Competing in Advancement's Era of Big Bets

The Five Defining Challenges of the Next Decade

Challenge #5: Realigning Core Mission and Revenue Growth

Advancement Forum

Ways to Join Audio

1 Use your computer's audio and microphone through Zoom

OR

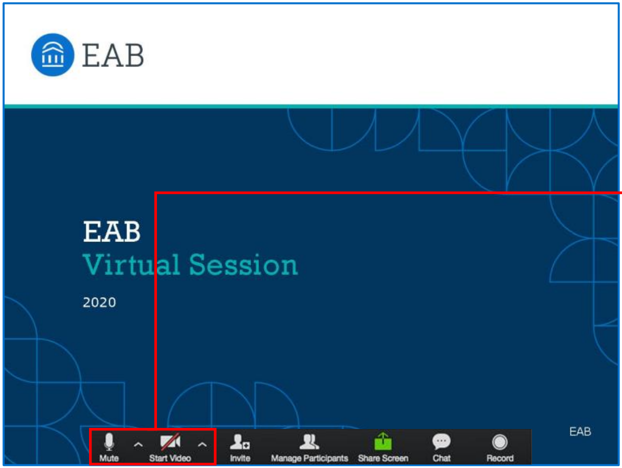
2 Dial in using your phone

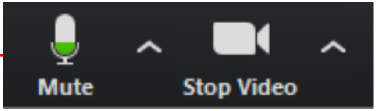
US:
+1 253 215 8782
+1 301 715 8592
+1 312 626 6799
+1 346 248 7799
+1 646 876 9923
+1 669 900 6833

Webinar ID: 870 491 406

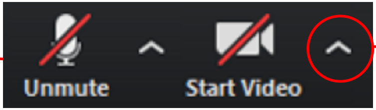
X Do not do both – it will cause feedback

Audio Mute/UnMute & Video Stop/Start





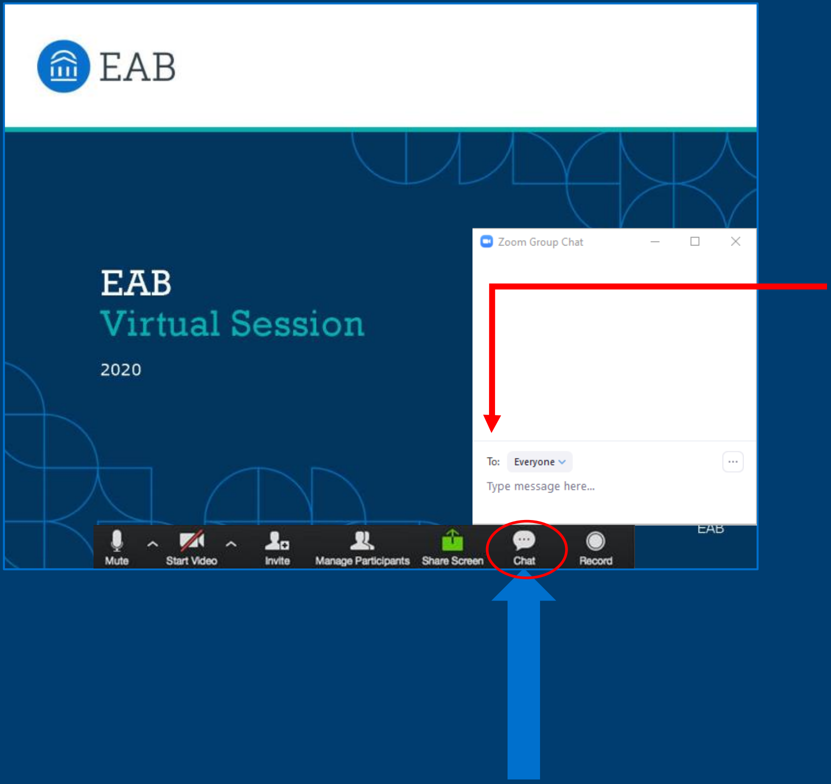
You are live.
Everyone can hear you.
Everyone can see you



You are not live.
You are muted.
Your video is turned off.

Clicking the Up arrow next to the Mic and Camera icon at any time during the meeting will provide you with audio and video options.

Using Chat in Zoom



Chats may be sent either to everyone or privately to specific individuals.

Choose the appropriate person for private chat using the dropdown menu next to the “To:” field.

