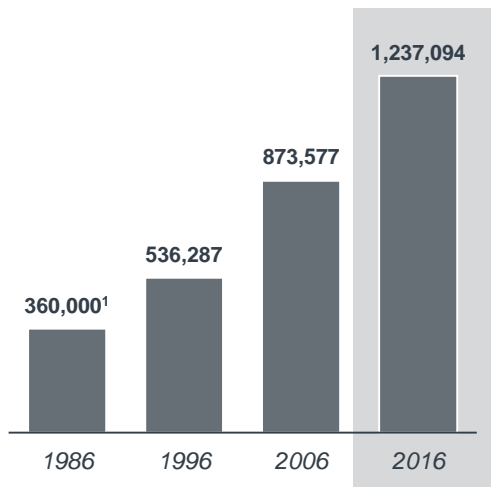
2) Minimum untapped capacity is calculated based on the revenue that would result if 5% of identified prospects—96 additional donors—gave a gift equal to the average gift for that tier. For example, the average gift between \$100K-\$499.9K is \$172,096. If 5% of all prospects rated \$100K-\$499.9K gave \$172,096, the institution would receive an additional \$13,948,143.

Losing Mindshare at the Top

Nonprofits Eager to Capitalize on Our Missed Major-Gift Opportunities

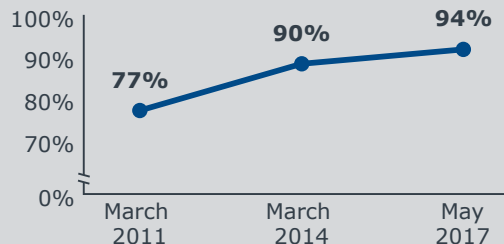
A Burgeoning Charitable Sector

Number of Public Charities, 1986-2016



Fighting for Wealthy Donors' Dollars

Percentage of Nonprofits Pursuing Major Gifts



Share of Nonprofits in a Capital Campaign

1 in 8 → **1 in 2**

In a campaign in 2011 In a campaign in 2015

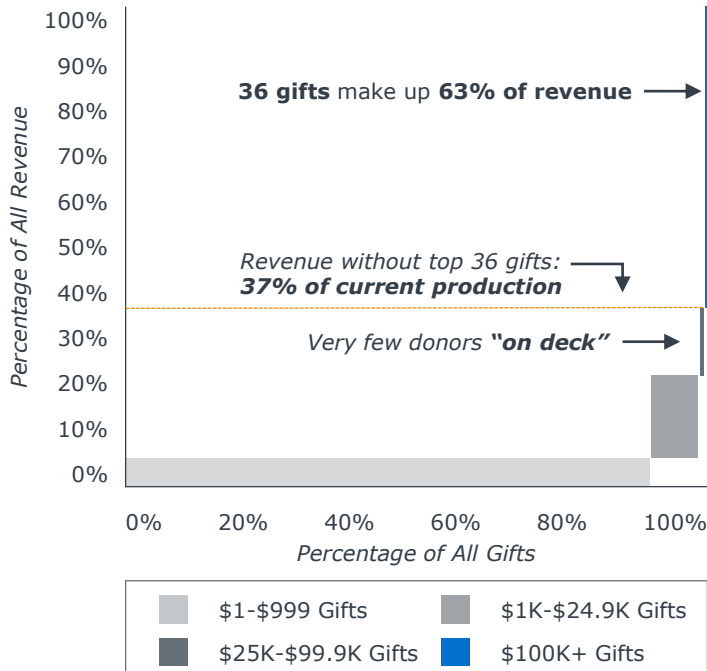
1) Approximate figure for 1986.

An Unstable Center of Gravity

Overreliance on Top of Giving Pyramid Creates Unsustainability Risk

Success Rests on Needle-Thin Donor Segment

Revenue and Gifts by Gift Level, 2014-2016 Average



Our Shrinking Island

"Relative revenue stability may be masking the significance of the underlying trend: nonprofits are receiving roughly the same amount of money from fewer and fewer donors each year. This is a strategy that may allow organizations to meet their revenue goals in the short term, but **may not be sustainable over the long term.**"

*Target Analytics
donorCentrics Report, 2015*

Source: EAB Advancement Investment and Performance Initiative, 2014-2016; Flannery H, et al., "donorCentrics Index," *Target Analytics* (2015), <https://www.blackbaud.com/files/resources/target-index-results-summary-q4-2015.pdf>; Advancement Forum interviews and analysis.

