MAXIMIZE THE MIDDLE:

Influencing Behavior of Mid-Level Donors

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When we began evaluating the challenges in development more than a decade ago, the issues revolved around how well development professionals understood and utilized technology. More recently, in light of nationwide economic trouble, many frustrated fundraisers are asking, "How do we innovate? How do we find ways to do more with less?"

Development professionals face a number of challenges, including siloed organizations, competitiveness across different functions, and competing priorities. Some of these challenges are practical, and some extend across whole systems.

But one thing we've noticed over the last 10 years is that, unfortunately, the nonprofit space is steeped in mediocrity. We celebrate incremental increases. We don't look for the dramatic. We have big dreams and big plans and big campaigns, but the disciplines around creating dramatic results are absent in the marketplace.

Middle donors are probably one of the most overlooked areas in development. This article will discuss methods and strategies that have been proven to maximize mid-level giving and identify the next generation of major donors. With a solid strategy, you can acquire mid-level donors, build a sustainable pipeline of future major donors, and secure immediate commitments to meet and exceed your annual goals.

WHAT KEEPS YOU UP AT NIGHT?

What challenges cause you the most anxiety? Is it finding the right strategy? Is it collecting solid data? Is it building relationships? Is it figuring out where to find donors and how to keep them?

You're not alone. Certainly these are the things that keep a lot of us up at night:

- Acquiring new supporters or retaining first-time donors
- Cultivating the next generation of major donors
- Prioritizing time
- Coming up with the next campaign concepts
- Reviewing past campaign results

But if you happen to be sleeping well, there is one thing that should keep you up at night: **donor churn**.

Donor churn is the measure of the number of donors moving into or out of your donor base over a specific period of time, usually a year. It can be measured in dollars or by donors. And we're almost at the mercy of it.

The 2010 Fundraising Effectiveness Project by the Association of Fundraising Professionals (AFP) and the Urban Institute revealed some disturbing statistics. The study reported on data collected during the economic downturn of 2008 and 2009.

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Consider these startling trends:

- On a five-year average, 6 new donors are acquired for every 5.4 lost, which means for every $6 gained, we lost $5.40.
- For every $4.50 gained in 2009 (new, recaptured, and upgraded donors), more than $6 was lost (downgraded and lapsed gifts).
- For every 5.4 new donors recruited, slightly more than 6 donors were lost to attrition.

Not a good trend for churn. If we remain on this track, it will only be a downward slope. Therefore, we need an effective way to retain and upgrade existing donors.

RETAINING DONORS: DONOR PYRAMID OR DONOR SOMBRERO?

There are two ends of the donor spectrum. On one hand is the annual fund program, which has a ceiling to what size gifts come through direct mail, telemarketing, email, integrated campaigns, etc. And then there are major-gifts, planned gifts, and major campaign activity. As a rule of thumb, most campaigns—whether the goal is $3 million or $3 billion—are fulfilled by 150 people or less.

We tend to talk about our programs according to the age-old donor pyramid, with major-gifts at the top, mid-level gifts in the middle and the annual fund along the base. But the pyramid is no longer the most accurate metaphor. It's actually a sombrero. This is a bit tongue-in-cheek, of course, but what we really have is the major-gift program and the annual fund program. And there's a significant opportunity missed at the mid-level.

Think about your donors' average annual income. Consider that recent college graduate and on up to that billionaire you might have on file. What do you think the average household income is for your average donor—the middle donor?

Usually that answer ranges from $50,000 to under $100,000. So let's say $75,000 is the average. If someone makes $75,000 a year and writes a one-time check to your organization, what size gift do you believe is sacrificial and worthy to be called a major-gift? We've asked thousands of people this question, and the answer falls between $1,000 and $5,000. Those are significant gifts if your average income is $75,000.

However, many organizations, including a number of universities, wouldn't add someone to a major-gift portfolio unless that person could give $100,000 or more. More often others would say major-gifts start around $25,000, maybe as low as $10,000. Smaller organizations might even start at $5,000.

With a major-gift defined and long-term cultivation strategies in place, who in your organization is going after the significant mid-level gift opportunities that fall below the major-gift level?

If you were to hire a gift officer, you'd typically want someone with a lot of experience who'd command a high salary. He or she knows what to do, such as how to cultivate relationships and manage a donor portfolio. When considering the cost of this development professional, you naturally want him or her to focus on your top donors—those who can provide the greatest return on your investment.

This major-gift officer would then plan to meet donors, introduce the organization, and build rapport over time. Most would agree that direct solicitation of donors by internal staff requires multiple visits. This traditional approach is, unfortunately, the reason why so many organizations have this gap in the Donor Sombrero, because it isn't cost effective to have major-gift officers visiting mid-level donors.

