



The Grenzebach Glier Quarterly Review

Philanthropic News and Analysis

Summer 2007

From Anecdote to Evidence

Development Officers Refine Their Abilities to Predict Donor Interests

A steady stream of information on the behavior and inclinations of generous donors, from the nation's wealthiest philanthropists to long-time annual fund supporters, is leaving development officers sorting through facts and figures in attempts to balance information about national trends with knowledge of their own donor populations. A series of recent reports and surveys illustrate the range of readily available information, but increasingly fundraisers are beefing up their own data collection and analysis capabilities to generate customized information to help them solidify donor relationships and boost results.

The recent U.S. Trust survey cites general optimism about the economy (see sidebar); *Giving USA 2007* tracks another record-breaking year for giving in 2006 (see page 8); a July report by the research firm Target Analysis Group points to a declining donor population in the last five years as a long-term concern for fundraisers; and a survey by Northern Trust, a banking company in Chicago, highlights a 20 percent increase in giving by Americans with assets of at least \$10 million.

"Fundraising is so individualized, to talk about it in general terms does not usually work," says Paul Robell, vice president for development and alumni affairs at the **University of Florida**. "I am not sure how much value there is in tracking national trends and looking at the general population. With 80 percent of our graduates residing in Florida, we look at things like the health of the citrus industry and statewide economic data and reports." Last year, the University of Florida entered the planning stage for its next campaign—the third in its 153-year history—which will run through 2012.

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Wealthiest Americans Remain Optimistic

Findings from the 264 participants in the 26th U.S. Trust Company Survey of Affluent Americans, a poll of individuals with an investable net worth greater than \$5 million, include:

- The economic outlook for most high net-worth individuals is generally optimistic, with greater optimism for the U.S. stock markets than for international markets.
- Most high net-worth individuals are actively involved in giving back to society. Forty-two percent of those surveyed have made a charitable bequest; three in ten have set up a charitable trust or family foundation; one in five have used charitable gift annuities or donor-advised funds.
- Tax considerations are among the lowest motivators for philanthropic decisions, eclipsed by such factors as "returning something to society," "belief in a particular cause," and the ability to "make a difference and/or change the world."
- Most parents report that their children are actively involved in managing their wealth. More than 80 percent report that teaching children about philanthropy is a high priority, and just over half worry about the possible negative impact of their children's access to wealth. 

From Anecdote to Evidence

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Doug Bennett, president of **Earlham College**, a Quaker institution in Richmond, Indiana, notes, "We rarely find broad data about the national scene very useful. Only occasionally do trends throughout the country relate to Earlham. I am more interested in data that tells how Earlham is changing in its environment and in relation to other institutions."

Michael J. Baker, a partner with m3 Development Corp., has worked in nonprofit fundraising for nearly 15 years, most recently as nationwide director of resources and consulting for major gifts for the **American Cancer Society's** National Major Gift & Capital Campaign Initiative. Baker, by contrast, frequently makes reference to national studies and surveys. "I pull findings from reports such as the Bank of America's High Net-Worth Philanthropy Study and use them in presentations or conversations. They give me greater credibility and add validity when working with major gifts officers, board members, and individual donors," says Baker.

Institution-Specific Data is Key

With constantly updated data analysis tools and predictive models at their fingertips, development officers can generate more qualitative information and quantitative data than ever before. Increasingly, they are looking for data to help increase private giving to *their* institutions from *their* donors.

David King, head of development services at the **University of Birmingham** in the UK, says the way in which his university uses data and the methods his staff members are employing have changed dramatically in the last two years. Within his young office—established in 2002—he describes two areas of focus: production of survey information and use of a prospect scoring system. "We now regularly survey different constituencies to seek the opinions of our donors and alumni, and we

use a basic system to validate solicitations and improve giving to the annual fund," says King.

King explains that "we are turning our geo-demographic breakdowns into three- or four-dimensional models to examine simple predictors. We are looking at capacity and propensity together. Within the last eight to ten months, we are starting to compare giving history and the value of the prospect and combining the two."

Prospect screening has improved how the **Smithsonian Institution** defines its prospects and gets the greatest return on investment, says

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An international leader in philanthropic management consulting, Grenzebach Glier and Associates, Inc. (GG&A), has more than 45 years of experience with educational, cultural, medical, and other nonprofit institutions. The goal of the *Review* is to provide timely information about issues and events that are relevant to philanthropy.

