Annual Giving: Challenges and Opportunities

What major philanthropic, economic, social, and organizational trends are effecting or impacting, both positively and negatively, how we employ Advanced Annual Giving techniques?

Challenges:

- Competition growing rapidly. More and more NPOs (support with data on growth) competing for limited market share. We need to be sharper, more refined in our messages, able to be light on our feet with the messages we have, and able to manage multiple objectives as we work with specific subsectors or segments of our annual giving donors, prospects, and suspects.

- Not on message! Organizations are simply not moving forward with strong comprehensive communications action plans (Chronicle data; as referenced in June 005 Chronicle of Philanthropy "Many charities need improvement when it comes to communication practices." Research based on 150 executive directors and senior communication staff in NPOs and with 341 questionnaires, it was noted that 90% said that their orgs do not perform market research to better understand their audiences or test the effectiveness of their communications, 59% said that they need more money to communicate effectively, and 80% said that their boards discuss communications only one time per year or less.

- Volunteer burn out. Data regarding trends on younger people not volunteering like their older counterparts. Re-cycling volunteers. Board members tend to see this as a necessary evil. Boards are increasingly seeing themselves as providing charitable value in non-financial ways, such as providing time and talent.

- Broadening our definitions requires us more knowledge. The term "donor" or "friend" or "subscriber" or "sustainer" has been replaced with broader, more comprehensive terms such as "community partner", "organizational investor", "constituent" and "stakeholder". As these new terms enter our professional parlance and define both internal and external audiences with both overlapping and yet vastly different motivations and needs, the MMM becomes harder and more challenging to handle by development staffs. Gone are the days of a homogenous donor list. For most organizations, stakeholders can be defined as those who invest, those who lead, those who partner, those who are impacted, those who are served, and those who serve. Competing demographics—the economics, age, and basic wealth status of zip codes and neighborhoods. Access to psychographics or market-based data that tells you about how someone behaves as a consumer.

- We're not keeping up. Minimal annual giving revenue growth is actually a loss when compared to market growth and cost of living. One step forward, two steps back. Most charitable organizations do not boil down their annual data to a point where they can see this trend.

- Lapsing donors is still a huge negative trend. Re-cycling donors costs at least 5 times as much to regain them as it does to attract them in the first place—and that cost is hard to absorb by organizations and is a hidden costs that development professionals and agency executives tend to not look at, ignore, or conveniently deny.

- Annual giving looked upon as entry level position. Unfortunately, the trend continues wherein the annual giving assistant or associate position is looked upon solely as an entry level position that does not contain any professional sustainability among development professionals. Sure, starting your fund development career in annual giving is a fine idea with plenty of merit, but if the whole annual fund program is seen as solely the domain for the new kid, without any sustainable or matured programming available, then a number of unfortunate things may occur. First, a lot of new training and steep learning curved-people will be running the annual fund. Second, very little continual knowledge and few learned lessons will be acted upon. Third, the annual gift department will maintain its role solely as a sustaining gift generator, with license to rotate donors in and out of the program, and never take its rightful position as a key integrated player in the overall moves management system of the organization.

- Lack of focus on and protection of the agreed upon plan. To the extent that planning is a mainstay in today's NPOs, organizations tend to lose sight of their strategic plans, their annual operating objectives, and their quarterly tactical plans in favor of the newest thing on the market. Failure to protect the plan—within pre-agreed upon reason and rationale—is a major epidemic in America's not-for-profit community. The new things/areas are exciting and tend to attract inordinate amounts of time, energy, and commitment in lieu of much needed investment and revitalization for well-thought out and planned annual giving programming.

- Direct marketing changes. The late 1980s and 1990s saw peak performance in direct marketing, which included telemarketing. As telemarketing lost favor and became easier to anticipate with the invention of caller ID and national Do Not Call lists and state laws prohibiting certain practices, it became a black eye for the nation's charities. Many annual donors were dropped from the annual giving lists and annual giving revenues dropped. Organizations have been slow to re-build those relationships and find alternative methods of solicitation. At the same time, advances in direct mail response have increased due to the ability to manage larger amounts of information about the philanthropic habits of individual donors. This area has not fully replaced telemarketing, and may never do so, but NPOs must begin to use these advanced techniques in their direct mail programs.

- Forgetting the basics. The basics and fundamentals are still quite vital to the successful and efficient operations of an annual giving program, yet are looked at as a stepping stone career move, a set of antiquated rules, and an old-fashioned shoe-box and 3" x 5" card mentality. In reality, the old way—the basics and fundamentals—made it so organizational staff paid more attention to the nuances of donor relationships, managed data input with more care and caution, and understood the power of outcomes, reports, and donor relations.

- Business skills are key. More and more, our NPOs are running things like businesses and many of our mindsets are not geared toward creating those types of plans, writing those types of business models, and analyzing data in such ways that we now expect comprehensive trend analysis, data-based outcome measures, and quantifiable tactical elements.

Opportunities:

- Computerized database management has permeated our not-for-profit world. Better access to reasonably-priced donor data base management software and programs

- Donor service has taken off. NPOs are quickly understanding that the basics of “donor service” are vital and have adopted and adapted classic for-profit service models aimed at keeping patients happy, maintaining high levels of membership satisfaction, and ensuring that performing arts patrons are treated both as paying customers and valued philanthropic investors, as examples.

- NPOs are hungry and are asking for specific amounts of money. Good on the micro level. People need to be asked specifically for individual annual gifts

- Individual gifts are key! Philanthropic dollars given by individuals still remains the largest portion of charitable revenue and continue to rise.

- Giving has leveled. Giving as a percentage of US gross domestic product has stayed within a tight window since 1954—roughly between 1.7% and 2.3%--which bodes well for the booming organizations.

- Donors expect outcome reports. Donors are becoming savvy and recognize the need to receive periodic reports on the value and outcomes of their investments. NPOs understand that there must be a mix of communications that both tie to left brain thinkers (numbers, facts, figures, concrete data about outcomes and successes) and right brain thinkers (human interest stories, heart-tugging words, photos and visual representations, and emotional pleas that bring the problem or mission down to easy-to-be-understood human levels.)

- More balance is taking place. Our not-for-profit organizations are slowly but surely understanding that a broad menu of annual giving tactics is necessary to meet the needs and match the motivations of the varied donors in the community. But do these organizations understand the role of sunsetting certain programs that have run their course or cease to be dynamic funding sources? For instance, it has long been recognized that beginning golf tournaments are fun, exciting, and offer a good venue to promote the organization’s mission. But at a cost-to-raise-a-dollar ratio of seventy cents (including staffing, in-house printing, and other typically hidden costs), many organizations are lucky to break even on a golf event. Gone are the days that the Nike Corporation, in its infancy in the golfing world, would donate boxes full of Nike golf shoes for prizes to local charities. But as the tide shifts, more organizations are recognizing the need to re-tool, put more emphasis on corporate underwriting and sponsorship, and resurrect the bygone notion of cause related marketing to lessen the cost-to-raise-a-dollar and increase their events' ROI. In fact, ROI has become an often employed term and process in not-for-profit board rooms these days.

- Knowledge management is taking hold. Knowledge management, once the domain of MIT professors in the nineties, has emerged as a stalwart tool in the not-for-profit arsenal. Clearly organizations are far behind their for-profit brethren in terms of instituting KM processes, creating governance reports such as Balanced Scorecard, naming CKOs, and building genuine learning organizations, but slowly as new blood comes into management ranks of these organizations, this trend will pick up with rapid pace.