



Managing a Powerful Donor Pipeline

4 Strategic Steps to Upgrade Donors and Increase Fundraising Results



By Zach Hinton, Allison Lewis Lodhi, Trent Ricker, Curt Swindoll, and Erik Tomalis



INTRODUCTION

Maintaining a healthy donor pipeline can be a challenging task even for nonprofit organizations with the best tools and latest technologies. Numerous factors can lead donors to upgrade their giving. Therefore, while it's easy to tell when one area of the donor pipeline isn't working, creating the right movement within the donor continuum requires a knowledgeable and intentional focus on *all of the details* from beginning to end.

This is why your role as a nonprofit professional is so critical. Failing to think about the donor pipeline comprehensively can lead to snap judgments and faulty strategy. Decisions made based on just one area can create a bottleneck in others, causing the pipeline to dry up completely. While you may be involved in the day-to-day activities required to move donors through the pipeline, it's also your responsibility to develop an intentional strategy and make sure all of the parts are working together to achieve your fundraising goals.

To equip nonprofits with a framework for managing their donor pipelines, this whitepaper will outline four strategic steps an organization can take to upgrade its donors and increase fundraising results.

By the end of this piece, you'll be able to...

- Identify the key components of the donor pipeline and the challenges inherent to each
- Define processes and key metrics for strategically managing the pipeline's components
- Fulfill your unique role as an executive leader and help manage a healthy donor pipeline

REFLECTION POINT

On a scale of 1 to 10, how healthy is your current donor pipeline? When it comes to making decisions about your strategy for upgrading donors, how have decisions been made in the past? Do you have a comprehensive view of all of the processes—from start to finish—needed to maintain a healthy donor pipeline?



STEP 1: FILL THE PIPELINE

Before you can properly manage your donor pipeline, you have to fill it. However, this has become an increasingly difficult challenge for many nonprofits today. Finding prospective donors and encouraging them to make their first gift isn't easy.

Studies estimate that the initial cost of acquiring a new donor through traditional methods can cost an organization approximately \$100 to \$150. But what happens if this new donor gives an average of only \$75 in the first year? Even if new donors can be found, the cost of acquiring them often outweighs the return on your investment.

Acquisition: Two Innovative Ways to Fill the Pipeline

Resolving the acquisition dilemma is crucial. Over the past few years, Pursuant has partnered with organizations to help them overcome some of these challenges through creative solutions.

Technology has given nonprofit organizations the opportunity to engage with potential donors in a way that wasn't possible before. Over the past several years, our partners have seen incredible success after implementing donor acquisition solutions such as creative gamification and "edutainment" campaigns. By leveraging the native strengths of social media and digital communication to engage donors in new ways, several of our partners have doubled the number of donor prospects and exceeded their return on investment within the first 90 to 120 days.

Another innovative way to fill the pipeline is by effectively using data to drive the process. "Big data" was an unknown term just a few years ago. But now commercial firms everywhere (and even some nonprofits) are figuring out how they can translate customer data into sales. The key to successfully acquiring new donors through data is by analyzing it in a way that enables you to learn more about your potential donors' willingness to give. If you want to know whether or not a person is really interested in giving to your organization, the data can tell you. By combining the information you've gathered about your donor prospects with their level of engagement, you're able to rank your donor files in a way that leads to greater fundraising success.



When it comes to acquiring donors, analyzing your prospective donor database and looking for ways to leverage technology to engage today's donors are two innovative ideas. However, the underlying idea behind each solution is ***an intentional strategy focused on getting inside the minds of your potential donors*** and identifying the things that are most important to them. Rather than passively waiting for a donor to make the next move after acquisition, create a strategy that's ultimately focused on securing that second gift.

Reactivation: An Overlooked Strategy for Refilling the Pipeline

Reactivation is an often-overlooked strategy for filling your donor pipeline. The cardinal sin of fundraisers is to accept lapsed donors as being just a part of life and rushing to replace them through acquisition. Filling the pipeline shouldn't be a matter of acquisition or retention. It should be a solution of intentional acquisition and retention.