Big Campaign Bets Made on Shaky Premises

Campaign Goals Forge Ahead Despite Unsustainable Underpinnings

Mega-Campaigns Continue to Grow

EAB Analysis of Longitudinal Campaign Data from 34 Institutions

	Campaign 1	Campaign 2	% Change
Public Launch	1998	2012	--
Total Length	7 Years	8 Years	14%
Median Goal	\$1.225 Billion	\$2.75 Billion	107%
Maximum Goal	\$2.5 Billion	\$9 Billion	260%

Smaller Shops Follow Suit

CASE Campaign Report 2015

\$33M → **\$75M**

Median
campaign goal
in 2013

Median
campaign goal
in 2015

But Have We Overextended Ourselves?

“We’re launching a campaign three times the size of our last one. There’s a lot of untapped potential out there, but **I don’t know if we can capitalize on it.** It’s promising on paper, but in practice, I’m not so sure.”

*Vice President, Advancement
Private Master’s University*

What Will Burst the Bubble?

CAOs Face Urgent Need to Move Beyond the Usual Suspects



Demographic Decline

- Older donor population beginning to diminish
- Today's core campaign donors **may not give to next campaign**

-31.2%

Decrease in population currently aged 60+ by 2027



Uncertain Economics

- Some commentators claim economy **overdue for contraction**
- Major/principal gifts drop fastest during downturn

-31.4%

Decline in median sum of three largest gifts, 2007-2009



Shrinking Window of Opportunity

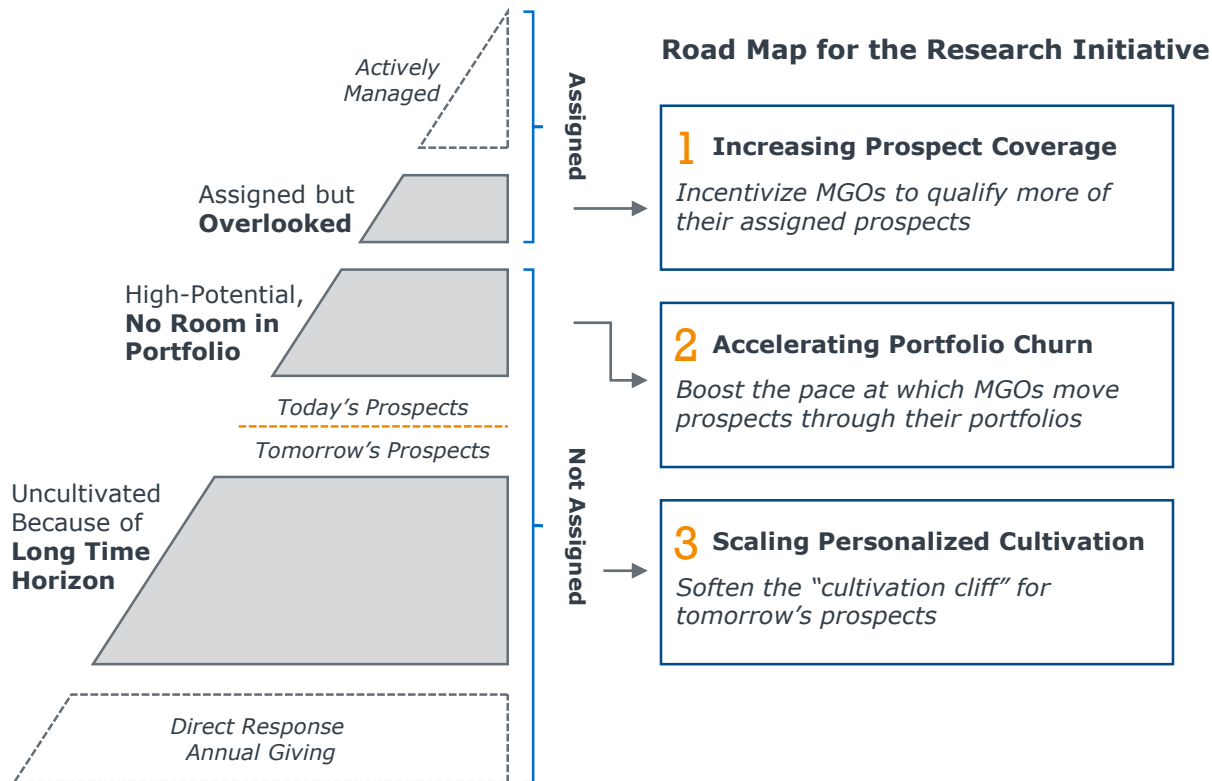
- Unengaged prospects may take **decades to arrive at major gift**
- Other nonprofits win mindshare while we delay