The meeting host may choose to disable private chat, in which case chats are sent to everyone in the room.

Visions of a Bygone Era

Ten Years Ago, the World Looked Radically Different

The 20th Century Keeps Hanging On…

Landline Phones

80% of people had them

Print Newspapers

96% of people read them

…While New Tech Begins to Emerge…

iPhones

2 years old, 20M owners

Amazon Prime

2M customers

…And Key Innovations Have Yet to Launch

Uber

Debut **one year away**

Instagram

Debut **one year away**

Source: "Tech Products That Didn't Exist 10 Years Ago", *Business Insider,* August 23, 2018; "Global Apple iPhone Sales Since Fiscal Year 2007", *Statista,* May 3, 2019; "Good News for Newspapers, 96 Percent of U.S. Population Still Reading", *Forbes*, 2009; "Print is Still King", *Nieman Lab*, April 13, 2009; Advancement Forum interviews and analysis.

Fundraising's Darkest Hour?

The Great Recession Drove Advancement to a Historic Low Point

2009

-33%

decline in three largest individual gifts at median institution from FY 2008 to 2009

-12.2%

Median change in fundraising returns from FY2008 to FY2009

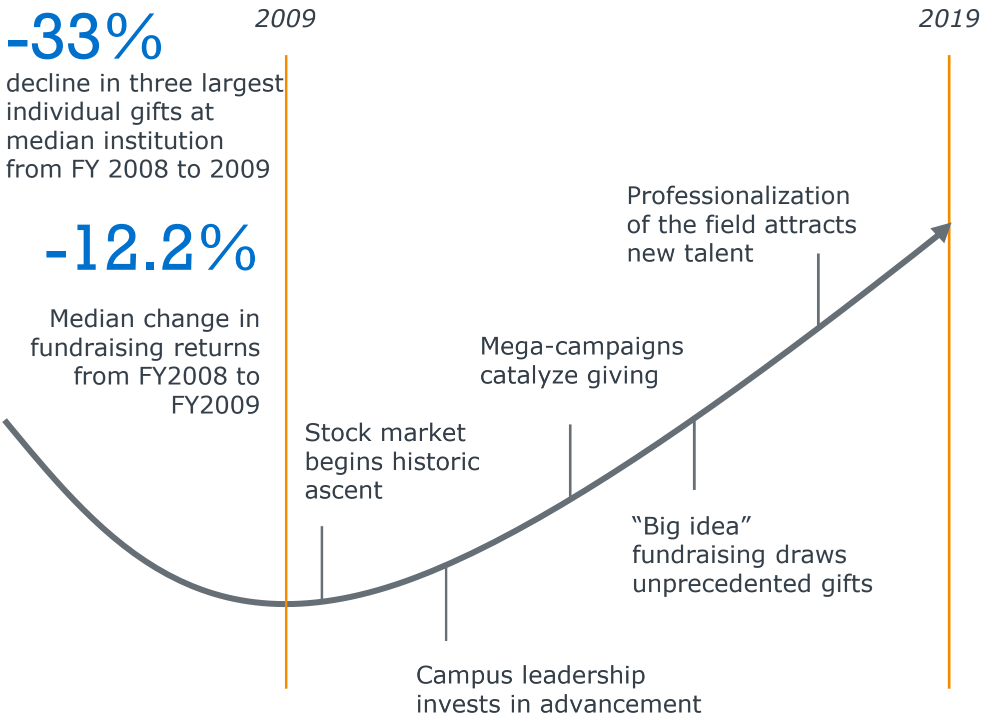
Source: Voluntary Support of Education survey, 2008-2009; Advancement Forum interviews and analysis.

Embarking on a Decade of Growth, 2009-2019

Advancement Quickly Puts Low Point in the Rearview Mirror

-33%
decline in three largest individual gifts at median institution from FY 2008 to 2009

-12.2%
Median change in fundraising returns from FY2008 to FY2009



Source: Voluntary Support of Education survey, 2008-2009; Advancement Forum interviews and analysis.