Reactivating lapsed donors makes financial sense because they're already familiar with your organization. Another benefit is that reactivated donors have repeatedly shown a propensity to give and be retained at higher levels than new donors.

When it comes to reactivating donors as a way to fill your donor pipeline, it's important to keep the existing relationship in mind. You need to engage them in a way that's different than how you engage prospective and current donors. If you want to effectively overcome some of the barriers that have caused them to stop giving, appeal to them in a way that is genuine and transparent. Sometimes the only thing a lapsed donor needs to hear is that they are missed and needed more than ever before.

REFLECTION POINT

Evaluate your acquisition and reactivation strategies. Identify where you may have weak spots and what you can do to strengthen them.



STEP 2: PREVENTATIVE MAINTENANCE: KEEP THE PIPELINE FROM LEAKING

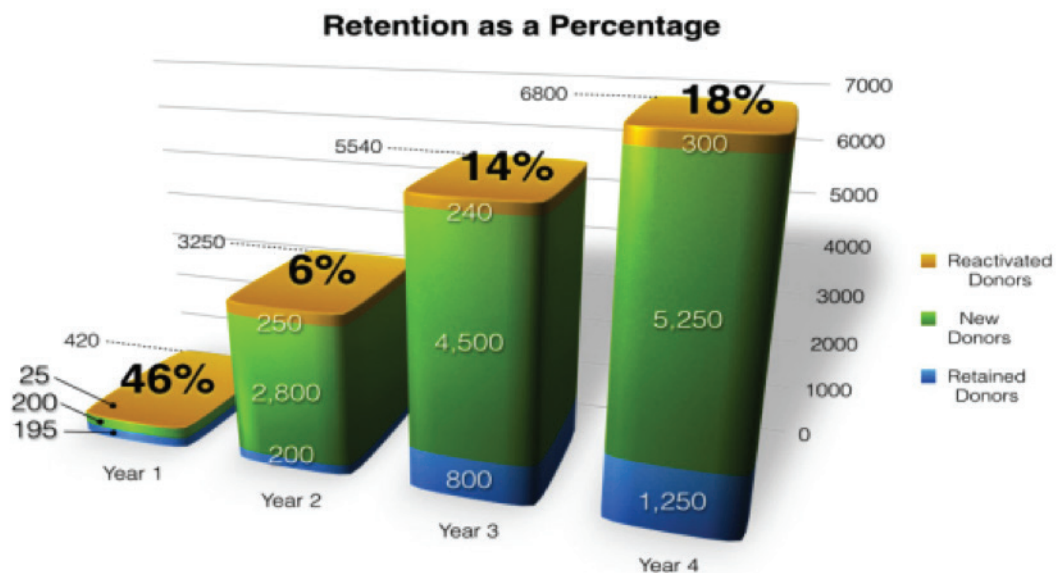
Acquisition and reactivation start the process of filling the donor pipeline, but you're going to need a strategy to keep donors from slipping through the cracks. How do you stop that from happening?

Even if you haven't noticed a leak, part of your job as a leader is to handle all of the necessary preventative maintenance for managing a donor pipeline. So if you want to keep your donor pipeline from leaking, there are two areas you should immediately reinforce: your retention and stewardship strategies. Retention and stewardship are two ways to be intentional about keeping your donor pipeline leak-free and flowing.

How to Accurately Measure Retention

Exclusively focusing on dollars raised, number of donors, and percentage of donors retained year to year—the three most common measures that organizations evaluate consistently—can mask significant problems within a fundraising strategy, as well as hide success stories.

Here's an example of a real-world scenario that can be a little deceiving when it comes to measuring retention:





In this case, the organization grew 16-fold from 420 annual donors to 6,800 in three years. Just by looking at these numbers, it appears that retention decreased from 46 percent to 18 percent during this explosive growth period. By digging a little deeper, however, it was discovered that the organization's retention of donors had actually improved. It was retaining 10 times more donors than it had before. Donor retention, as a percentage of the available donors, was smaller; but it represented significantly more donors each year. Its universe—the denominator in the equation—had simply grown more dramatically. So while retention wasn't keeping pace with the growth, it wasn't a failure either.

