Foreword

By Roger Craver

This book could scarcely be more timely. It arrives at the very moment warning signs abound of the difficult days to come.

Today there are more nonprofits than ever, but revenue is not keeping pace with that growth. Despite the rising number of nonprofits we are witnessing a decline in the overall number of donors. Retention rates are down. Acquiring new donors is more expensive and less productive as we collectively pollute and overfish the same pond. Even digital and online fundraising, once considered a magic bullet, is flat-to-declining. In the words of Yogi Berra, “The future ain’t what it used to be.”

In this book Nick Ellinger makes it clear: the once-safe approach of sticking with the status quo has now become a strategic choice that carries with it high risk.

It’s time for serious fundraisers to chart a course from the Old World of Fundraising to a New World. These pages contain the navigational guide to get you from today’s Sea of the Status Quo to the New World’s lands of growth and sustainability -- all without fear of sea monsters or falling off the edge of the Earth.

Packed with fundraising research from behavioral science… fundraising case histories from organization breaking new ground… the book also includes fundraising results from 10 years’ of pilot programs, testing and proven campaigns conducted by DonorVoice. This is the donor experience and retention firm where Nick serves as VP of Marketing Strategy. In chapter after chapter this book highlights and explains the new mindsets, metrics and methods essential to transforming stale, same-old-same-old efforts into a vibrant, growing and sustainable program – all of which you can learn quickly and begin to apply immediately.

If you’re content with the current state of fundraising, this book is not for you. However, if you have the gnawing sense that there must be better ways to attract and hold on to donors, you’ll want to dig in and start highlighting or dog-earing pages. What you’re about to feast on is the substance behind the over-used and little-understood term “Donor Centric.”

For several years Nick has joined me in The Agitator reporting on new developments in fundraising and report on the DonorVoice team’s research, testing, documenting and then sharing “New World” fundraising practices with our readers. Nick has now packed all this, plus much, much more into this book.

Revealed are the many proven opportunities that await you, as well as calling out those faux opportunities you should avoid. You don’t have to seize every opportunity but you’ll be making a real difference to your organization if you get to work on some. Among them:

- The immense benefits of becoming a Permission-Based Nonprofit.
- Why asking fewer times can increase revenue.
- The power—and results—of making your donors feel preferred and how to do just that.
- The essential importance of donor identity and why you’re crippling your program without it.
- The secret segmentation weapon –Donor Commitment. What it is. How to use it.

- Why personas don’t work and what you should be using instead.
- Why implementing a donor feedback program may be the lowest cost, highest yield investment you’ll ever make.
- The deceptive and illusory fundraising promises of Facebook, Google, and Instagram.

The list goes on and on. The “what”, “why” and “how to” of steps you can take for a far brighter future are all detailed—along with a generous helping of humor—in this book.

If you also sense that the time for change has come, but are not quite sure what actions to take, I recommend reading this book as Step #1. Step #2, of course, is to act on it.

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Overview

> *"Oh, my sweet summer child," Old Nan said quietly, "what do you know of fear? Fear is for the winter, my little lord, when the snows fall a hundred feet deep and the ice wind comes howling out of the north. Fear is for the long night, when the sun hides its face for years at a time, and little children are born and live and die all in darkness while the direwolves grow gaunt and hungry, and the white walkers move through the woods."*[1]
>
> – George R. R. Martin

Winter is coming to nonprofits. Unnamed, faceless, cold, sparse, biting, relentless, gnawing winter. And not all will survive.

More nonprofits exist than ever before, with more coming.

The pie of charitable giving is expanding[2] but not as a percentage of GDP.[3] The pie is also not growing as much as the number of nonprofits is expanding, so the average nonprofit will lose revenues. What growth there is has slowed,[4] stopped or reversed[5] depending on the study.

Retention rates (when controlling for lifecycle) are declining.[6] Getting and keeping donors grow more expensive. Nonprofits increase the number of communications sent with both stamps and digital electrons. Communications increase in quantity of messages and decrease in quality of results.

As retention drops, the need for more acquisition increases, further increasing donor-by-donor pressure to give broadly and shallowly. The tragedy of the commons plays out in a million different households. Maybe ten million. To give to one is to be solicited by that one, then by the many. Most nonprofits do bulk acquisition from lists of people who give to other nonprofits. Few bring in new people to the idea of philanthropy, assuming it is easier to get the philanthropic to give more than to get the non-philanthropic to give at all.

The number of donors is decreasing, causing the giving of an average family to fall.[7] The relevance of nonprofits to donors wanes, leading The Blackbaud Institute to conclude "American donors are more valuable to American nonprofit organizations than the organizations are to the donors."[8]

Nonprofits flee to what we believe is quality, recapitulating what has worked for others. Donors see the playbook, whether it is address labels, false urgency, or a compelling story. The success rate keeps dropping.