A NEW APPROACH

Let's move away from the pyramid-sombrero approach and consider the concept of a funnel for prospecting and upgrading donors to the mid-level.

There is often a limit to how much an individual will contribute via the annual fund program. It may be at the $1,000 level for a mail or phone program. Looking at your data, you may find that the bulk of your gifts falls into this category, while the top of the pyramid has fewer but larger gifts.

SAMPLE CLIENT DATA

Here is an actual client data sample to illustrate this concept. We compiled seven years of data and distributed it on a graph to evaluate the number of gifts by size. Look closely and you should notice there is an increase in gifts at the $500 level, and another increase at the $1,000 level, but the major-gifts looks empty.

Here's another image that shows the total dollars by size. The majority of dollars are coming from fewer people, and this skews toward the top of the pyramid. Between the two you can also see there is a middle group of gifts.

Let's consider actual data to see where an enormous untapped opportunity exists. Major-gifts in this chart are donations $10,000 and above, which total $23 million. Sixty-four percent of this client's revenue comes from 675 gifts over seven years, with an average gift amount of $34,000. Look at the mid-level, which for this organization includes gifts from $2,000 to $9,999. The mid-level gifts equal 9 percent of the revenue coming from 843 gifts with an average gift of $3,800. The annual fund then equals $9.7 million, or 27 percent of overall revenue.

What stands out is that $3,800 is a significant gift. There is an enormous financial opportunity in upgrading annual donors into this mid-level-giving category. But we won't get there by sending more mailings or making more phone calls. It's about building relationships that help bridge the gap.

So how do we go about building that bridge?

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One key to the Charitable Partners™ Program is Donor Prioritization, which models the right donor for in-person visits.

Here are the key components of Donor Prioritization:

1. **Contact Data**
   The two most significant pieces of data to secure during an in-person visit with a prospect or donor are an email address and a daytime phone number.

2. **R.F.M. Score**
   R.F.M., which stands for recency, frequency, and monetary, looks at past giving, how recently the donor gave, how many times they gave and how frequently, and the dollar amount. The focus is on the pool of donors who gave as their last gift more than $250 and less than $9,999.

3. **Wealth Score**
   Some clients don't have enough people in the $250 to $9,999 pool to be successful at this kind of program. To increase the number of new opportunities and new donors, one would look at the wealth score, which is a number from zero to twenty, and lay that score over the data.

4. **Consumer Cohort**
   Consumer cohorts are highly targeted profiles that describe groups of households according to distinct demographics, lifestyles, and behavioral characteristics. Your mid-level donors—those between $1,000 and $9,999—are a small group of people. What does this group look like? We use consumer cohort data and draw a few conclusions. A consumer profile can be customized for the mid-level group and run across your entire database. Non donors won't have an R.F.M. score or any giving history, but they may have a good wealth score and match your mid-level donors from a psychographic and demographic standpoint.

5. **Behavioral Data**
   There is a strong correlation between people who read donor communications and those who'd be willing to meet face to face. Behavioral data, such as open rates on email newsletters, is indicative of the donor's relationship with your organization. There are often a number of other behavioral data elements to consider, such as event attendance and volunteering. Be sure to track this information and consolidate that with the donor record.

Those are highly strategic ways to identify the best prospect pool for mid-level fundraising.

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A CASE FOR MID-LEVEL INVESTMENT

Let's say you hire two development officers whose job is to focus on the mid-level donor pool. Their individual goals would be to make at least 250 visits a year for two years with intentional asks during their visits.

Then let's say you succeed at closing 50 percent of those prospects. You would have 500 new mid-level donors. Based on the data analysis we looked at earlier, if you had an average gift of $3,800 pledged over three years, you would earn an extra $1.9 million from the upgraded group. Better yet, you'd have identified future major donors as well.

Take that $1.9 million and divide it by three years, and the result is a 12 percent annual increase in revenue. Using the Charitable Partners™ methodology, this return is practically guaranteed.

CASE #1

Fraternal/Educational Foundation—Member-Based
To illustrate some of the organizations that have benefited from the Charitable Partners™ Program since its inception in 2002, consider the Sigma Nu Educational Foundation. Sigma Nu is a higher education, member-based organization with more than 180,000 living alumni nationwide. There are about 200 local chapters. The member bond to the nonprofit organization tends to be with the local university chapter rather than the national fraternity, which can make it tougher to secure visits around the country.

In 2006, Erik Tomalis co-managed a development team that featured three gift officers based in Cleveland, Philadelphia, and Los Angeles. Those three gift officers made more than 640 visits to Sigma Nu alumni, securing about 270 gifts. With a 40 percent close rate, the team raised around $453,000 total revenue in one year.

About two years later, the staff increased to four gift officers. The new team, based in Cleveland, Charlotte, Chicago, and Atlanta, doubled their total revenue within two years.

