Leadership Annual Giving: A Case Study in Increasing Revenue and Participation

NEDRA CONFERENCE 2012

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AGENDA

- “Gap Giving” and why Leadership Annual Giving is important.
- Where in the organization does it fit?
- How is Leadership Annual Giving staffed?
- How are prospects identified and managed?
- What has been one University’s experience in developing a new structure that formalizes Leadership Annual Giving?
WHY IS LEADERSHIP ANNUAL GIVING IMPORTANT?

Gap Giving is simply giving that is too big for direct response (mail, email, phone-a-thon), but not big enough for major gifts.

Gifts between $5,000 and $20,000. Depending on your organization, perhaps giving as low as $500 or up to $100,000.

If an “annual gift” is below $10,000 and a “major gift” is $50,000 or more, what happens to gifts between $10,000 and $50,000?

Who gets credit?
Who spends time thinking about these gifts?
WHERE DOES THE MONEY COME FROM?

This performing arts organization raised 13.73% of their dollars and had 6 percent of their donors in the $10,000 to $50,000 range.

<table>
<thead>
<tr>
<th>Gift Range</th>
<th>Number</th>
<th>Amount</th>
<th>Cumulative Number</th>
<th>Cumulative Dollars</th>
<th>% Donors</th>
<th>% Dollars</th>
<th>% Donors</th>
<th>% Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 million+</td>
<td>28</td>
<td>$63,880,045</td>
<td>28</td>
<td>$63,880,045</td>
<td>0.06%</td>
<td>28.93%</td>
<td>0.06%</td>
<td>28.93%</td>
</tr>
<tr>
<td>$500,000-$999,999</td>
<td>41</td>
<td>$27,098,438</td>
<td>69</td>
<td>$90,978,483</td>
<td>0.08%</td>
<td>12.27%</td>
<td>0.14%</td>
<td>41.20%</td>
</tr>
<tr>
<td>$250,000-$499,999</td>
<td>64</td>
<td>$22,840,931</td>
<td>133</td>
<td>$113,819,414</td>
<td>0.13%</td>
<td>10.34%</td>
<td>0.26%</td>
<td>51.54%</td>
</tr>
<tr>
<td>$100,000-$249,999</td>
<td>200</td>
<td>$29,439,255</td>
<td>333</td>
<td>$143,258,669</td>
<td>0.40%</td>
<td>13.33%</td>
<td>0.66%</td>
<td>64.87%</td>
</tr>
<tr>
<td>$50,000-$99,999</td>
<td>280</td>
<td>$18,969,852</td>
<td>613</td>
<td>$162,228,521</td>
<td>0.56%</td>
<td>8.59%</td>
<td>1.22%</td>
<td>73.46%</td>
</tr>
<tr>
<td>$25,000-$49,999</td>
<td>456</td>
<td>$16,046,862</td>
<td>1,069</td>
<td>$178,275,383</td>
<td>0.90%</td>
<td>7.27%</td>
<td>2.12%</td>
<td>80.73%</td>
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<tr>
<td>$10,000-$24,999</td>
<td>903</td>
<td>$14,261,027</td>
<td>1,972</td>
<td>$192,536,410</td>
<td>1.79%</td>
<td>6.46%</td>
<td>3.91%</td>
<td>87.19%</td>
</tr>
<tr>
<td>$5,000-$9,999</td>
<td>1,106</td>
<td>$7,415,837</td>
<td>3,078</td>
<td>$199,952,247</td>
<td>2.19%</td>
<td>3.36%</td>
<td>6.11%</td>
<td>90.54%</td>
</tr>
<tr>
<td>$2,500-$4,999</td>
<td>1,973</td>
<td>$6,843,694</td>
<td>5,051</td>
<td>$206,795,941</td>
<td>3.92%</td>
<td>3.10%</td>
<td>10.02%</td>
<td>93.64%</td>
</tr>
<tr>
<td>$1,000-$2,499</td>
<td>4,437</td>
<td>$6,820,560</td>
<td>9,488</td>
<td>$213,616,501</td>
<td>8.80%</td>
<td>3.09%</td>
<td>18.83%</td>
<td>96.73%</td>
</tr>
<tr>
<td>$500-$999</td>
<td>4,591</td>
<td>$3,124,478</td>
<td>14,079</td>
<td>$216,740,979</td>
<td>9.11%</td>
<td>1.41%</td>
<td>27.94%</td>
<td>98.15%</td>
</tr>
<tr>
<td>$250-$499</td>
<td>5,792</td>
<td>$1,953,463</td>
<td>19,871</td>
<td>$218,694,442</td>
<td>11.49%</td>
<td>0.88%</td>
<td>39.43%</td>
<td>99.03%</td>
</tr>
<tr>
<td>$100-$249</td>
<td>9,732</td>
<td>$1,454,031</td>
<td>29,603</td>
<td>$220,148,473</td>
<td>19.31%</td>
<td>0.66%</td>
<td>58.74%</td>
<td>99.69%</td>
</tr>
<tr>
<td>$0.01-$99</td>
<td>20,790</td>
<td>$684,158</td>
<td>50,393</td>
<td>$220,832,631</td>
<td>41.26%</td>
<td>0.31%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>50,393</td>
<td>$220,832,631</td>
<td></td>
<td></td>
<td>100.00%</td>
<td>100.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HOW DO I DEFINE AN ANNUAL GIFT?

