The Future of Relationship Fundraising:

What's Next

By Ken Burnett

If anybody has a right to be sick and tired of the sound of the phrase "relationship fundraising," it is I. I hear it used and abused so often, in so many different ways and surrounded by such wild expectations, that I sometimes wonder if rather than rushing into print on the subject three years ago, I should not have just kept quiet about it and got on with the lucrative, but ultimately self-destructive, business of mass mailing my own and my clients' prospects.

Relationship fundraising is, after all, just a currently fashionable piece of jargon. It could just as easily be called "donor care," or "supporter development," or "donor loyalty" or whatever. They would all do equally well.

The fact is, it doesn't matter what you call it. Nor should you worry whether or not a particular appeal or idea is or is not "relationship fundraising," or whether your competitors are more or less relationship-oriented than you are.

It doesn't matter. In fact, when I wrote *Relationship Fundraising*, I wish I'd paid more attention to its subtitle-- "A donor-based approach to the business of raising money." Those ten words, I believe, are ultimately much more important than the two words that precede them.

Relationship fundraising is an approach. Just that. It is not a theology. So why has the term become so misunderstood and so widely misused?

In the 1980s, fundraisers sold to their donors. They marketed at them. I believe that approach is wrong. It is ultimately counterproductive. I believe that a sales approach is wrong because it is too adversarial and reduces fundraising to being just like any other kind of commercial transaction. It is wrong because it fails to recognize that donors hate to be sold to, and that fundraisers and donors must be on the same side of the table. So what could be more sensible than a donor-based approach to the business of raising money?

To me, a donor-based approach might involve a fundamental reassessment of fundraising basics, and might legitimately encompass a range of areas that at first glance have little to do with relationship fundraising but have much to do with a donor-based approach. I'm thinking here of such issues as corporate culture. Why is it that many commercial organizations have much stronger corporate cultures than most charities? I'm thinking here also of policies and strategies of customer service, of offering donors choices, and of management.

I'm thinking of the need to understand better who our real donors are and who our real competitors are. Our real competitors are not other charities, as many suppose, but rather include less tangible adversaries such as distrust, uncertainty, lack of comfort, fear of criticism or reproach, inertia and confusion.

I'm thinking here also of raising our profile and enhancing our customers' expectations of us. And I'm thinking of strategies of competitive advantage and of reassessing our use of technology in the light of our donor-based approach. And of trying to identify and defend the strengths and weaknesses of this business of fundraising so that we can account to our donors in the strongest and clearest terms possible about how we spend their resources and how we structure our fundraising to maximize income for our cause. A donor-based approach also means that we need to bring fundraising and fundraisers closer to the mission of their charity to show that we are fully aware that, from the donor's point of view, fundraising is entirely inseparable from the cause and that donors are shareholders in our cause. It is as much theirs as it is ours

So relationship fundraising is a lot more than saying welcome and thank you properly. It is a lot more than monthly giving and legacy marketing. It has wide-reaching potential and it still has a long way to go.

Let me share with you three quick examples that show how this donor-based approach to the business of raising money, while certainly not easy, can be of direct and quantifiable benefit when put into practice.

Case 1: Let Your Supporters Refuse Your Mailings

Botton Village is a small rural working community for mentally handicapped adults. Since they started fundraising in 1983, they have been committed to the donor-based approach and I learned much of what I know about donor development from working with them.

As soon as they were able, they decided to offer their supporters choice--the choice of how often they wished to hear from the Village, the choice of what they wanted to hear about and the choice of whether they wanted to receive appeals or not. Most radically, they offered current donors who receive four or five appeals each year the chance to have just one appeal, at Christmas time. Or, if they wished, they could opt out of receiving appeals altogether and just get the Village newspaper on its own.

The response to this strange approach has been outstanding. Around 11,000 of Botton's 50,000 donors have so far opted to receive just one appeal each year, and a further 1,200 have asked for the newspaper only. Many said they wished all other charities could be so considerate and thoughtful.

But the most spectacular aspect is that over the last three years, Botton's "Christmas only" segment has responded at around 50 percent (once reaching 56 percent)--substantially more and at less cost than if they'd had all the regular mailings they used to get but didn't want. Even more impressively, the "newsletter only" segment, which doesn't even get a reply form, nevertheless brings in around nine percent each issue in spontaneous response, which, at Christmas, shoots up above 25 percent. And during this time, gift averages have consistently been exceptionally high.

Case 2: Offer Your Donors Their Money Back

Greenpeace is one of the world's best known brands. As an organization with a strong corporate culture, it is also naturally in tune with the donor-based approach, even if it hasn't always practiced it. Recently, Greenpeace UK successfully raised a large sum of money from its supporters to pay anticipated court costs of $400,000.