Embarking on a Decade of Growth, 2009-2019

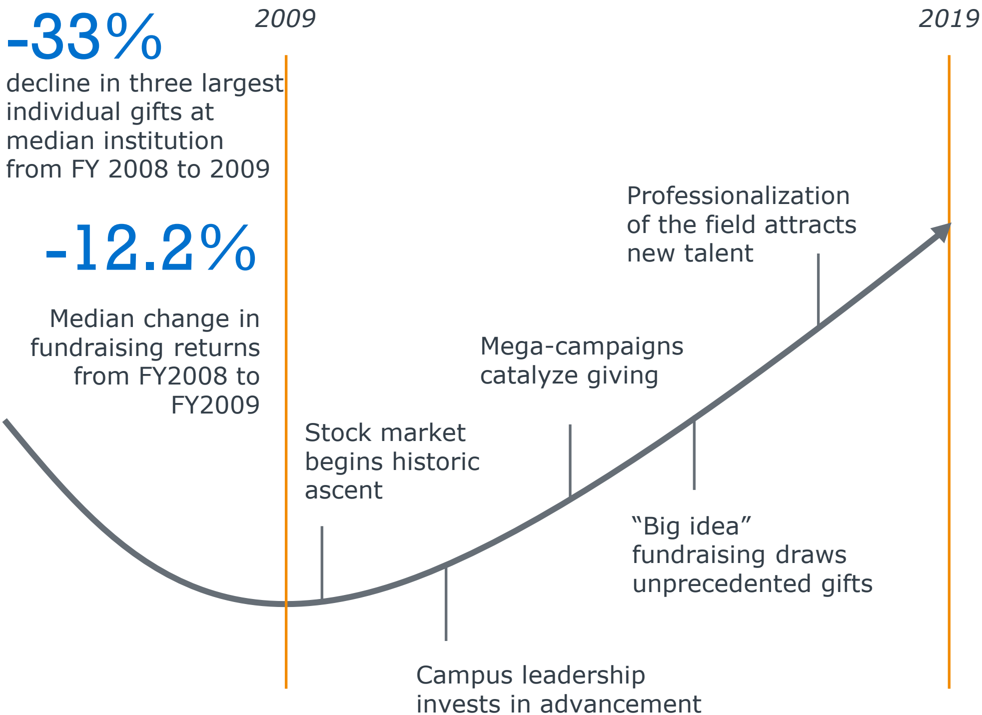
Advancement Quickly Puts Low Point in the Rearview Mirror

-33%

decline in three largest individual gifts at median institution from FY 2008 to 2009