16 years

Median time it takes to donors to upgrade to first \$25K gift

New Frontiers in Pipeline Development

Maximizing Major Gifts from Overlooked Prospects





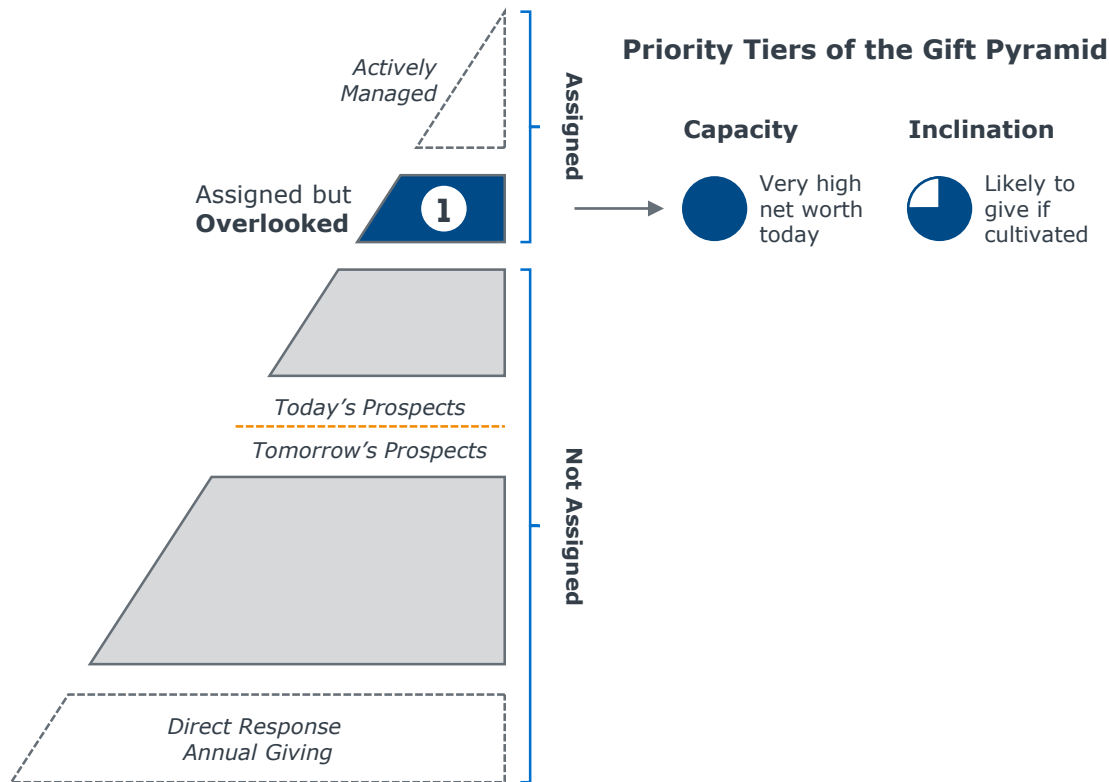
Increasing Prospect Coverage

SECTION

1

Assignment Does Not Equal Cultivation

Unmanaged Prospects Within Portfolios Present Outsized Opportunity



Why Don't MGOs Double Down on Discovery?