The judge in this court case did rule against Greenpeace, but as a gesture of support for their ideals, he didn't award costs to their adversary, British Nuclear Fuels. Greenpeace could have kept quiet about this, but instead they wrote back to supporters offering to give their money back. Only six people took it. The rest gladly told Greenpeace to keep it. Some sent a further gift. Stronger ties were formed, simply as a result of Greenpeace's honesty.

Case 3: Let Your Donors Share Their Feelings

Britain's National Trust is one of the world's largest membership organizations, but until recently many National Trust people believed that the overwhelming reason members joined was to get discounts on entry to the Trust's sites of national heritage. Now they are not sure.

When launching their committed giving scheme, Centenary Guardians, the National Trust included a simple card on which they invited respondents to submit their favorite anecdote of a visit to a National Trust property. The completed returned cards they received were not only far more numerous than anticipated, but came from all ages and contained insights into the motivations and affections of their supporters, which were even more welcome and unexpected.

Donors not only sent treasured photographs and moving poems, they also talked with grateful enthusiasm of their favorite places of childhood memory or of where they had accepted a proposal of marriage. Many used the cards as a way of saying something they had perhaps wanted say for ages. One man even used it to inform the Trust of a substantial legacy!

The appeal, by the way, was a resounding success, due in no small measure to the happy feelings it evoked instead of being just another request for funds. And it really motivated National Trust staff.

All these cases show a radical and perhaps seemingly irrational departure from normal commercial practice. But they are donor-based in their thinking, not organization-based or target-based. They all involve taking a chance, and allowing the donor's own enthusiasm to dictate the pace of the relationship.

Now let me try to justify to a rather more controversial assertion: Relationship fundraising, as I have described it, may actually be a little too ambitious for many fundraisers, for their donor development practices are still in the fundraising dark ages.

Many fundraisers today may be talking about being donor-led, but their most basic procedures belie any serious commitment to, or progress in, relationship fundraising. How do I know? Because at regular intervals during the last few years, I have been conducting what I call "donor friendliness road tests" in the U.S., the U.K., and Canada. A donor friendliness road test involves creating imaginary donors who send a small donation to a random selection of fundraising organizations. Also included is a letter laced with clues to the writer's potential as a donor and asking specific and leading questions. In the U.S., I have also used this technique to road test components of large organizations, including PBS and the Smithsonian Institution.

The results from these tests, sent to small fundraising organizations and to regional fundraising offices as well as to large national organizations, have been both startling and consistent. Here is a very abridged summary of them:

At least ten percent of fundraising organizations will not even acknowledge a letter like this, let alone attempt in some way to realize its potential. In some cases, the percentage of non-responders has approached 50 percent.

Almost half of those who do respond will take more than three weeks to do so.

Many of those acknowledgments that take so long to arrive will be nothing more than pre-printed receipts or standard, non-personalized letters. Quite a few will just send further appeals.

Most of the printed materials sent in response to this kind of request will be irrelevant or so dull or badly produced they will be fit only for the wastepaper basket.

The majority of those who do respond will fail to pick up on one or more or all of the questions asked.

As few as one in ten will respond to a direct request for large print from a partially-sighted donor, even though type size in letters can simply be increased on a word processor and printed materials can easily be enlarged on a photocopier.

Some of the responses, perhaps as few as three or four out of every hundred, will be brilliant. (The best I received--from public TV station WDCN in Nashville--was a quite charming, specially tape-recorded message that would have knocked any potential donor's socks off.) Many other responses will be quick, relevant and appropriate. But thoughtless, mass-produced, dispiriting and off-putting responses will outnumber good responses by about four to one.

I think this is a real shame, and a tremendous lost opportunity for fundraisers. Yet it can and should change.

I can think of no good reason why we fundraisers should not lead the world in customer service. Dealing with us should be the most uplifting, inspiring, and impressive experience. It should be the first satisfying step towards a mutually fulfilling and rewarding lifelong relationship.

Here is a list of my ten keys to world-class donor service:

1. Be prepared.
You have to believe in donor service. You have to want to do it. If you are not committed to giving your donors the very best service and the very best impression you possibly can, then move over and give the job to someone who is.

2. Be properly budgeted.
You can't do donor service on the cheap. It needs adequate staff and appropriate materials. So budget for it. If it is well managed, donor service will pay for itself many, many times over.