Without further inquiry, this organization might have stopped its acquisition efforts in order to focus on shoring up retention. Or it might have thrown out its stewardship program and started over. Both moves would have been serious mistakes.

Reinforcing Your Pipeline Through Donor Stewardship

Donors bring passion to the causes they support. However, that enthusiasm fades fairly quickly when it isn't managed. Stewardship done right means intentionally engaging your donors by the donor lifecycle milestones they've achieved. In other words, speak to them in terms of their experience, expectations, and needs.

If you want to reinforce your donor pipeline through effective donor stewardship, here are a couple of essential steps you should take:

1. Segment Your Donors

The first step to successfully stewarding donors is to segment your donor base into three core groups: New Donors, Current Donors, and Loyal Donors (or Key Multi-Year Donors). Welcome first-time donors and appropriately chaperone their giving experience through their second gift (at a minimum) and their third gift (if manageable).

2. Track Progress Based on Specific Milestones

Once you segment your donors, you're able to track their progress and measure your efforts accordingly.

- For first-time donors, measure first-gift conversion in terms of the number of impressions or solicitations it took to earn a gift—by channel—so optimization can take place.



- For current donors, track retention as a way to measure the amount of time it takes to cultivate a second gift.
- For loyal donors, identify and evaluate gift frequency and revenue per donor.

In order to effectively steward your donors, you need to know what they want, what's important to them, how they like to be communicated with, and what excites them the most about your organization. With the right data, you can deeply understand your donors and use targeted messaging that allows you to be deliberate in your communication. This laser focus enhances your ability to successfully manage your donor pipeline, upgrading and downgrading your donors along the way.

When you create pathways for New Donors, Current Donors, and Loyal Donors, and then track their progress based on specific milestones, you'll be able to keep leaks to a minimum and ensure ongoing progress through the donor pipeline.

REFLECTION POINT

Evaluate your preventative maintenance strategy. What are you doing to retain and steward donors so they don't fall out of the pipeline?



STEP 3: PRIORITIZE AND PRIME THE PIPELINE

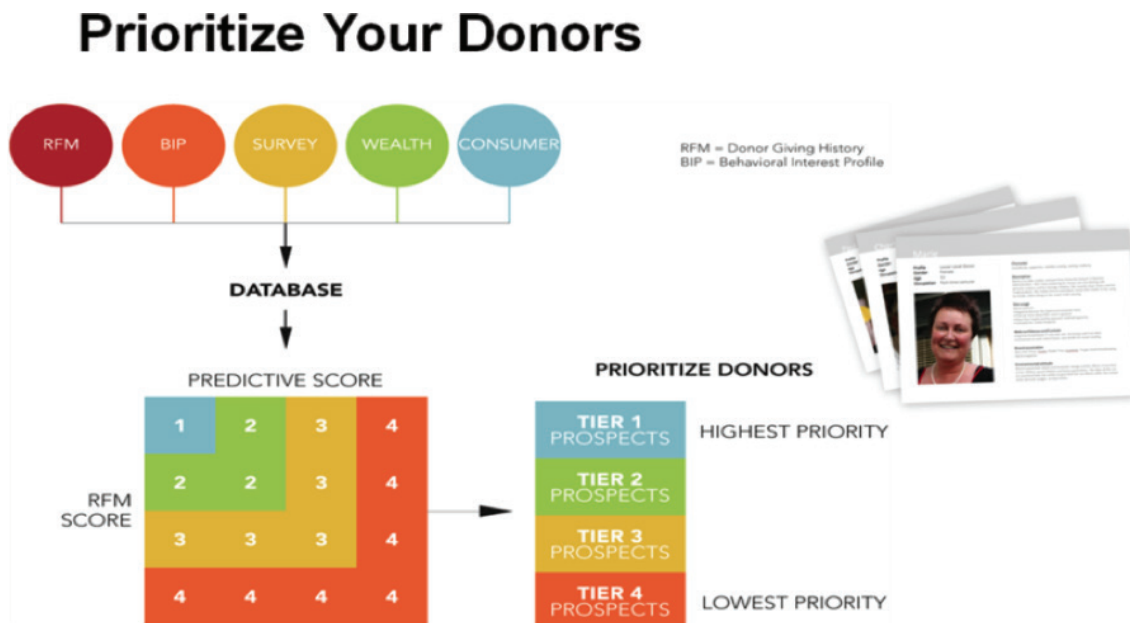
Prioritizing your pipeline is essential to achieving fundraising success. As an executive leader or development director, you can play a valuable role in helping your gift officers evaluate and prioritize their prospect list in order to reach their individual goals.