Three Root Causes of Underwhelming Pipeline Outreach



Distrust of Assigned Prospects' Potential

- Low conversion rate of discovery visits leads to skepticism, disillusionment
- Inaccurate wealth ratings increase distrust



Discomfort with Cold Calling

- Blind outreach least compelling part of fundraisers' jobs
- Low hit rate compounds problem



The "Tyranny of the Immediate"

- MGOs held to demanding performance standards for dollars, visits, gifts
- Unqualified prospects don't help MGOs hit other goals

“Dead-end discovery **visits are discouraging**. They make it more likely that MGOs will avoid discovery in the future.”

*Vice President, Advancement
Public Master's University*

“Major gift officers **hate cold calling**. They'll do just about anything they can to avoid it.”

*Associate Vice President,
Advancement Services
Public Research University*

“We've been chasing higher and higher campaign goals. But today's pursuits can lead to **pipeline neglect**.”

*Vice President, Advancement
Private Research University*

Increasing Prospect Coverage

Three Approaches to Boost the Pace of Discovery Activity

Approach #1:

Increase Confidence in Prospect Potential

Rethink assignment protocols to focus on verified warm prospects



Pre-Qualification
Prospect
Referrals



Approach #2:

Elevate the Discovery Visit Hit Rate

Prioritize prospects who are not just wealthy, but also likely to take a visit



Oregon State
University

Data-Driven
Discovery
Targeting

Approach #3:

Create “Act Now” Urgency

Alter discovery’s “choice architecture” to incentivize MGOs to take action



Digital Pipeline
Nudges



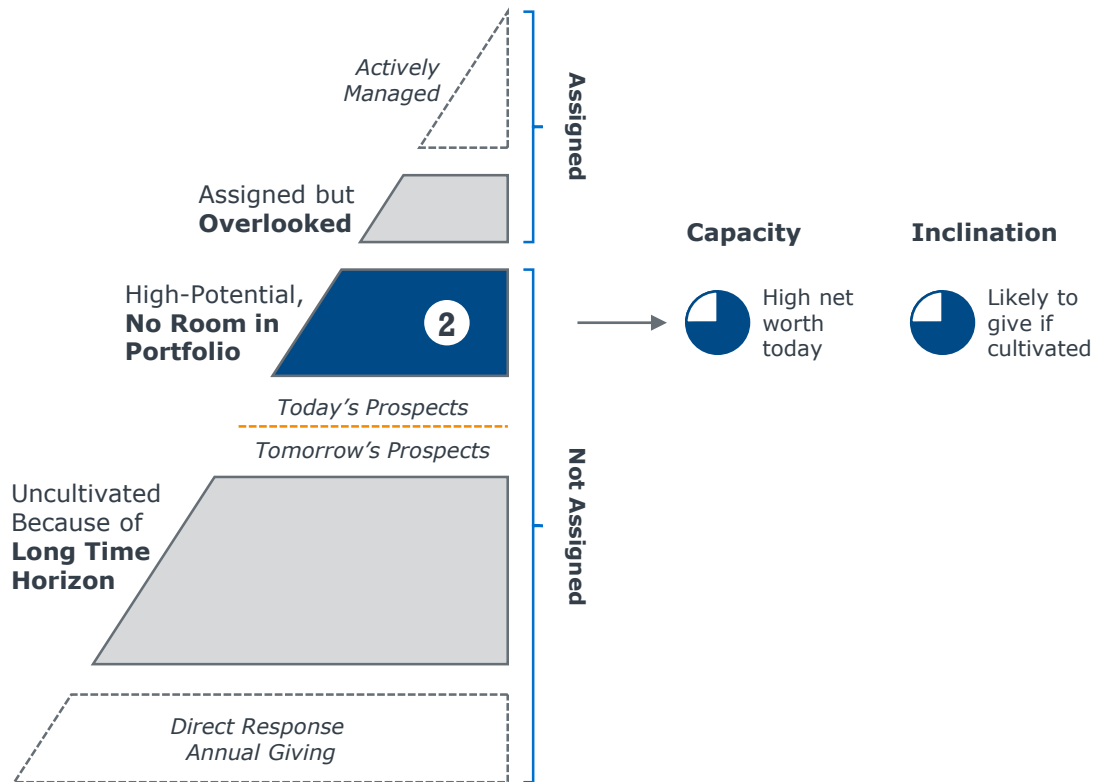
Accelerating Portfolio Churn

SECTION

2

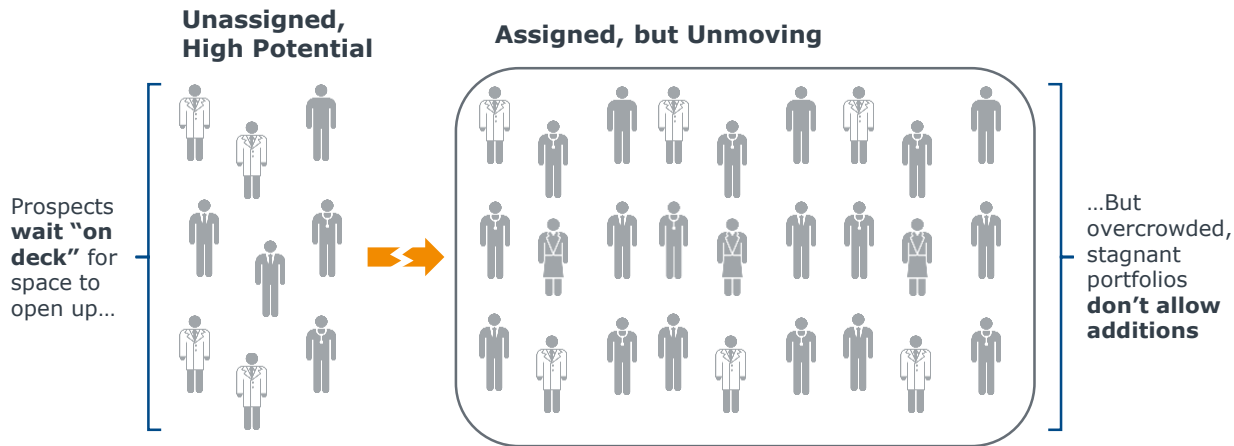
Flying Under the Radar

Legions of Prospects Should Be Assigned but Aren't



Bottlenecks in the Pipeline

Stagnant Portfolios Impede Efforts to Capitalize on Discovery Gains



Portfolio Age Nearly Matches Average MGO Tenure

3.2

Average number of years prospects have been assigned at three EAB member institutions