3. Be consistent.
Donors and supporters should know exactly what to expect from you and be able to rely on it.

4. Be quick.
Don't let your donors wait, wondering what's happening. A prompt response is a response from someone who cares. The opposite is also true. Program in response times for different types of donor requests. If you can't respond immediately or within hours, at least you can get a letter sent within two days.

5. Be appropriate.
Tailor your response to your donor. Use the clues in their correspondence to determine the right kind and level of response for each individual.

6. Be personal.
Use your donor service strategy to build relationships. Use your database to record personal information for future use. People like to be noticed. They like to be remembered. People like people who are nice to them.

7. Be known.
It pays to advertise. So put your hotline numbers and contact addresses on all your publications. Your supporters will appreciate it, even if they never

call or write. And show your people. Give them names and faces. People relate to people.

8. Be meticulous.
Keep good records. Always do what you say you will. Live up to your own and your organization's ideals.

9. Be there when you are needed.
The best time for supporters to contact you is between 6 and 9 p.m. So your supporter services staff can't go home then. In fact, it may pay you to offer a 24-hour service.

10. Be open and honest.
If something has gone wrong or if you can't deliver as promised, admit it. Your supporters will love you for it, because you have shown you care.

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The Future of Relationship Fundraising: Renewal and Demographics

By Judith Nichols

There are only two paths for raising funds: acquisition of new donors or renewing existing contributors.

It's better to have one hundred percent of ten percent of the market than ten percent of one hundred percent of the market. The number of donors will be the same, but your costs will be much lower. That's why, for most nonprofits, focusing on renewal and upgrading makes the most sense.

- The demographics of our populations support it (increasing longevity and smaller cohorts of young adults);
- The psychographics of current donors support it (mature individuals with "civic" leanings and loyalty);
- The principle of "working smarter, not harder" supports it, since it takes five times as much work to attract a new donor as it takes to renew an existing donor.

According to Mal Warwick, a fundraising direct mail expert, "After ten years of haphazard solicitation, (only) ten out of 100 donors remain. With ten percent improvement on results each year, more than 30 remain."

Let's put that another way: "Renew, renew, renew." A five percent rise in customer loyalty increases profits by 60 percent or more!

To create satisfied donors you need to create a group of core donors. Pareto's principle- the 80:20 analysis- reminds us that about 20 percent of your donors account for 80 percent of your money. In other words, the vast majority of contributions are attributable to a few donors.

Therefore, one of the primary goals of relationship fundraising should be to move donors up the "loyalty ladder." You want to encourage first-time donors to renew and upgrade to higher levels of commitment.

Let me share with you my own case example of one organization that is doing this right.

The U.S. Committee for UNICEF creates a strong bond from the moment you make your first gift. Here is my own experience as a new donor to the organization.

1992 was a good year for our family. In December there was some extra income to spend on discretionary purchases. As a family, we decided to make some end-of-year gifts. Like many families headed by baby boomers, I asked my children to help me decide our priorities. My boomlet daughter, Cassie--then nine years of age--asked that we choose charities providing services to children in drought-plagued Somalia.

***Point:**

Boomers tend to defer to the choices of the generations on either side of them. In this case, our charitable giving was directed by the younger generation, which tends to see the whole world as their "friends." Like many upper middle-class families, we had received many appeals over the last few months of the year. Checking through a shoebox full of direct mail, we rapidly sorted out the organizations that addressed our objective. We sent out modest gifts to four charities--a European-based relief agency, a local medical team, a traditional children's charity and a religious (not our own) organization. All had provided appeals regarding Somalia.

***Point:**

Boomers and younger audiences tend to look for charities that address their concerns, not necessarily limiting the giving to the charities they know. Each charity received a first gift of $25. In making their first gifts, younger audiences will tend to "test" you with an entry level gift. If they don't like the response (too impersonal or too greedy), they won't give again.

One organization never sent a thank-you. It turned out that their policy (to keep administrative costs low) was not to acknowledge any gifts of less than $50. They made me feel unimportant and I never made a second gift. Two organizations sent thank-you letters which were merely forms. Each included second envelopes asking for additional gifts right away. I was insulted by these organizations who seemed to imply that I hadn't done enough.

The last organization, the U.S. Committee for UNICEF, sent a "personal" letter. It indicated that, as far as they could tell, this was my first gift to UNICEF. The letter acknowledged that "not everyone chooses to give to

UNICEF" and that I was "special." The letter closed with a PS, letting me know my "new donor packet" was on the way.

***Point:**

In a simple fashion, UNICEF let me know they knew who I was. They moved to continue a dialogue, without overloading me at the first step. One week later, an oversized envelope arrived; it was emblazoned in red with the words, "URGENT--new donor information." Upon opening it, I found a letter of welcome (restating my importance to the organization), a fact sheet on UNICEF and some phone numbers I could use in case I had any questions.