There are many data points you may use, including:

- RFM (recency, frequency, and monetary giving)
- BIP (behavioral interest profiling)
- Donor surveys
- Wealth screening
- Online interactions

This data shows that a donor has interacted with your organization in some way, and his giving level and capacity are correlated to that. The algorithms do not have to be complex, but if you simply rank your donors and begin prioritizing them, it can yield powerful results. All of these sources will help you know your donors and rank them accordingly.

Here's a look at how your organization can leverage that information to prioritize your donor pipeline:





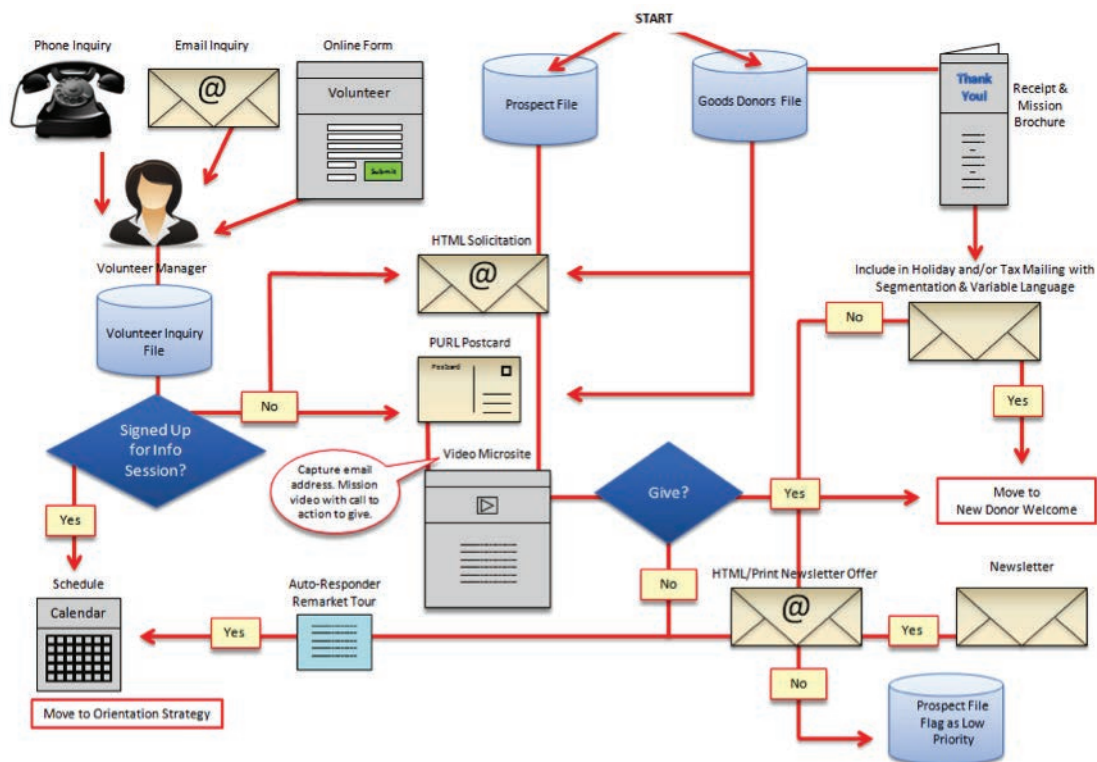
How to Prime Your Pipeline for Fundraising Success

Once you gather and organize your data, the next step is to create a clear communication pathway for talking to your donors. While your organization might have a strategy for moving donors through the pipeline, one thing will really make a difference in your ultimate success:

Eliminating silos between departments is essential for priming your donor pipeline and upgrading today's donors.