The most important thing is that you all agree within your organization.

An annual, renewable, repeatable gift

- A logical assessment that this gift could be given again in each of the next few years.
- Possibly gifts to certain funds

Other common definitions

- Gifts below a certain dollar value
- Gifts generated by direct mail or email
- Unrestricted gifts
- Gifts to specific funds
Money raised at these levels is often non-trivial

Most organizations have more prospects with capacity at this level than they do at higher levels

Gifts at this level are generally realizable very quickly (THIS year)

Gifts at this level or often for general-use expenditures, if not entirely unrestricted

Donors at this level present a healthy pipeline for future major gifts

Gift officers at this level may be your next major gift officer
HOW DOES THIS WORK?

Perhaps easier said then done, but it’s simple

- Develop a straightforward pitch. Be specific about the benefits to the organization, and focus less on benefits to the donor.
- Develop a list of prospects (more on this in a moment).
- Task a staff person to go out and see a lot of people.
- Track prospects as you would in major gifts.

“Gifts made to the Arts & Sciences Fund allowed the University to support 51 scholarships, fund 8 graduate research projects, and upgrade 3 laboratories.”
ORGANIZATION AND STAFFING

Leadership Annual Giving fits within the structure of an annual giving program. But that’s not the only option.

- It may fit better in your major gifts program
- If you’re de-centralized you may have to structure this through schools and units, or try to set up a central L.A.G. program in support of the units

This depends on your needs: existing management, payroll limitations, etc.

- A great training ground for less experienced fundraisers
- A great place for “closers” who don’t want to manage others
- An alumni relations person who wants to get into the gift side of things
ORGANIZATION AND STAFFING: THE ROLE OF RESEARCH

Who are the LAG prospects?
- People you have disqualified at Major Gift prospects, but have LAG-level capacity
- People less than top-priority Major Gift prospects, but for whom you need a placeholder strategy
- People where it isn’t worth your time to do a lot of research until you know that they have some interest.

And if you also do Prospect Management
- Developing a tracking system
- Generating reports on stages and activity
- Reviewing LAG portfolios
IDENTIFYING LEADERSHIP PROSPECTS

The pool is usually pretty big: many people fit in these categories

- Donors of about $1,000, with moderate ratings from research or screening
- Long-term, consistent donors with some evidence of greater capacity that have never been visited by a gift officer
- Major gift prospects that aren’t well-known to the organization and need to be qualified
- The list goes on and on

Go visit them!