***Point:**

The new donor packet reinforced my feeling of importance to the organization. It also provided useful information, educating me further on UNICEF. The following week, when I received a simple $10 appeal envelope from UNICEF, I opened it immediately. The letter acknowledged I had "just made a gift but asked whether, if I were one of a very special group willing to make a second gift now, I would consider doing so." I sent another check for $25.

***Point:**

UNICEF wasn't expecting everyone to respond to this second appeal. They were honest in pointing this out, using it as an opportunity to find the smaller number of "willing to renew immediately" donors. A thank-you arrived promptly. And, again, it was a "personal" letter, indicating that I was truly special. Not only was I a new donor, but one willing to give again in a very short period of time. Again, no attempt was made to get a further gift by enclosing a envelope.

***Point:**

The segmentation continued. I didn't receive the same thank-you letter that I received for my first gift. The acknowledgment that I had made a second gift within six weeks made me feel that the organization had an inkling of who I was. UNICEF didn't cheapen the gift I had just made by enclosing another envelope, which might have suggested to me that my contribution wasn't appreciated.

Within two weeks I received a closed envelope - upgraded stationery communication from UNICEF. The personalized letter suggested I might be interested in their "partnership program," and the packet contained a brochure with examples of what a significant gift to UNICEF would accomplish. I read it carefully and was delighted to discover that I could provide the seeds for crops for a village for just $180 a year, payable $15 monthly.

The monthly sum was less than the one-time gift contributions I had been writing. It was do-able. I liked the project I chose to fund. It fostered independence, not dependence: another key to attracting younger adult audiences.

Another thank you followed, pointing out once more how rare I was. Again, there was no envelope. This thank-you was followed two weeks later by my first pledge reminder. The reminder contained an update on what was happening, in case I wanted to make a special gift as well as sending my pledge payment. At the bottom of the pledge statement form, UNICEF listed my gifts to date. A return envelope made my gift giving easy.

***Point:**

Even the monthly pledge statement functions as a cultivation tool for UNICEF. Seeing my gifts "grow" increased my feeling of importance and commitment. I continued to make my pledge payments and, after the second had been acknowledged, received a special letter. UNICEF "apologized" for not being respectful of my time. Instead of requiring me to write a check each month, they were inviting me to consider making my gift via "Pledge Express" - a standing credit card authorization.

***Point:**

Boomers are much more accepting of technology than their parents. I wasn't threatened by a loss of control in accepting this option. After all, I can always cancel it! Along with UNICEF's annual report, I received an end-of-year letter that told me I deserved "a unique thank you." It went on to note that "it takes a special commitment to respond to the 'silent' emergencies of poverty that take the lives of nearly 13 million children each year. Your regular monthly support for the US Committee for UNICEF is proof that you have that second, much more rare, kind of commitment to children."

***Point:**

UNICEF has continued to make me feel special! So much so that in 1994, when I reviewed my will, it became one of the charities I put in for a modest bequest.

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The Future of Relationship Fundraising:
What Goes Wrong

By Rich Fox

I believe that relationship fundraising may be all but dead by the year 2000. Why? Because most fundraisers are doing it wrong.

For one thing, they often try to build relationships with the wrong people-with people who are not really open to having relationships with them. Start by looking at the history of your own donor file.

- What sorts of people on your file gave a second gift, and what sorts of people did not? What sorts of people renewed their annual support and what sorts did not?
- Which people made special appeal additional gifts and which did not?
- Which people left bequests and which did not?

When you start looking at the information that's readily available to you on your file, you may find some very surprising things. For example, you may find that, historically, women on your file have been more likely to make a second gift than men. Or you may find that, where age profiles are available, older people have proved more likely to make a second gift than younger people. Or you may find that households with one adult have been more likely to make a second gift than households with two adults.

Why might that be? Perhaps older women are generally more loyal than younger men. And it may also be that when you have two adults in the household, one of them made the first gift without consulting the other. When the request for a second gift comes in, the other person might first become aware of it and actually prevent the donor from doing what it was he or she would have done if he or she were living alone.

I'm not telling you that this is a fact. Rather I'm telling you to look at your file and see whether there are any such historical patterns. For once you discover any of these patterns, you can screen your acquisition lists to eliminate those prospects who are less likely to make a second gift.

The next thing that many relationship fundraisers are doing wrong is that they are trying to build relationships too late. They are trying to begin the process after the donor makes the first gift. What, you may ask, is wrong with that? The answer is that if you first acquire donors by creating expectations which ultimately will not be met, they are almost certain to become unhappy and are unlikely to make additional gifts.