The team's success during 2008 included:

- 836 total visits
- 394 gifts
- 48% close rate
- $1,960 average gift
- $902,422 total revenue

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CASE #2

Fraternal/Educational Foundation—Member-Based
The next case study was a sorority with more than 140 local chapters and more than 300,000 living alumnae nationwide. Here too, the bond to the organization is closer to the college or university's local chapter, which makes it difficult for the national sorority headquarters to ask for scholarship, leadership, and educational support.

The two gift officers saw the following success during 2008:

- 438 total visits in the first calendar year
- 223 gifts
- 51% close rate
- $1,750 average gift
- $391,000 total revenue

The same two gift officers during the second year of the program—which was at the height of the economic downturn—increased their number of visits by more than 100 and added 50 gifts to their previous number. Their close rate was higher, and they raised a total of $482,975.

CASE #3

Health Care Organization— Training Annual Gift Officers
The next organization, a children's hospital, had seven annual gift officers on staff. In the first three quarters of 2010, their team raised $148,000 through mostly one-time annual contributions.

In the fourth quarter of 2010, the team engaged Pursuant for performance coaching led by consultants with the Charitable Partners™ Program. Those seven gift officers then made 111 donor visits and raised more than $387,700 in total revenue in a single quarter—averaging $5,000 per gift.

Since 2011, the team streamlined to four dedicated officers. The staff made more than 500 donor visits as of early December, resulting in more than $1.2 million in revenue with an average gift of $3,319 and a close rate of 67 percent!

KEY COMPONENTS OF THE MID-LEVEL SOLUTION

Experience. While it may seem counterintuitive, going after your mid-level donors requires using development staff with no fundraising experience. What we've discovered is that young people who are affordable and don't have any context of development can be trained to make a significant number of visits.

Location. Another primary component to this program is that these mid-level gift officers should not work out of your office. When they're in your office, they're distracted by everything from meetings to birthday parties and other events.

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To create significant revenue and identify future major-gift donors, these staff members must be focused exclusively on the mid-level group. The secret to the program is a high level of accountability, a high number of gifts, and a significant upgrade to the size of the gift.

Performance. One of the benefits to engaging a Charitable Partners™ Program is that the hiring, training, and managing of the regional development officers is done for you. We have an online tool to log goals, visits, and data. Weekly calls with those development officers are held to discuss how the previous week turned out and what challenges arose.

Fulfillment. By using electronic funds transfers (EFT) or a credit card, fulfillment rates on the three-year mid-level pledges are around 90 percent. The forms for fulfillment are presented to the donor during the same visit as the ask. Electronic fulfillment provides the donor with an easy and convenient way to maintain their financial contributions to your organization.

ASK AND YOU SHALL RECEIVE

Many fundraisers have a mid-level program conducted by phone. But there is a big difference between calling someone at home around dinnertime and having an enthusiastic young person make an in-person visit. Many fundraisers want their young donors to make the organization a philanthropic priority. A program using Charitable Partners™ methodology is a great way to reach the under-40 donor group and communicate that their gifts matter to your organization.

Most boards of directors want immediate results, and often the lowest-hanging fruit seems to be at the top of the pyramid. What happens when we wear out this group of major donors? Where will tomorrow's major donors come from? They don't automatically emerge from the annual fund. They have to be shepherded toward the top. The good news is that the cost versus return is between 25 cents and 35 cents on the dollar to build a healthy base for your organization.

LESSONS LEARNED

If you don't have the size of file that would make outsourcing feasible, here are a few things that can help you implement a scalable program for your organization.

1. Don't underestimate the power of an enthusiastic young person. Realize that the officers you hire don't need five years of development experience to embrace and present your case for support.

2. There is a certain profile and personality that works best in this program. The Myers- Briggs Type Indicator is a personality test that profiles 16 different personality types. The number one producing personality in our program is what's called the ENTJ, also known as the "Fieldmarshal." You need people with the right wiring and work ethic.

3. Be willing to remove and replace underperforming staff. If a gift officer isn't performing, he or she should immediately be placed on probation or terminated so you can find a better person to meet those obligations.

4. When you call prospects, be open with them about the intention of the visit. Meet them somewhere casual like a coffeehouse, have a drink with them, and let them know you want to talk to them about giving to the organization.

5. Communicate the length of the appointment at the start. When a gift officer meets with a prospect, he or she should let that donor know the time of the next appointment so expectations are set for how long the conversation should last. Sometimes the officer will need to be flexible depending on the flow of the conversation, but budgeting one's time will allow for the necessary number of daily or weekly visits.

6. Consider Performance Coaching, offered by the Charitable Partners™ Program, to help guide your current development staff. For some organizations that don't intend to outsource their in-person asks, provide in-depth training and coaching to maximize the effectiveness of your existing team.

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