-12.2%

Median change in fundraising returns from FY2008 to FY2009



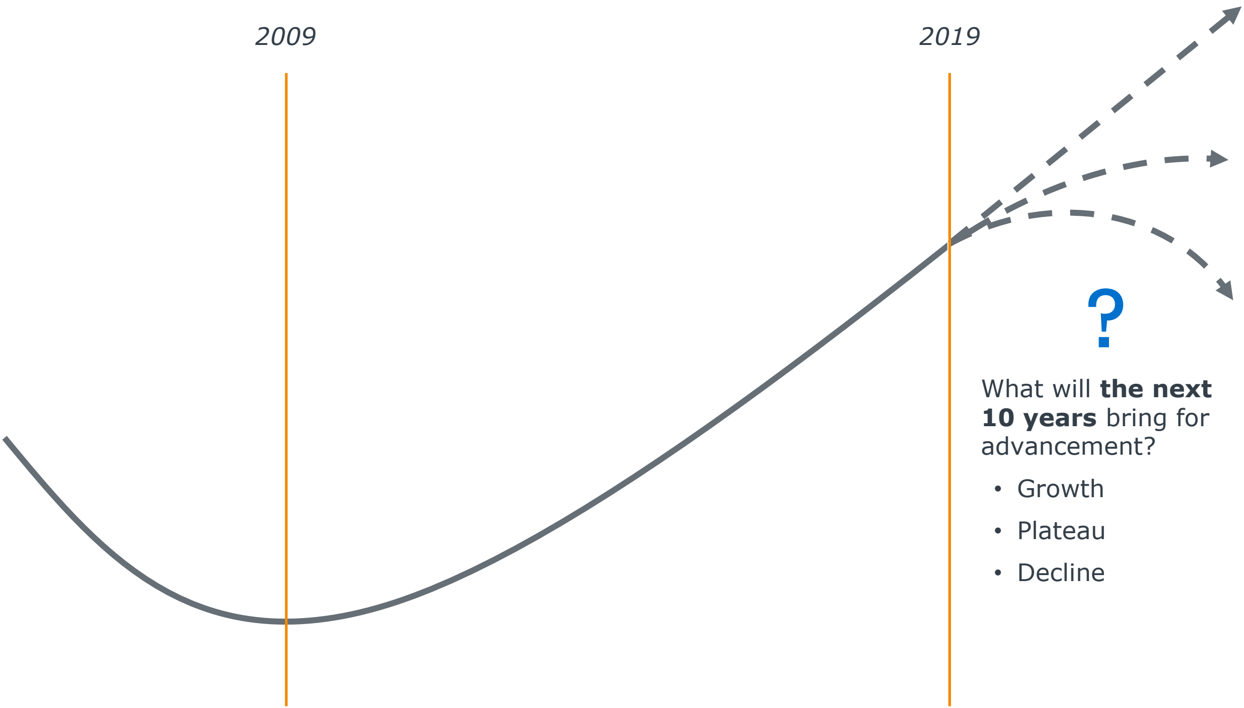
+48.5%

Median change in fundraising returns by the start of FY2019

Source: Voluntary Support of Education survey, 2008-2018; Advancement Forum interviews and analysis.

What Future Will We Make for Ourselves?

The Decade to Come Holds Promise—and Peril



What will **the next 10 years** bring for advancement?

- Growth
- Plateau
- Decline

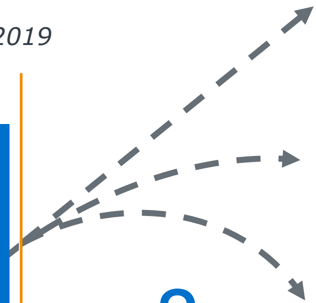
Source: Advancement Forum interviews and analysis.

What Future Will We Make for Ourselves?

The Decade to Come Holds Promise—and Peril

2009

2019



For Discussion At The End – Feel Free to Begin Brainstorming….

- How do you see COVID-19 shifting how college and university advancement leaders navigate the trade-off between core mission and revenue growth in the next year?
- What lasting changes could occur from this event?

?

What will **the next year** bring for advancement???

- V-shaped recovery
- Recession
- Depression?

Source: Advancement Forum interviews and analysis.

The Five Defining Challenges of the Next Decade

Advancement Leaders Must Navigate a Fraught Path into the Future

1. Maximizing **Fundraiser Efficiency**
2. Rightsizing Investments in **Digital Transformation**
3. Navigating the **Participation-Pipeline** Tradeoff
4. Scaling—and Sustaining—**Principal Gift** Success
5. Realigning **Core Mission** and Revenue Growth

Source: Advancement Forum interviews and analysis.

The Five Defining Challenges of the Next Decade

Advancement Leaders Must Navigate a Fraught Path into the Future

1. Maximizing **Fundraiser Efficiency**

2. Rightsizing Investments in **Digital Transformation**

3. Navigating the **Participation-Pipeline** Tradeoff

4. Scaling—and Sustaining—**Principal Gift** Success

5. Realigning **Core Mission** and Revenue Growth

Source: Advancement Forum interviews and analysis.

Our Next Campaign: Onwards And Upwards

Yet Questions Of Sustainability Rise As Campaigns Grow Larger

"Big Idea" Fundraising Grows…

University of Virginia — *"UVA to Launch **Data Science School** with $120M Gift"*

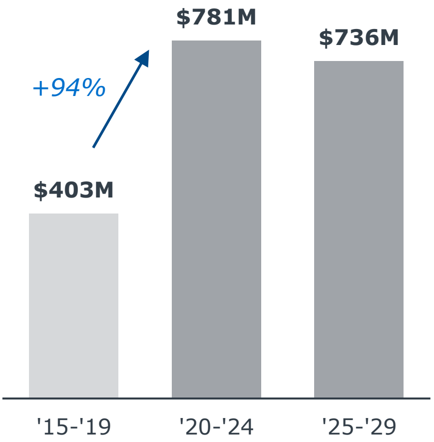
Santa Clara University — *"$25M Donation to Santa Clara U Aimed at **Social Entrepreneurs**"*

LVC — *"$10 Million Gift Starts Lebanon Valley College **Health Professions** Pavilion"*

Massachusetts Institute of Technology — *"Schwarzman Gives $350M for MIT College of **Artificial Intelligence**"*

…Fueling Campaign Goal Inflation

Average Campaign Goal by Campaign End Year, 2005-2029



Source: Misc. publications; Advancement Forum interviews and analysis.