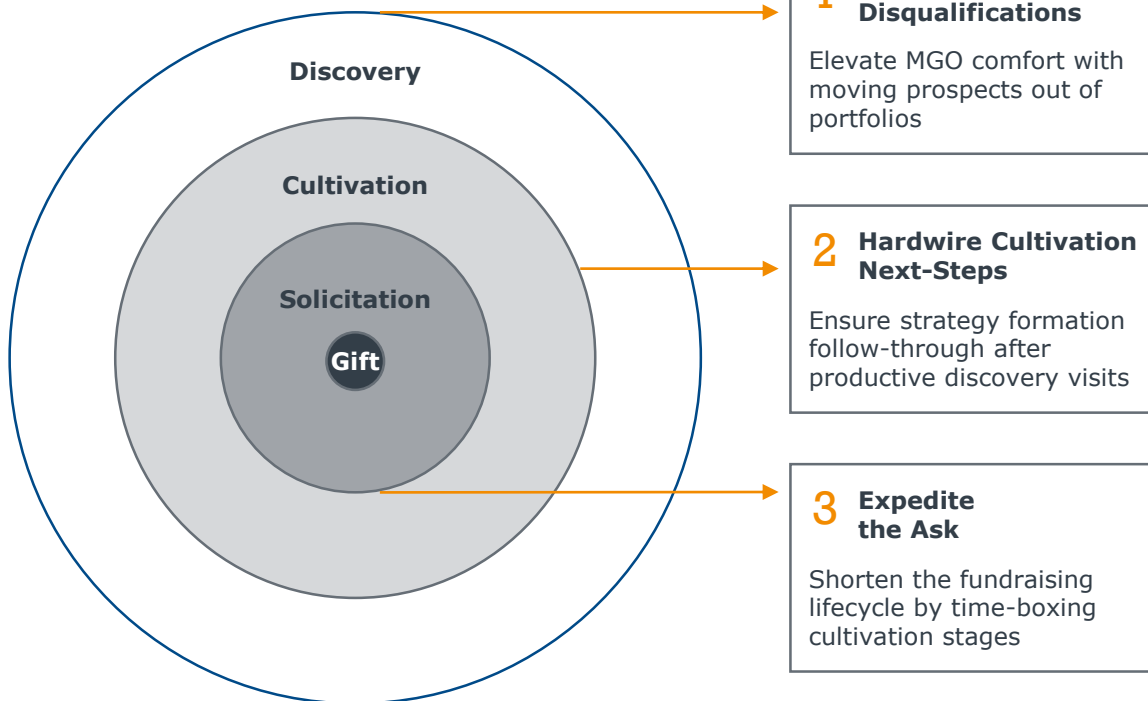
3.5

Average number of years central major gift officers have been employed at their institution

Accelerating Portfolio Churn

Expediting Prospect Movement to Expand Pipeline Coverage

Jane Q. Fundraiser's Portfolio





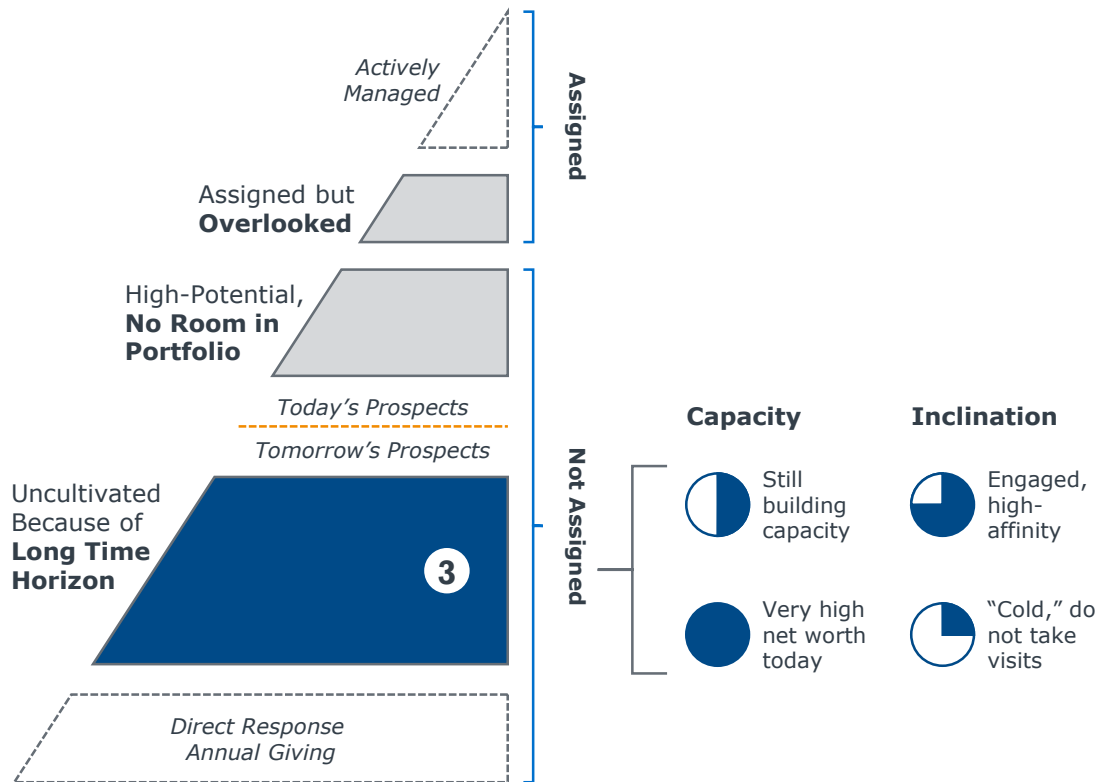
Scaling Personalized Cultivation



3

Shifting Our Focus to the Future

Developing-Capacity and “Cold” Prospects Go Uncultivated



Tomorrow's Prospects Beyond Our Reach

Significant Constraints Hamper Full-Pipeline Cultivation

"Why Aren't We Cultivating the Pipeline?"