- Expect L.A.G. Officers to do 50% to 100% more visits than major gifts officers, and three to four times the number of asks
### POTENTIAL INCREASES IN THE ANNUAL FUND

This small school, with a $1.5 million annual fund, could realistically add between $339,000 and $851,000 through Leadership Annual Giving.

<table>
<thead>
<tr>
<th>Annual Fund Target Ask &amp; Upgrade Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td><strong>Total Number of Constituents</strong></td>
</tr>
<tr>
<td><strong>Donors Below Level</strong></td>
</tr>
<tr>
<td><strong>Average Largest Giving Year</strong></td>
</tr>
<tr>
<td><strong>10% Donors Upgraded</strong></td>
</tr>
<tr>
<td><strong>Dollars Gained</strong></td>
</tr>
<tr>
<td><strong>25% Donors Upgraded</strong></td>
</tr>
<tr>
<td><strong>Dollars Gained</strong></td>
</tr>
</tbody>
</table>
STAGES MODEL FOR MAJOR GIFTS

**TIME:**
- Identification Qualification: 6 months
- Early Cultivation: 12 months
- Advanced Cultivation: 6 months
- Proposal: 3 months
- Closing*: 6 months
- Stewardship

**EXIT:**
- Is the prospect verified as a major gift target?
- Are there one or more identified donor interests that align with priorities (12-18 months out)?
- Is the prospect ready to respond to a specific major gift proposal?
- Has the gift officer delivered a proposal to the prospect?
- Has the proposal been accepted?

**Yes**
- Leadership Annual Giving
- Early Cultivation
- Advanced Cultivation
- Proposal
- Closing*

**No**
- No Action
- No
- No
- No

**No, but still a prospect**
- Discussion/Reassignment

**Variable**
- No longer a prospect (requires mgmt. approval)
- Still a prospect

**No action not a possibility; no response interpreted as No (but still a prospect)**
Leadership Annual Giving at A Large University
AGENDA

I. Annual giving at the University
   - Context and goals
   - Audiences and implications
   - Three key initiatives
   - Organization

II. Leadership annual giving
    - Role and goals
    - Experience to date
Like many universities, this is a very successful fundraising institution—reliant on major and principal gifts.

Alumni, in general, hold the University in very high esteem—but give at a rate of only 23%. Sound familiar?

There is a need to foster a stronger donor community at the base of the donor pyramid to improve fundraising results now and in the future.
GOALS

Achieve much higher rates of undergraduate alumni participation--aspiration is one percentage point per year

Increase unrestricted fundraising results

Build a broader and more generous major gift pipeline

All viewed in the context of a 5 year time line.
AUDIENCES: CURRENT DONORS

- About 15,000 contribute on an annual basis
- Currently retained at 70% - a higher rate than other segments
- Optimized outreach for top 20% to 25% of file
AUDIENCES: EPISODIC DONORS AND NON-DONORS

Over 4,000 alumni have volunteered for the University in recent years. Just over 50% of them made a gift last fiscal year.

Young alumni represent almost 25% of the file. Last year 14% of them gave a gift.

Approx. 50% of the file has made a gift over the past ten years.
AUDIENCES: STRATEGIC IMPLICATIONS

- Convert volunteers and attendees to donors
- Convert episodic donors to regular donors
- Enhance awareness and ownership amongst young alumni population
And finally, two audiences of little or no operational concern to annual giving:

- Managed major donors and prospects

- Long-lapsed and never donors, and long-time unengaged non-donors (except young)
## Gift Pyramid

<table>
<thead>
<tr>
<th>Gift Range</th>
<th>% of Households</th>
<th>% of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000 or more</td>
<td>1%</td>
<td>72%</td>
</tr>
<tr>
<td>$10,000 - $24,999</td>
<td>1%</td>
<td>8%</td>
</tr>
<tr>
<td>$1,000 - $9,999</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>$0 – 999</td>
<td>86%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Three Key Initiatives
1. INCREASE THE SCOPE OF OUTREACH

• Visit hundreds of undiscovered prospects through the Leadership Annual Giving team.