Do Mission and Margin Compete?
Anxiety About the 'Core' Creeps In

"Even as our campaigns get larger and we produce more and more, there is a countervailing force that says, **'How much of that $3 billion campaign actually speaks to the core mission of the university?'** If we need to be more cognizant of that, what tradeoffs do we make? **Are we willing to accept slower growth rates for the 'right' dollars?"**

Darrow Zeidenstein
Former Vice President for Development and Alumni Relations
Rice University

Source: Advancement Forum interviews and analysis.

Keeping a Close Eye on 'Mission' Fundraising

Presidents Ask to Separate Out 'Core' Dollars from Transformative Projects

Separate Annual Reports

Rice University

Annual Progress Report

1. 'Core' Dollars Report
2. 'Non-Core' Dollars Report

A New Set of Performance Metrics

Dalhousie University

Advancement KPIs

1. Mission-supporting revenue growth
2. Revenue growth
3. Return on investment

Seeking the Highest-Impact Dollars

"Growth is not just a sustained increase in financial results. The board is also looking at alignment with mission and the impact the institution is trying to make. **Growth for growth's sake isn't useful**."

Peter Fardy, Vice-President, Advancement
Dalhousie University

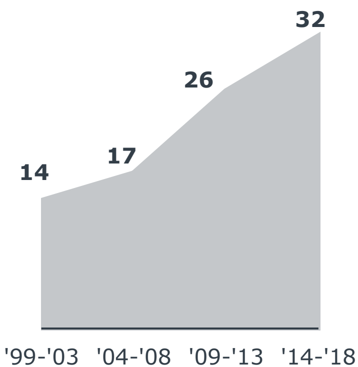
Source: Advancement Forum interviews and analysis.

Looming Existential Threats Fuel Leaders' Fears

Colleges Face Crises On Multiple Mission-Critical Fronts

Perilous Finances

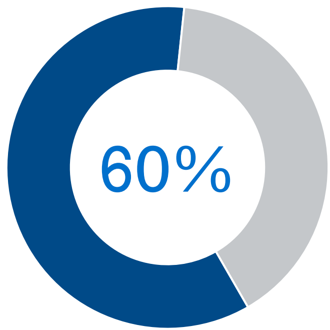
College and University Mergers and Acquisitions



2.3x Rise in mergers and acquisitions in past 20 years

Low Graduation Rates

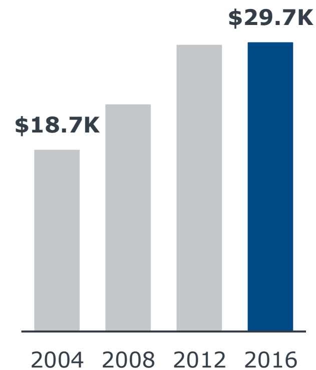
6-Year Undergraduate Completions



Of undergraduates complete their degree within 6 years of first enrolling

Rising Student Debt

Average Student Debt



59% Growth in debt per graduate, 2004-2016

Source: "Fast Facts: Graduation rates (40)", *National Center for Education Statistics*, June 2019; "Quick Facts About Student Debt", The Institute For College Access & Success, April 2019; Advancement Forum Interviews and Analysis

Making Advancement A Mission-Critical Partner

Enhancing Advancement’s Focus on Core Impact

Ensure Sustainable Operations

University of Notre Dame

CMU Central Michigan University

- MGO Unrestricted Revenue Metrics
- Enrollment Calling Collaboration

Enhance Student Outcomes

Wayne State University

- At-Risk Student Mentoring

Alleviate Student Debt

Rice

- Student Debt Minimization Initiatives

Source: Advancement Forum interviews and analysis.

Making Advancement A Mission-Critical Partner

Enhancing Advancement's Focus on Core Impact

Ensure Sustainable Operations

UNIVERSITY OF NOTRE DAME

CMU CENTRAL MICHIGAN UNIVERSITY

- MGO Unrestricted Revenue Metrics
- Enrollment Calling Collaboration

Enhance Student Outcomes

WAYNE STATE UNIVERSITY

- At-Risk Student Mentoring

Alleviate Student Debt

RICE

- Student Debt Minimization Initiatives

Source: Advancement Forum interviews and analysis.