Prospects Still Developing Capacity

“We should stay in touch, but we can't focus our MGOs on **low-level prospects**.”



Prospects Are Not Warm

“We've tried reaching out, and we get nothing. They're just **not willing to take a visit** with an MGO.”



Not Enough Fundraisers

“We operate in an **environment of scarcity**. Our MGOs can only do so much. But that can mean they ignore the pipeline.”

A Conundrum of Scale

20.3

Average number of MGOs



15.5

New prospects seen annually per MGO



24

Years to visit just 10% of alumni of record¹

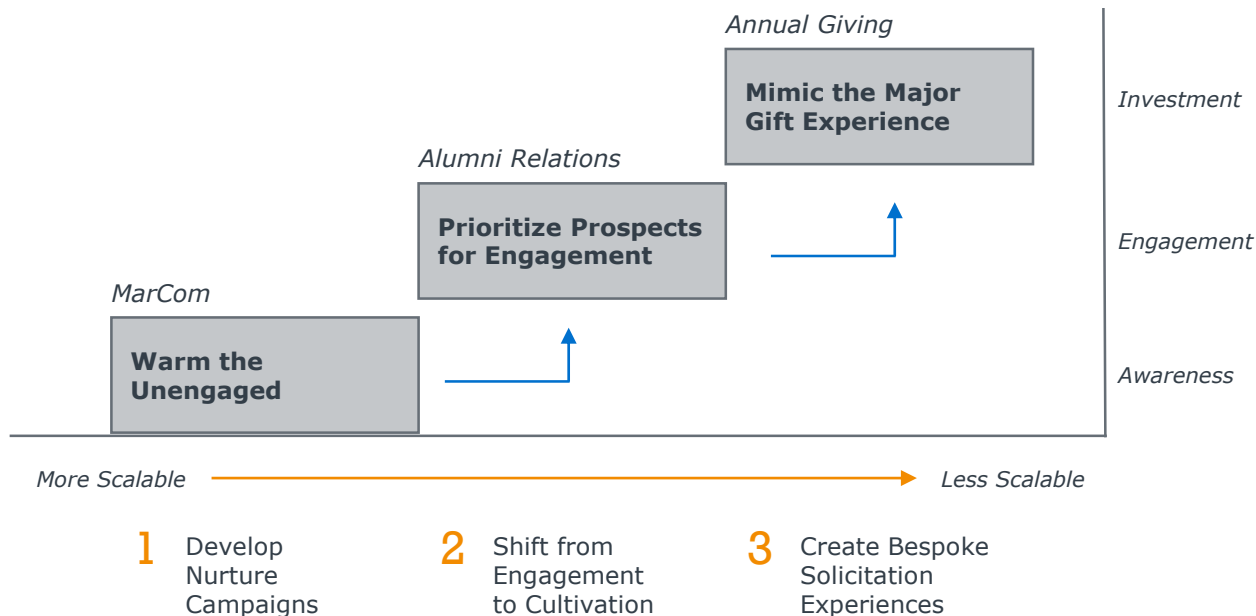
Source: Reeher, "Managing Officer Activity: An Executive Discipline for Driving Gift Officer Productivity" <http://info.reeher.com/rs/reeherlrc/images/ReeherWhitePaperManagingOfficerActivities.pdf>; VSE Corporation, Alexandria, VA; Bentz Whaley Flessner, Dec. 2014, <http://www.bwf.com/wp-content/uploads/2015/01/December2014.pdf>; EAB Advancement Investment and Performance Initiative, 2014-2016; Advancement Forum interviews and analysis.

1) Based on 76,410 average alumni of record.