The donor pool is now an apt analogy, as we are collectively polluting and overfishing these same waters with little restocking. Even those studies that show an increase in overall giving show a decrease in the number of donors,[9] making philanthropy a game for the wealthy instead of a broad-based good. These drops are not sustainable over the long term as quarters or halves of our donors fall out of philanthropy.

Winter is coming. And the only way to survive is to evolve.

You are right to insist on proof.

Surely, at least one of the many ways to measure philanthropy shows an increase in donor populations?

Unfortunately, no.[10]

We'll start with a study by *The Chronicle of Philanthropy*. They found that in 2015, 24 percent of taxpayers reported a charitable gift on their returns. A decade ago, 30-31% reported such a gift.[11]

Wait! We know fewer people itemize their deductions (and this number should decrease with the 2017 tax law). Perhaps they just aren't reporting it?

Well, we could ask them. That's what Indiana University Lilly Family School of Philanthropy does consistently. They found that the proportion of American households that reported charitable giving declined from 66% in 2000 to 55% in 2014.[12] Median annual giving dropped from $1,024 per year to $872 in a decade's time.[13]

Wait! People always lie to survey takers. That's Social Desirability Bias 101 – people say they want people to think about them.

However, social desirability would not change over time. People tend to lie to survey takers at consistent rates when you ask the same questions over time. So, while you can't take these percentages to the bank, you can likely count on the changes in these percentages.

Also, when you look at real donations, as measured by Blackbaud's DonorCentrics Index, from 2005 to 2015, not one single year had positive year-over-year donor growth.[14] This didn't stop in 2015; the 2018 Fundraising Effectiveness Project Report found that new donors **dropped 19 percent in one year; the next year, they dropped 7%**.[15]

Wait! Perhaps this is just a factor of changing demographics with a trough of people at giving age.

If this is your argument, you've never heard of the Baby Boom[16] or been to Florida.

Further, the decrease in giving is consistent across generations. Blackbaud looked at this very thing, finding that:

> "with the exception of Baby Boomers, each generation has seen a decline since 2013 in the percentage of cohort members who say they give to charity. The study's findings agree with a growing body of research suggesting that, even as total dollars donated are growing, the population of givers is contracting."[17]

Our generations are also shifting to be less advantageous for giving, as our most generous generation – those born before 1949 are entering their demographic sunset.

Wait! Generations are a false construct, invented by sociologists and grasped at by marketers who wanted to make phrenologists and fortune cookies look predictive. Maybe generations will adopt the behavior commensurate with their chronological age, giving more as their disposable income increases, as happens for about half of all generational "differences."[18]

So let's look at age ranges and see how people in those age ranges give over time. That will correct for people becoming their parents over time.

Sadly, every 10-year age group (30 and under, 31-40, 41-50, 51-60, and 60+) gives less now than they did in 2000.[19] Most dramatically, 58% of households led by fifty-somethings gave in 2014, down from 78% in 2000. Across every age group, fewer people are giving.

In addition, fewer people at every level of education are giving. Fewer people at every level of income are giving (although the drop is lowest among the wealthiest). Married, single, and cohabiting people are all giving less frequently. Religious and non-religious people are both giving less frequently.[20] Sadly, regardless of the color of your stats, skin, or hat, giving less frequently seems like the one thing all Americans now agree on.

Several good hypotheses have emerged as to why. One significant impact was clearly the Great Recession. Texas A&M economists Jonathan Meer, David Miller, and Elisa Wulfsberg looked at giving behavior and found the Recession caused the propensity to give to plummet. Further, when the economy improved, giving remained below previous levels.[21] Other research shows that economic shocks (in this case, using the Great Depression) mold the way people use money for the rest of their lives.[22] This is true for giving in particular – giving when you are younger builds a habit of giving that continues when you are older. So, likewise, does a habit of not giving.[23] A recession imparts non-giving ripples outward on a stagnant, fetid pond.

Another part of this involves changes in where the money is in the United States. The top .1% of households in the United States now has as much wealth as the bottom 90%.[24] The Institute for Policy Studies found in their report "Gilded Giving: Top-Heavy Philanthropy in an Age of Extreme Inequality"[25]…

Well, that sub-title totally gives away the results, no?