The *Review* is available on our Web site at www.grenzebachglier.com and via e-mail upon request. Comments, questions, suggestions, and topics of interest are welcome. E-mail us at gga@grenzebachglier.com.

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Chicago Office: 401 N. Michigan Ave., Suite 2800,
Chicago, Illinois 60611, 312.372.4040, fax 312.372.7911

London Office: 212 Piccadilly, London, W1J 9HG,
+44 (0)20 7917 1758, fax +44 (0)20 7439 0262

Montréal Office: 925 de Maisonneuve West, Suite 402,
Montréal Québec H3A 0A5, 514.842.9241, fax 514.842.4880

Zully Dorr, the Smithsonian's director of development operations and former director of development services at **Florida International University**. "It helps identify the group with the greatest likelihood to give."

Dorr adds, "We are delving further into our prospect screening data to filter through lists of donors and look at prospects at certain levels." Increasingly, the staff is asking critical questions, such as, "What is our frequency of cultivation contact to these groups? How are prospects moving through the cycle of relationship from first contact to solicitation? Is the first gift an annual gift or a major gift? Do we have the prospects to meet our goal or exceed it?"

In the last two years, the American Cancer Society has built a successful nationwide major gifts program that relies heavily on the use of data. "We have grown major gifts to an \$85 million operation in the last two years," relates Baker, who has been closely involved with the organization's prospect screening and data collection process. "Virtually all of that growth has been data driven."

Bennett believes it is hard to find a college president more interested in data. "As a social scientist, I am interested in hard and soft data and see the value of both." He admits Earlham is "not doing kind of analytic work we should. In recent years, we have made strong strides in using data to understand admissions. We need to use data in any number of areas to determine how we succeed and why we fail."

Compared to admissions, Bennett says the calculations and the use of development data is more challenging, but Earlham is making progress. "Our annual giving rates are not high. But over a three-year period, a healthy percentage of alumni support us. We need to be more consistent in reaching these donors, and our data has helped us determine that."

A New Management Tool

A growing number of institutions are sharing details of their fundraising operations in efforts to quantify the costs and benefits of their activities. "While many universities and charities have long shared data on direct marketing returns and other gifts, the new databases aim to capture information on entire fundraising operations—what organizations spend and what they earn—over the long term," writes Elizabeth Schwinn (*The Chronicle of Higher Education*, "How Much Fund Raising Really Costs," May 31).

"... board members want more information, such as collectible and discount rates. They want to apply the same rules about probability and projections to philanthropy that they apply to their own businesses."

"The more accurate and relevant the data you generate, the more effective you will be," says Dorr, who sees a greater comfort level among staff in using, evaluating, and, in some cases, disqualifying data. "You will never have all of the staffing resources you need; data can help you better manage those resources."

Even though his office is in its infancy, King believes, "We show the university where we are going and we are beginning to show what we expect in terms of funds raised to help the university properly structure its expectations. The amount of untapped support in the UK, particularly for higher education, is becoming clearer to senior management."

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"The data analysis behind development goes a long way in building trust with colleagues within your institution," adds Joseph Calger, associate chairman of development services and campaign manager for the **Cleveland Clinic**. "Cleveland Clinic relies on philanthropy to fund major projects and opportunities. It needs long-range forecasts to know if it will have the money to pay the bonds or the contractors."

Calger suggests that, with increasing access to volumes of data, "You need to pay more attention to maintaining the data you have in hand. In the past, we were not even forecasting the small, annual gifts. Now we are projecting three years of gifts in the pipeline."

Development officers must add yet another capability to their skill sets to meet growing demand

for data analysis and forecasting, according to Baker. "You must have staff members in place who can function in a data-rich environment."

Baker acknowledges that if current staff members do not have the necessary skills, "You need to find those that do, even if it means bringing in someone from outside the organization. Your fundraising results will be directly related to the ability of your staff to access and use the data."

Driving Higher Expectations

Technological advances in research that promise to deliver expanded constituent information, improved analyses of historical giving behavior, and customized predictive models, may be leading senior management and board members to raise the bar for development staff.