It Takes a Village to Cultivate a Pipeline

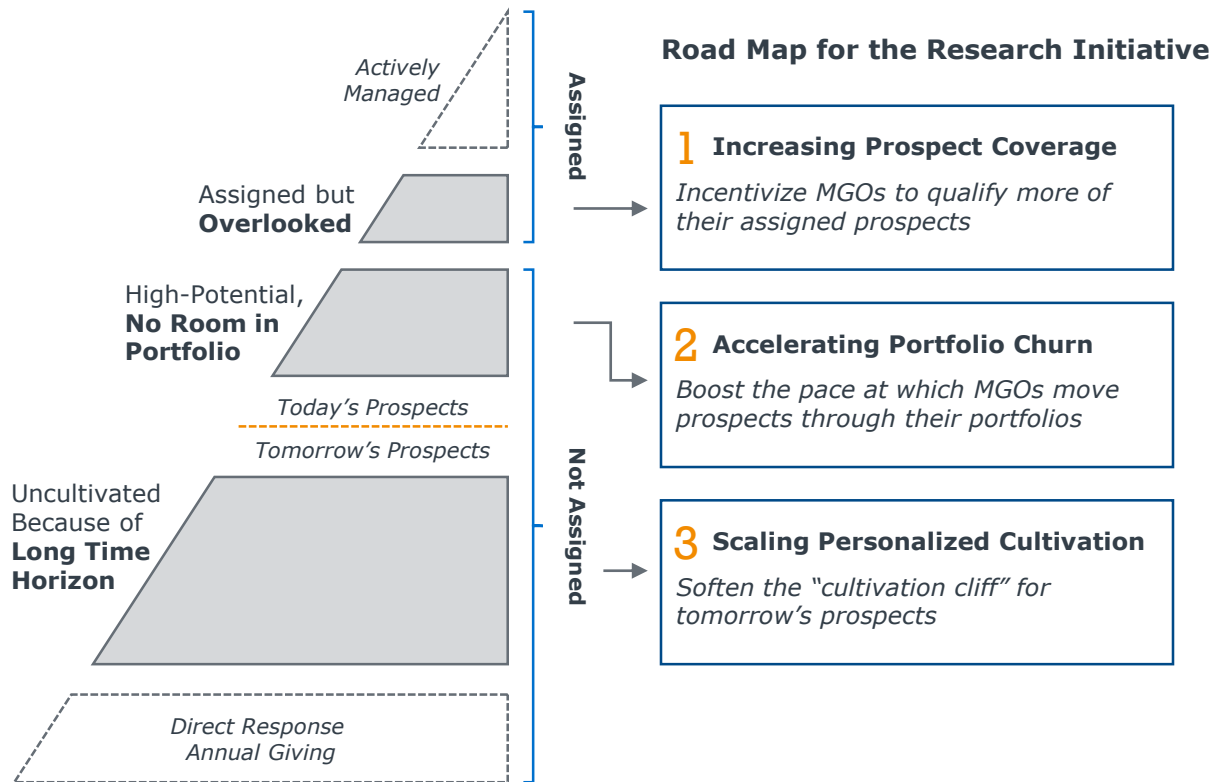
To Achieve Scale, Advancement as a Whole Must Rethink Strategy

A Road Map for Scaling Personalized Cultivation



New Frontiers in Pipeline Development

Maximizing Major Gifts from Overlooked Prospects



Advancement Leadership Special Session

April 26, 2018 | Washington, D.C. | RSVP to kreid@eab.com

Topics

- 1 Major gift pipeline development
- 2 Prospect coverage and portfolio penetration
- 3 The high-performing prospect management organization
- 4 Cultivation and stewardship for next-generation donors
- 5 New urgency levers for current and future campaign success

Benefits of Attending



Network with peers from around the country



Hear from tenured research experts about specific issues of concern, such as the cultural, political, and demographic trends that create an imposing environment for fundraisers



Participate in an interactive roundtable discussion with your peers and our experts to assess the pipeline development and MGO performance at your institution

Feedback from Our Last Session



I'm going home with lots of great ideas, best practices, and proven strategies. Some ideas we're ready for, some will need to wait. Either way, I'm headed back smarter about my top priorities."

Vice Chancellor for Advancement,
Public Research University on the West Coast



Excellent presentations; they support decisions I've already made and point me in the right direction for the future. There is huge value in hearing and talking with my peers in advancement about these issues."

Senior VP for Advancement,
Private Liberal Arts College in the South