Anyway, from 2003 to 2013, itemized charitable deductions for those making more than $100,000 increased by 40%; they decreased among those making less than $100,000 by 34%. As a result, low-dollar and midrange donors have declined by 25% in the last decade.[26] This trend continues in 2018; overall giving increased 1.5%, while retention, donor numbers, new donor numbers, new donor retention, repeat donor retention, reactivation rates, and gifts under $1000 were all down. The only thing that went up was gifts over $1000: up 2.6%.[27]

This is not sustainable. Major donors are neither spontaneously generated nor immaculately birthed. They aren't created when a mommy major donor and a daddy major donor love each other very much and have a special sort of hug.

They first test you out with a gift. You grow on them. They grow on you. You learn about them. You build a relationship. Pretty soon, they don't know what they'd do without you. They are committed. And their giving moves from the transactional to the transformational. I'm sure someone has sent in a six-figure check to an acquisition package. I personally, though, have never seen it.

If our new donor numbers are down, our overall retention is down, our retention of new donors specifically is down, and our recapture rates are down, where are the major donors of the future going to come from?

Further, we should not aim for a nonprofit sector funded – and thus influenced – mostly by the very wealthy. Centralization of donations means centralization of control. Nonprofits have already faced pressures to change themselves to accommodate large funders (including grantors).

Fewer donors means increased pressure to control the agenda; as the cynical version of the Golden Rule goes, those who have the gold rule.

In 2015, the Girl Scouts of Western Washington received a donation for $100,000 to help them support poorer scouts with a significant string attached: no support for transgender girls. The Girl Scouts rejected this assault on their values, returned the donation, and launched #forEVERYgirl, an effort to make up the difference in their funding. The campaign raised over $300,000.[28] This story would not have a happy ending without many individuals chipping in. Thus, as our donor files shrink, pressure increases. As that pressure increases, more nonprofits will go where money, not mission focus is.

Reliance on fewer funders decreases stability. Losing a few big donors can put a crimp in the good you do in the world. Because giving is instilled from a young age, we may reach a point where mainly the scions of the wealthy get those philanthropic values, solicited by a generation of fundraisers trained to cast narrow nets. In short, broad-based philanthropy is threatened.

Regardless of the cause, these trends toward fewer, wealthier donors have been apparent for years. Winter is coming. Like an ice age, though, it has been slow enough that we have continually readjusted to consider today our new normal.

But this normal isn't normal. If our acquisition and retention rates freeze at 2018 levels, we will lose 22% of our donor files over the next decade. If we continue down the current path with those acquisition and retention rates falling at the current rate, we'll shed 57% of our donor files.[29] Venerable organizations could go the way of Sears, Blockbuster, Radio Shack, pay phones, etc.[30] At that point, we would get to find out if nonprofits shutting their doors would mean fewer organizations for donors to spread their giving across or a poisoned ecosystem in the same way the behavior of bad actors leading to the financial crisis also harmed the good actors. After all, what does a co-op or a list exchange look like as nonprofits fail?

We will not be able to change wealth distribution ourselves. Nor will we be able to un-Great-Recession the economy by reading *The Big Short* backwards.[31]

We've (mostly) contented ourselves with getting people who give to other organizations to give also to us. That's fishing in a shrinking pond. How do we change this?

Today's direct response fundraising is largely based on outmoded conventional wisdom. The process works like this: the nonprofit direct marketer selects the story she thinks will have the most impact, then pushes it out to a large group of donors and potential donors. For potential donors, she will likely rent or exchange lists of donors to other organizations, knowing they are most likely to donate. Her goal: to raise unrestricted funds to cover all activities of the organization.

There is a better way. This book questions every assumption in the preceding paragraph. Our future will be far brighter if instead we focus on:

- Sending these communications to only those who desire a specific channel and in the frequency they want within that channel, instead of pushing most messages to an undifferentiated mass audience.
- Communications differentiated based on the recipient, instead of a mass appeal based on what story the direct marketer thinks will have the most impact.

- Getting those who care for your cause to donate, instead of getting those who donate to care for your cause through list rentals and exchanges.
- Framing giving in ways that allows for donor preferences, instead of all appeals covering all activities of the organization.
- Empowering messages that come from supporters, instead of the direct marketer or even the organization.
- Sharing and associating among several nonprofits, instead of focusing on just one organization.

Any of the old, business-as-usual assumptions, if changed, could positively and productively alter the way we fundraise. In these pages, you'll see examples of organizations that have successfully dipped their toes into these waters, as I hope you will do. You will learn from those already swimming and those still on the beach.

More than anything, I want to convince you that change is necessary. From there, we can then agree that in today's turbulence that the safest path isn't the well-worn road.

The good news is that we are nonprofits. We've faced worse than winter and will do so again.

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[30] Basically, anything featured in *Captain Marvel*.
[31] Fun fact: read any Michael Lewis book backwards and markets become less efficient.