New Philanthropists Challenge Old Assumptions

Conflicting reports in the press about the mega-wealthy and the mega-generous add yet another layer to the complex information collection process. A July 25 article in *The New York Times* reported that many of today's very wealthy chief executives echo an earlier era, the Gilded Age before World War I. "The new titans often see themselves as pillars of a similarly prosperous and expansive age, one in which their successes and philanthropy have made government less important than it once was," report Louis Uchitelle and Amanda Cox in "The Richest of the Rich, Proud of a New Gilded Age." Still, the new Gilded Age has created only one fortune to match those of the Rockefellers, the Carnegies, and the Vanderbilts—that of Bill

Gates, the article claims. A titan in one respect, Bill Gates was recently heralded as "the patron saint of yawnhood." The July 13 issue of *The Wall Street Journal* ("The Rich Are Duller" by Robert Frank) reports that the 2000s may be giving rise to a new era of elite: yawns. "Yawns are 'young and wealthy but normal' men and women in their 30s and 40s who have become multi-millionaires and billionaires during the wealth boom of the past decade. Rather than spend their money on yachts, boats, and jets, yawns live modestly and spend most of their money on philanthropy," writes Frank. "In stark contrast to the outsized titans of the Gilded Age and the slicked-back Gordon Geckos of the 1980s, yawns are notable for their extraordinary dullness."

The development committee of the Cleveland Clinic board meets four times a year, and at every meeting, new gifts, pledges, and cash flows are reviewed. "But the board members want more information, such as collectible and discount rates. They want to apply the same rules about probability and projections to philanthropy that they apply to their own businesses," says Calger.

"Deans and administrators are concerned about using demographics to enhance fundraising, particularly for colleges where there are not big donor bases," says Robell. "The 'have not' colleges with graduates who are relatively modest wage earners want to find that graduate who has gone on to make money in other ways."


Dorr has witnessed increasing pressure on development for more than a decade. "There is greater understanding of the role and the needs of development and with that comes more interest in using data. Good data helps ensure we are spending our time and resources efficiently."

When it comes to validating staff performance, data is critical. "Benchmarking helps to identify those individuals doing the right things to cultivate gifts," notes Calger. "But the timing element in giving is totally driven by the donors. In conversations with development officers about dollars raised, you are always at the mercy of timing."

Baker notes that board members are eager to see a return on an organization's investment in data

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With big donors garnering most of the time and attention of development officers, another *Wall Street Journal* article suggests otherwise. Sally Beatty writes ("Giving Till It Hurts," July 6) that nonprofits are receiving an increasing number of "stretch" gifts, donations seemingly out of proportion to the givers' resources. "These gifts often require donors to make sacrifices or at least live more modestly than their income would allow."

Exceptional gifts by supposedly ordinary people have always been reported. But now such donors are getting younger, their gifts seem to be occurring more frequently, and the dollars involved are growing exponentially, according to Beatty, who details seven-figure contributions from individuals of seemingly modest means. The article cites three factors contributing to the trend: the Pension Protection Act of 2006, the run-up in stock prices, and escalating real estate prices that have left many people with unexpected wealth. 

But now such donors are getting younger, their gifts seem to be occurring more frequently, and the dollars involved are growing exponentially.

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management tools. "They look at it as another business expenditure. There is a heightened

"You need the list of good prospects, but you need to be out there making visits and spending time with prospects."

awareness about fundraising potential, but board members need to be seasoned and savvy enough to know that it takes time for a return on this kind of investment, sometimes two to three years."

At Earlham, Bennett works with "a very analytic board chair. He wants to see the goods and the goods involve data. When he counters a hypothesis, we show him more data."


Good Data Yields Strong Results

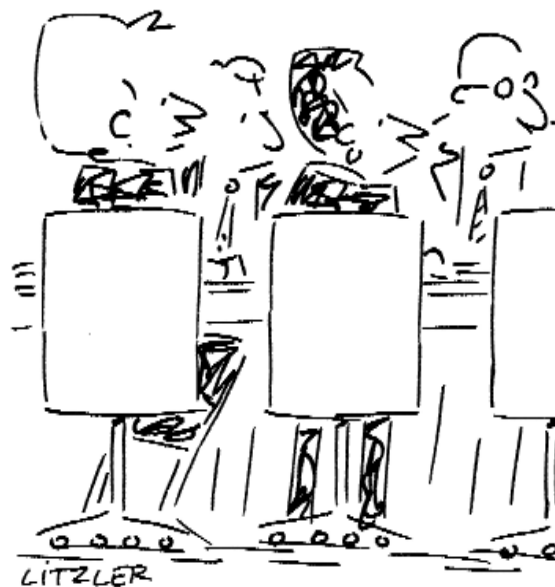
Mounds of data aside, fundraising success ultimately depends on the ability to build and maintain relationships with donors. Development officers agree while data in and of itself does not raise money, it is a critical tool for identifying and understanding top prospects.