You can't bring them in by portraying the organization in one way and then attempt to renew their support while portraying the organization in another way. In the same vein, you can't acquire them by offering valuable incentive gifts or donor benefits and expect them to make subsequent gifts without offering additional gifts and benefits. If you acquire donors in that way, you are really just fooling yourself and creating what we call "churn and burn" on your file.

The third thing that relationship fundraisers do wrong is to treat everyone alike by making blanket assumptions about what people want. And often these assumptions are very wrong. What they are not doing is asking each individual what most interests him or her about the organization, and how he or she would like to be treated. Nor are they treating people differently, based upon what they learn from asking.

It has become clear to me that we should be using different copy platforms for different people. When individuals indicate that they are interested in certain aspects of your program, you should be providing them with information about those aspects of your program, not other aspects that don't interest them. And you should be asking them for support for those aspects of your program.

But what do you do when you've asked, and still don't know what will motivate each individual? The answer is that we should be looking to different copy platforms for different kinds of people.

For instance, we now believe that older people give for different reasons than younger people, and that women give for different reasons than men. As an example of this, if you are an environmental organization talking to a 75-year-old about cleaning up an environmental problem over the next 20 to 30 years, you should not be talking about how this solution is going to impact on his or her future. Instead, you should be talking about how it's going to impact on his or her grandchildren's future. On the other hand, if you are speaking with someone who is 25 or 30 years old, this would affect his or her future and you should discuss the issue accordingly.

The fourth of the relationship fundraising mistakes is what I call "all relationship and no fundraising." For relationship fundraising to work, you must take financial advantage of the relationship you are building.

You can't just cultivate and cultivate without ever getting a payback. It's far too expensive. So you need to have an effective upgrade strategy in place at the start. You need a definite plan to move people to larger gifts, to monthly giving, to open-ended giving and to wills, bequests and legacies. If you don't have such a strategy in place, you are wasting your money on building the relationship.

Similarly, if you ask your donors when they wish to hear from you, and they say "just once a year," how do you ensure that you obtain a gift when you go to them that once a year? I suggest that you write to them that once a year, pointing out that they made a covenant with you that if you contacted them just once a year, they would give. You should also point out that, because their support is so important, if you don't receive a gift or an indication that they don't wish to give, you intend to telephone them to discuss it further.

And by the same token, why not suggest to them, in that telephone call, that if they don't want to receive a fundraising appeal even once a year, they could consider creating a direct debit by which they can automatically give to you each month or each year without your having to contact them to ask for a gift? Thereafter, your communication with them could be purely informational and cultivational.

That would be taking advantage of the relationship you have built. You would be doing what the people wanted you to and, at the same time, you would be increasing their giving significantly and reducing the cost of obtaining those gifts.

Well, those are things that relationship fundraisers are doing wrong. But that's not the whole reason why relationship fundraising may die. It may die in part because even those who are doing it right often can't prove that it's working! And if you can't prove that it's working, you won't be in the job long enough to really develop and take advantage of a long-term relationship with people.

So how do you prove it's working? The answer is to test and track.

If you're starting a relationship-building program, it's critically important that you be able to assess the difference, better or worse, between the giving patterns and lifetime value of those donors who are being treated in a relationship-building way, and those who were not treated in that way in the past.

Unfortunately, the only way to know for sure is to track in a controlled setting, which is going to be very controversial. I'm suggesting that if you have had a program in place up until today which is not relationship building, you can't just suddenly treat everybody in a totally different way. If you do, you won't know whether they are performing better as a result of the new way you are treating them, or because of other, unrelated factors.

How do you do such a controlled test? You have to continue to treat a small group of people in the same way you used to treat everybody, even if that means continuing to abuse those people. You will then have that control group to match up against a comparable group of people who are now being treated in a donor-friendly way.

Only by doing that will you be able to prove to your boss and to your board that it's worth all the effort and expense of changing your program in order to treat everybody in a relationship-building way in the future. And only then will you have a relationship fundraising program that will not only be effective, but can also be proven effective.

Rich Fox is chairman and CEO of Rich Fox & Associates, Inc., which specializes in strategic planning and consultation on "cost-effective ways to maximize the lifetime value of supporters through development of direct-response programs designed to strengthen the relationship between an organization and its donors." Operating in North America and Europe, the firm is headquartered at 6104 Fort Hunt Rd., Alexandria, VA 22307; phone (703) 329-9500 or FAX (703) 329-9501. Copyright © 1996.