We Don’t Ask Our Best Donors for Unrestricted Trust in the Mission

“We don’t do a good job of asking donors that know us best for unrestricted donations. As we develop our relationships and build with trust with them, it is only natural that we should lean on them to trust the institution with unrestricted donations, because they should know better than anyone that money will be put to good use. **Instead, as relationships develop, their gifts grow more restricted.”**

Vice President for Development
Public Research University

Source: Advancement Forum interviews and analysis.

Cracking the Code on Budget-Relieving Dollars

Notre Dame MGOs Drive Unrestricted Fundraising through Hybrid Gifts

MGO Metrics Realigned Around Unrestricted Dollars

Sample MGO Scorecard

Metric	Goal
Total Dollars Raised	$2,000,000
Major Gift Closed	15
Portfolio Visits	90
Unrestricted Dollars	$400,000

Goal ranges from 10% of total for senior MGOs to 20% for junior ones

Hybrid Gifts Offer Scalable Fundraising Tool

($100K+ Donor-designated major/principal gift

+ $25K+) Unrestricted President's Society gift (per year for 4 years)

X 220 Hybrid proposals annually

= $27.5M Annually in unrestricted $25K+ gifts

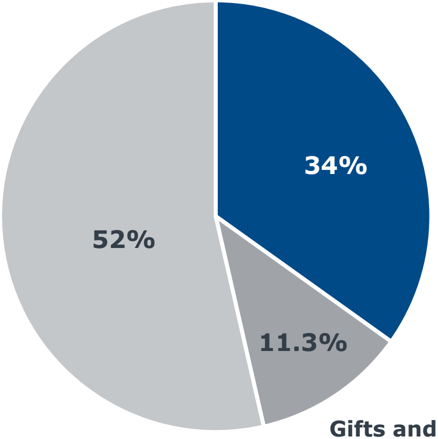
Source: Advancement Forum interviews and analysis.

Fundraising Alone Won't Move The Needle

Tuition Accounts for Growing Share of Operating Budget

Overreliance on At-Risk Tuition Dollars

Revenue of 4-Year Public and Private Institutions, 2016



Tuition and Fees *(+5.3% from 2010)*

Gifts and Endowment *(-10% from 2010)*

Other Revenue *(+2.7% from 2010)*
- Research
- State appropriations
- Auxiliary enterprises

Moody's

US higher education outlook remains negative on low tuition revenue growth *(2019)*

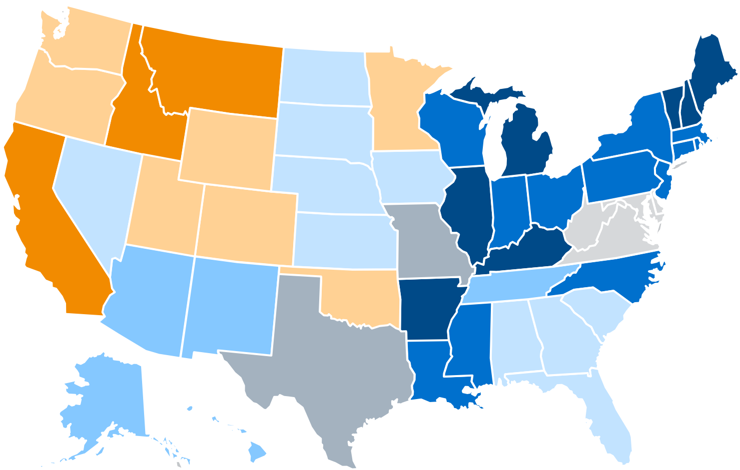
"**Operating revenue for four-year colleges and universities** will soften to about 3.5% and **will not keep pace with expense growth**, which we expect to be almost 4.0%. A growing number of universities will have even weaker revenue growth, pressuring operating performance."

Source: "Finance Almanac: 2018," *The Chronicle of Higher Education*, October 2018; "Finance Almanac: 2012," *ibid*, October 2012; "Research Announcement: US higher education outlook remains negative on low tuition revenue growth", December 5, 2019, Moody's Investors Service; Advancement Forum interviews and analysis.

For Many, Core Markets Are Becoming Insufficient

Majority of U.S. Facing Steep Demographic Declines

Projected Change in 4-Year College-Going Students, 2017 - 2029



% Change	# Institutions
5%+	157
1% to 4%	186
0%	104
-1% to -4%	151
-5% to -9%	346
-10% to -14%	97
-15% to -19%	752
-20%+	231

78% Of four-year institutions are in states facing demographic declines

49% Of four-year institutions face declines of 15% or more

Source: Nathan Grawe, *Demographics and the Demand for Higher Education*, 2017; Advancement Forum analysis of IPEDS data.