"Data is an aid to uncover what you might not have been aware of otherwise," says Robell. "The truth is money is everywhere. It is a question of figuring out what will yield greater success. Our better development officers have a nose for money and go after it."

With so many resources and instant access to data and research results, Calger cautions about the dangers of "analysis paralysis." He points out,

"Too much reliance on data and not enough fundraising is not good. You need the list of good prospects, but you need to be out there making visits and spending time with prospects. Just because you can run and read the report doesn't mean you can make it happen."

Clearly data collection and analysis can accelerate the fundraising process, says Baker, who compares major gift fundraising to dating and marriage. "Good data allows you to pop the question earlier with a higher probability that the answer will be yes. To get to that 'yes' requires accurate prospect screening and targeting and the data to back it up." 



"ASSIGNING PROSPECTS WITH A ROULETTE WHEEL SURE ELIMINATES A LOT OF THE BICKERING."

A Focus on Detail Can Drive New Strategies: Analyzing Donor Behavior

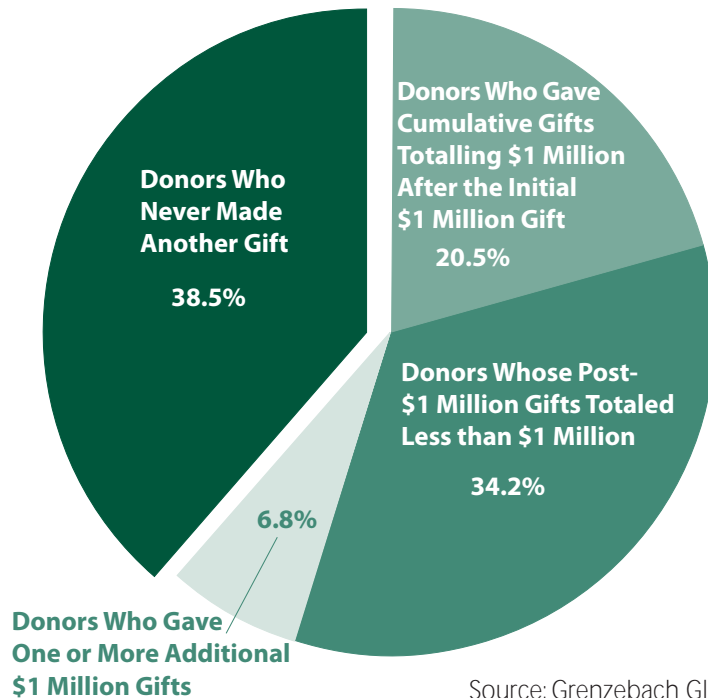
Much fundraising energy is devoted to encouraging donors to cross key thresholds in giving: \$1,000, \$10,000, \$100,000, and \$1,000,000 have long been considered important benchmarks for donors to institutions of all sizes and types. Annual fund and membership programs have become increasingly sophisticated in terms of measuring progress against aggressive renewal and upgrade targets—yet major gift programs are less consistent in terms of setting expectations for future giving at leadership gift levels.

GG&A's Philanthropic Analytics team recently completed a comprehensive analysis of charitable gift transactions to two major research universities in the U.S.—one public and one private. A total of 146 living individuals had made a gift of \$1 million or more to one of these two institutions between 1990 and 2003. A quick look at the details reveals the following:

- Most \$1 million+ donors had made multiple gifts to the institution before the \$1 million commitment—between 11 and 15 gifts, on average—but 15 had no previous gift record whatsoever.
- Fifty-six donors, or 38.4% of the group, have never made another gift (of any size) following the \$1 million+ gift.
- Only 30 donors (20.5%) have given as much as \$1 million again.