Taking the time to discover all of the donor touchpoints throughout the organization is the best way to ensure that every aspect of your nonprofit is working together to upgrade donors. Think through and carefully map all of the donor interactions in a discrete time frame. Define all touchpoints and what you want donors to do at each interaction. If a donor doesn't respond to the intended action, outline the next step you'll offer her.

Here's a quick overview of how your organization can prime the donor pipeline by eliminating the silos between departments:





Creating this type of macro view of all donor interactions will allow you to intentionally target and prioritize donors with consistent messaging from all sources within your organization. The more intelligent and intentional your process, the greater your donor retention and progress through the pipeline will be.

REFLECTION POINT

How are you using data to prioritize your pipeline and develop a strategy that will resonate with donors? Are silos preventing your organization from effectively moving donors through the pipeline? If so, what do you need to do to eliminate them?



STEP 4: CONNECT THE PIPELINE TO THE “HOUSE”

One of the most widespread and unfortunate realities among nonprofits is the habit of fundraisers claiming donors as their own. Special events, major giving, annual giving, planned giving, direct response, and online giving are all examples of silos within a nonprofit that chase after and compete for donors—many times to the detriment of their organization’s overall interests.

The solution, of course, is for all departments to stop viewing a particular donor as being “theirs.” Instead, they should view him or her as being the collective responsibility of everyone within the nonprofit, and it’s everyone’s job to help cultivate that donor along the pipeline. This is why it’s vitally important to connect donors to the house by sharing information across your organization.

So how do you establish a new development mentality that embraces a collaborative model to manage donors through the pipeline? As a nonprofit leader or development director, the first step is to make it a priority. Gather your key leaders in one room and give them a chance to talk through a communications plan.

Once everyone is committed to building a donor-centered process, here are some elements that will be key for success:

- A master schedule for fundraising campaigns and programs
- Internal communication processes between fundraising teams
- A common vision of donor development shared by everyone on your team
- An evaluation approach based on the global outlook on total donor development and value

It won’t be easy to create and then manage a strategy for upgrading donors in a way that runs throughout your organization, but it’s a critical step for any organization that wants to build a healthy and sustainable donor pipeline.

REFLECTION POINT

Does your nonprofit use processes that encourage the development of silos and not sharing information about donors across the organization? If so, develop a strategy to bring all of the departments together to create a more donor-centered process.



CONCLUSION

As a nonprofit leader or development director, you are uniquely positioned to manage your organization's donor pipeline. At the same time, much of the health and sustainability of your pipeline rests on the decisions you make.

As you think through your organization's strategy for upgrading donors, it's important to keep each of these four steps in mind. Equip your development team with innovative ideas to acquire or reactivate donors. Actively monitor your organization's retention and stewardship efforts to keep donors from falling through the cracks. Help your development team learn how to prioritize their prospect lists and eliminate any potential silos that might be keeping your organization from upgrading donors.

Through your comprehensive perspective, you have the opportunity to think through each step of the donor development process in a way that maximizes efforts and achieves incredible results. By taking the time to think strategically through each of these steps, you will be well on your way to managing a donor pipeline that leads to tremendous success.



ABOUT THE AUTHORS



Trent Ricker is Pursuant's CEO who brings more than 20 years of senior management and consulting experience to the agency, with a heavy emphasis in the nonprofit sector and emerging fundraising technology. Trent currently casts vision for Pursuant, while also playing a key role in business development and client services.