• Enlist and empower hundreds of additional student, young and reunion volunteers.
2. ENHANCE OUR MARKETING AND COMMUNICATIONS CAPABILITIES

• Build a stronger case for support of annual giving at the University.

• Carry out robust market research plan to build on early learning.

• Eliminate time and energy directed toward non-productive segments.

• Test and measure a variety of tactical approaches to see what works and what doesn’t work with our alumni population.
3. IMPROVE STEWARDSHIP CAPABILITIES

• Recognize first time donors to the University with a special acknowledgement.

• Launch a loyalty program contemporaneous with kickoff for reunion 2012.

• Create impact of fund reporting for 2012 donors.
ORGANIZATIONAL CHART FOR THE OFFICE OF ANNUAL GIVING

- Executive Associate Vice Chancellor
  - University Central Development

- Executive Director
  - Annual Giving

- Appeals and Donor Participation
- Classes and Volunteer Engagement
- Leadership Annual Giving
LEADERSHIP ANNUAL GIVING

Role

• Broaden the community of donor support for the University
• Identify and refer new major gift prospects

Goals

• In year one, primary focus is visits and outreach
• Dollars are important, too
LEADERSHIP ANNUAL GIVING: EXPERIENCE TO DATE

Phase 1: April 1 to July 27
- Hiring and portfolio development

Phase 2: July 28 to present time
- Off to the races!

Phase 3: Remainder of FY 2012 and beyond
- Results to date and lessons learned
PHASE 1: APRIL 1 TO JULY 27

Assemble the team

• Hired a director, three associate directors and one assistant

• Director in place on June 6

• Hiring completed as of August 5
ORGANIZATION HIERARCHY

- Director of Leadership Annual Giving
  - DAR Assistant
  - Associate Director of Leadership Annual Giving
  - Associate Director of Leadership Annual Giving
  - Associate Director of Leadership Annual Giving
PHASE 1 (CONTINUED)

Create portfolios

- Used wealth screening ratings to prioritize the list
- 4,000+ potential prospects
- Needed to reduce the list to ~ 2,000 names in order to reach 200 visits per FTE
- Prioritized population by geographic density
- Individual record look-up, too
Prospect assignments to leadership annual giving team come with the same full rights and responsibilities as any other prospect assignment.
PHASE 2: JULY 28 TO PRESENT TIME

Off to the races!

- Training: 80% in the field, 10% formal, 10% mentorship

- 214 scheduled visits, 190 complete. Roughly 50% in local area and 50% in other major markets

- On pace for 700 visits over 12 month time period
PHASE 2 (CONTINUED)

• Approx. 3.5 to 4.0 calls required to obtain one visit

• Baseline ask amount of $5,000 each visit

• Opportunity to thank, inquire about attitudes, gather intelligence on donor community

• Raise awareness re: university direction
PHASE 3: REMAINDER OF YEAR AND BEYOND

Early term results

- 90% of visits result in verbal commitment “to do more this year”
- $45K in signed commitments
- 5 major gift prospects identified
- Assumptions regarding goodwill amongst alumni confirmed
LESSONS LEARNED

So far, so good!

Many visited prospects are expected to increase their annual support.

We need to continue refining the prospect pool and finding new sources of names.

Many donors will remain high quality leadership annual donors.

Major market pools will keep us busy for now, but secondary markets will become important.
CONCLUSION

Leadership annual giving is a key dimension to overall annual giving strategy at the University.

Leadership level prospects are out there, and they are receptive to our calls.

The best way to raise money and learn more about our constituencies is to talk with them directly.
QUESTIONS?

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