What's the takeaway? Common wisdom about the appropriate level of cultivation—and the appropriate and/or necessary level of stewardship—may be called into question by a careful look at actual experience at the gift transaction level. In order to raise such questions, it's essential to complement anecdote with data and to interpret the results in ways that will drive more effective fundraising behavior for your institution. 🐞

Million-Dollar Donors 1990–2003
A Case Study of Two Major Research Universities



Source: Grenzebach Glier Philanthropic Analytics

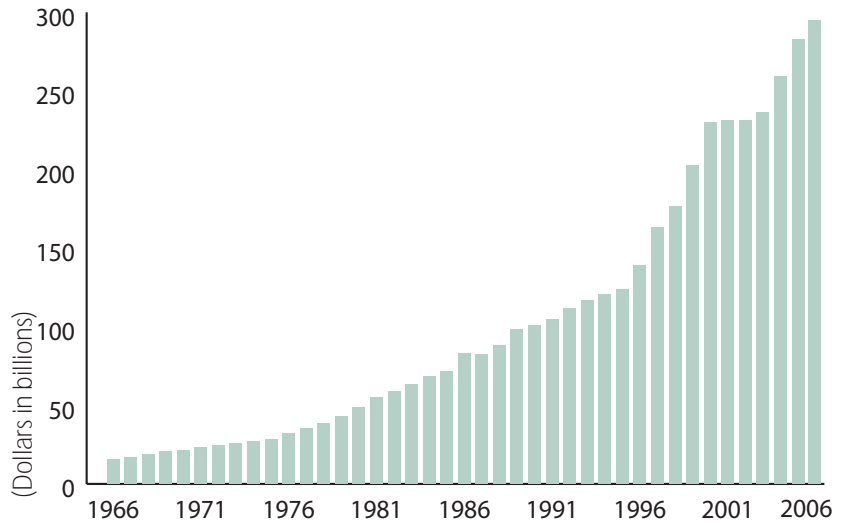
Steady Growth in Giving Continues

Despite widespread predictions of donor fatigue following unprecedented levels of giving in 2005 in response to natural disasters, charitable giving in the U.S. reached a record high of \$295.02 billion in 2006, according to *Giving USA*.

Giving by individuals, including bequests and grants from family foundations, provided the largest share by far of charitable giving overall, eclipsing the impact of traditional foundations and corporations on the not-for-profit sector.

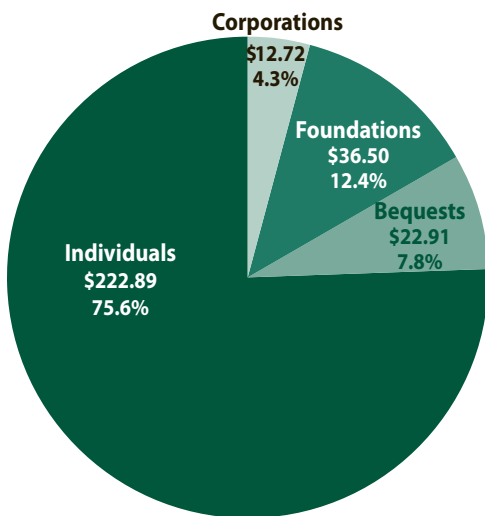
The reliable analysis of year-to-year changes in charitable giving by source and by organization type in *Giving USA* provides important

**Total Giving
(1966–2006)**



Source: Giving USA Foundation™, *Giving USA 2007*

**2006 Charitable Giving By Source
(dollars in billions)**



Source: Giving USA Foundation™, *Giving USA 2007*, an annual publication of the Giving USA Foundation that is researched and written by the Center on Philanthropy at Indiana University.

baseline data. However, a long-term perspective reveals a remarkable record of sustained growth in generosity over the last four decades. This steady rate of growth intensified in the last decade (1996 to 2006), with a compound annual growth rate of 7.8 percent. **In fact, growth from 1996 to 2006 (\$155.9 billion) far exceeds the growth of the previous 30 years, from 1966 to 1996 (\$123.3 billion).**

Interesting shifts have occurred over the past 40 years in the proportion of total giving to specific sectors: a drop from 46.8% to 37.0% directed to religion; healthcare now commands 8.3% of total giving, less than half of the 17.7% market share held in the late 1960s; and a fall-off in gifts to human services from 16.1% to 11.2%. Some of this data may be explained by changes in the philanthropic landscape: increasing gifts to personal foundations, representing nearly 10 percent of total giving, and giving to new sectors, including the environment, animal welfare, and international organizations. GG&A will watch these trends closely to assess the implications for U.S. charitable institutions. (See www.grenzebachglier.com for more information.)