Putting Enrollment Front and Center

Phonathon Poised to Reorient Towards High-ROI Enrollment Calling

A Strategy Shift on the Horizon?

"I'm starting to wonder if **it might not be the best use of student callers' time to have them asking for annual fund gifts.** The ROI for annual fund calling is not what it used to be. And with the enrollment pipeline getting increasingly competitive, **maybe those callers should shift their focus to student recruitment**."

Peter Caborn
Associate Vice President for Alumni Affairs & Advancement Services
Wayne State University

The Math Points Past the Annual Fund

Phonathon Fundraising ROI

1 Phonathon donor = $108 In fundraising revenue

Enrollment Marketing ROI

1 Newly matriculated student = $18.7K In first-year net revenue **(private)**; $8.5K In first-year net revenue **(public)**

Source: "Trends in College Pricing", *The College Board*, 2018; "Fast Facts: Graduation Rates", *National Center for Education Statistics*, 2019; "Annual Giving Leadership Survey", *Annual Giving Network*, 2015; Advancement Forum interviews and analysis.

Phoning For Tuition Dollars

Central Michigan Expands Phonathon's Mission To Tackle Enrollment

The Enrollment Calling Center

- 7 calling stations added
- $130K operating budget
- All costs covered by admissions department
- Calling run off RNL software
- 11,164 calls this recruitment cycle (1/3 of total phonathon activity)

Delivering Targeted Phone Interventions

Reason Students Don't Matriculate		*Calling Tactic*
Started but never finished application	→	**Walk student through** application
Chose another school before depositing	→	**Pitch CMU** before decision is finalized
Neglected to finalize housing, orientation	→	**Guide through** pre-arrival decisions

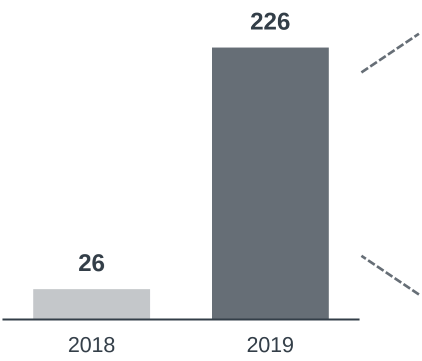
Source: Advancement Forum interviews and analysis.

A High-ROI Use of the Phonathon's Time

Calling Efforts Increase Enrollments, Bolstering Financial Sustainability

Phonathon Deposits Climb…

Number of Students Placing Deposits Over the Phone



…And Recurring Revenue Grows

+120 **Additional enrollments** from phonathon projected for FY2020

$1.7M In projected **first-year net revenue** from phonathon enrollments (5.2M across six years for initial entering class)

$152 In revenue **for each of the 11,164 calls** placed

Source: Advancement Forum interviews and analysis.

Making Advancement A Mission-Critical Partner

Enhancing Advancement’s Focus on Core Impact

Ensure Sustainable Operations

University of Notre Dame

CMU Central Michigan University

- MGO Unrestricted Revenue Metrics
- Enrollment Calling Collaboration

Enhance Student Outcomes

Wayne State University

- At-Risk Student Mentoring

Alleviate Student Debt

Rice

- Student Debt Minimization Initiatives

Source: Advancement Forum interviews and analysis.

Enlisting Alumni to Prevent Stop-Outs

Wayne State Mentors Help At-Risk Students Navigate Support Resources

Student Success Mentoring for At-Risk Students

When problems present, specialized training helps mentors **identify the root cause**…

…and **connect student** to support resources

25 alumni mentors **check in regularly** with at-risk students

Financial issues → Emergency aid fund, financial aid advisors

Academic issues → Tutoring resources, study groups

Personal issues → On-campus counseling services

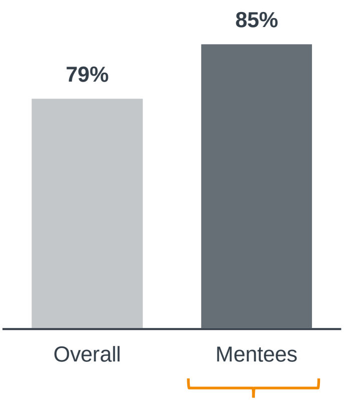
Source: Advancement Forum interviews and analysis.