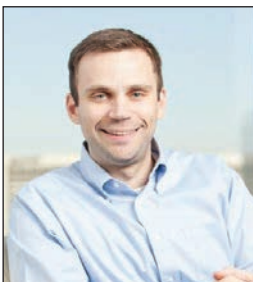
Curt Swindoll is executive vice president for strategy. His career spans six industry sectors (Manufacturing, Technology, Banking, Nonprofit, Professional Services, and Energy), and he's either served in or consulted for functional areas as diverse as operations, sales and business development, marketing and branding, IT and software development, fundraising, consulting and board development, strategic planning, finance, client service and support, and PR and corporate communications.



Zach Hinton is senior vice president for direct response. He began his fundraising career in 1993 as the vice president of direct response at Stratmark Corporation in Richardson, Texas. While serving as the senior consultant for Feed The Children for eight years, he helped them increase their active donor base by more than 800 percent, created monthly giving clubs across all media, and worked with DRTV.



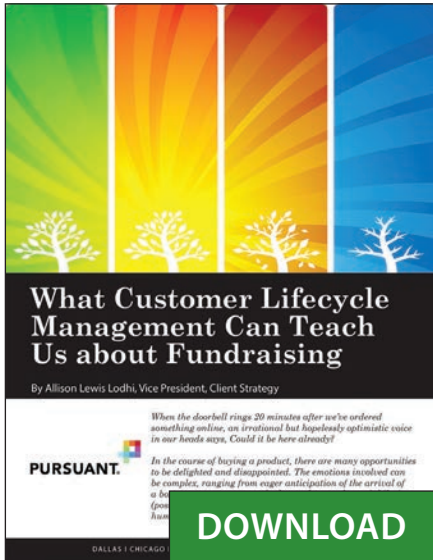
Allison Lewis Lodhi is vice president, for client strategy. She evaluates and develops integrated, cross-channel fundraising strategies that are holistic, scalable, and focused on results. Allison loves to build, create positive change, and help people and organizations realize their full potential. Her expertise includes annual and mid-level fundraising, stewardship strategy, and effective nonprofit leadership and management.



Erik Tomalis serves as vice president for fundraising services. With over 12 years of professional fundraising experience, he's made over 3,500 face-to-face donor solicitations and raised millions of dollars for many worthwhile nonprofit organizations in different market segments: Greek (national and local), Education, and Healthcare.

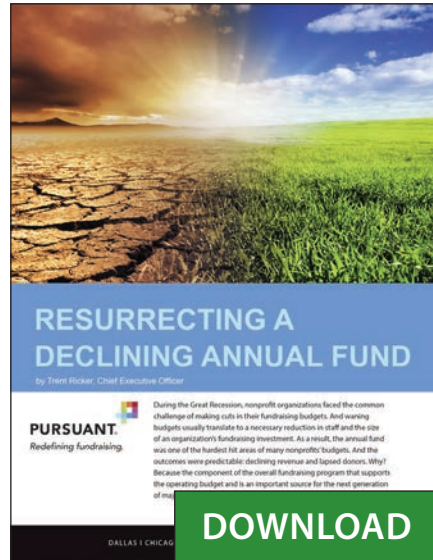


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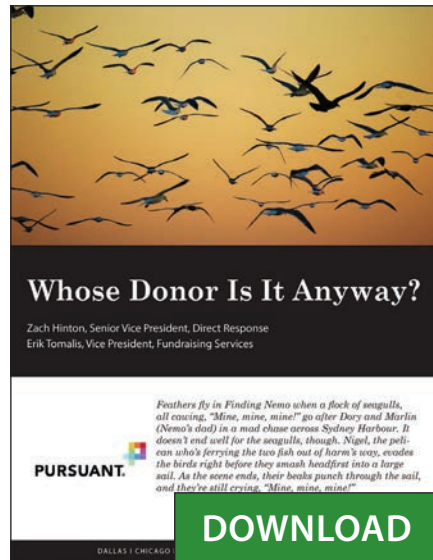
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