Bending the Curve on Retention

Mentees Are More Likely to Remain Enrolled for Their Second Year

Overperformance Among At-Risk Students

2018 First Year Retention



7% **Higher first-year retention** for participating at-risk students

"We figure that, if we give the most vulnerable students access to alumni trained in identifying situations that put the students' studies at risk, then **those students might have a better chance of finishing their degree**. And early signs are suggesting it's working just like that."

Peter Caborn
Associate Vice President for Alumni Affairs & Advancement Services
Wayne State University

Source: Advancement Forum interviews and analysis.

Making Advancement A Mission-Critical Partner

Enhancing Advancement's Focus on Core Impact

Ensure Sustainable Operations

- MGO Unrestricted Revenue Metrics
- Enrollment Calling Collaboration

Enhance Student Outcomes

- At-Risk Student Mentoring

Alleviate Student Debt

- Student Debt Minimization Initiatives

Source: Advancement Forum interviews and analysis.

Access and Equity is Top of Mind

A Broad Set of Colleges Now Boast Marquee Cost-Reduction Initiatives

Four Initiatives to Address College Affordability

THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

Carolina Covenant

Grants, work study for low-income students; debt-free graduation

- Launched in 2004
- 1 in 10 UNC Chapel Hill undergraduates now served

Bellarmine Guarantee

Free year of tuition if graduation takes more than 4 years

- Scholarships awarded to 100% of admitted students
- Average scholarship: $28K

BROWN

Brown Promise

No-loan aid packages for families with less than $100K in income

- $120 million in funding
- 8% rise in applications for the class of 2022

ALICE LLOYD college

ALC's Tuition Guarantee

Tuition and fees covered by grants, scholarships, and work study

- Every qualified student from 108 nearby counties eligible
- Covers the cost of tuition for up to 10 semesters

Source: "The Carolina Covenant", The University of North Carolina at Chapel Hill, 2019; "The Bellarmine Guarantee", Bellarmine University, 2019; "The Brown Promise", Brunonia, 2019; "ALC's Tuition Guarantee", Alice Lloyd College, 2019; Advancement Forum interviews and analysis.

Rewriting the Rules of Financial Aid

Rice University Takes Aim at Student Debt, Radically Reducing Costs

Rightsizing Aid to Income Ratios

- September 2018 public launch
- $150M in endowed funds needed by 2025
- $7-9M anticipated annual expenditures

Household Income	Aid Package
<$65K	**Full grant** for tuition, fees, room and board
$65K-$130K	At least **full tuition** scholarship
$130K-$200K	At least **half tuition** scholarship

Qualifying students are **not required to take out any loans**

Source: "The Rice Investment", Rice University, 2019; Advancement Forum interviews and analysis.

The Rice Investment Pays Off

Benefits for Admissions and Advancement Already Apparent

A Catalyst For Giving…

$40M **Total funds raised** for the Rice Investment as of December 2019

…Plus An Admissions Boost

29.4% Growth in **applications** *(from 20,923 to 27,084)*

The Rice Investment Resonates

"Annual fund average gift size has gone up. That's evidence that people are willing to give more. The other thing that was **a eureka moment was when the alumni board agreed to put forward a challenge for the Rice Investment**. There's a lot of enthusiasm for this."

Darrow Zeidenstein, Former Vice President of Development and Alumni Relations
Rice University

Source: "The Rice Investment", Rice University, 2019; Advancement Forum interviews and analysis.

EAB's Peek into the Crystal Ball

What Will Be Most Unrecognizable by 2029?

Possibilities for Mission-Focused Advancement's Future

All External Functions Integrated into One Unit

Enrollment, advancement, corporate partnerships, career, fall under a single org

Big Dollar Goals Sacrificed for the 'Right' Revenue

Presidents eschew non-mission-critical gifts, focus singularly on top priorities

Advancement Measured on Revenue, Not Philanthropy

Non CASE-countable revenue from community partnerships added to performance metrics

Federal Government Passes Free College Policy

After policy change scrambles budgets, fundraisers are called to fill funding gaps

Source: Advancement Forum interviews and analysis.

For Discussion

- How do you see COVID-19 shifting how college and university advancement leaders navigate the trade-off between core mission and revenue growth in the next year?
- What lasting changes could occur from this event?