

Annual Giving Program: Charitable gifts raised by an organization each year to fund its on-going operations. These gifts can be unrestricted or restricted and are generally raised through an annual campaign plan with several coordinated giving vehicles including; direct mail, phone, e-mail and on-line, special events, social media and face-to-face efforts.

A Worrisome Trend

In recent years, the traditional annual giving program has taken a proverbial beating. Not only has the effectiveness of specific strategies been called into question, but the whole concept of annual gift fundraising is being challenged. Citing "return on investment" (R.O.I.) and "donor centricity" concerns relative to traditional annual giving methodologies, organizational leaders are suspending phonathons, curtailing direct mail efforts, and reducing (or eliminating) annual giving positions. Executive Directors, chief executive officers, chief financial officers and board members are applying greater pressure on development leaders to validate the R.O.I. for individual annual giving appeals. Headlines such as; *Stop Scolding Donors to Make Unrestricted Gifts* and *Why You Shouldn't Worship at the Unrestricted Giving Altar* dominate industry journals. And further propelling this trend, many social service nonprofits are being tempted to follow the lead of other nonprofit institutions which are abandoning traditional annual giving methods. Recall the discussions throughout the nonprofit world about the viability of using the phone to raise money after Stanford University made the decision to end its "telefund" program.

But as thoughtful and intentional development professionals, before taking such drastic action, we first should pause and consider whether adopting these trends is wise for our organizations. In other words, will moving away from traditional annual giving strategies better position our organizations to engage, invite and acquire a personally significant gift from our constituents each year? Will doing so help our organizations identify those who care deeply about the important work we do?

Will doing so help our constituents build the habit of giving to our organizations over time?

As a response to such important questions, Gonser Gerber consultants are reminded of the advice given by a successful and wealthy investment professional when asked how best to evaluate investment opportunities. His concise reply? "Pay attention to the movement of the crowd, and be prepared to move in the opposite direction."

This trend away from employing traditional annual giving strategies is, in fact, worrisome. Without a robust, multi-channel, consistent annual giving program, organizations lose:

- ◆ Much needed operational gift income from a large base of donors making modest gifts;
- ◆ The capability to help donors develop the habit of giving consistently;
- ◆ The opportunities to increase awareness of their mission and to strengthen their brand;
- ◆ The full capacity to build long-term relationships with donors – many of whom will emerge as tomorrow's major benefactors.

We have found that undergirding this trend away from traditional annual giving methodologies are three poorly substantiated claims, outlined below.

1. Donors No Longer Respond to Traditional Annual Giving Approaches

"No one answers their phone."

"Our direct mail results in little to no response."

"We don't have – and can't get – good contact information for our constituents."

"Our e-mails get deleted immediately."

Disappointed by the latest results of an appeal, our organizational self-esteem is resurrected by a host of excuses that we casually accept. We may highlight alarming statistics such as a 10% connection rate in phonathons, a 1-2% response rate to direct mail efforts and a 20-25% e-mail open rate.

But a quick scan of another more obvious (but somehow overlooked) piece of evidence will lead us to reconsider the validity of these popular conclusions. Every day, people answer their phones, open mail and respond to multiple e-mails. And, since that is the case, perhaps a better question for us to answer is:

Why don't our constituents answer our phone calls, respond to our direct mail, or engage with us via e-mail or other digital communications?

An honest reflection to this question is likely to lead us toward a better response to the challenges we face in annual giving program productivity and reveal that there is much we can do to change the responsiveness of our constituents. For example, is our brand perceived as weak externally? Do we have data management issues? Are we failing to connect with constituents in meaningful ways throughout the year? Are constituents not aware of the impact we are making?

The good news that emerges from this honest self-evaluation is that we have the ability to adjust to all of these potential hurdles!

2. Donors Prefer to Restrict Their Gifts to Specific Programs or Initiatives

Using this sweeping claim as reason for abandoning traditional annual giving strategies is unwise. First, it ignores the fact that many donors who choose to make restricted gifts also will make more modest-sized unrestricted gifts if they are asked.

Second, we also must recognize that the research-based evidence supporting this claim is mixed, at best. For instance, recent studies such as the *U.S. Trust Study of High Net Worth Philanthropy*, have shown that up to 78% of high net worth donors made their largest charitable gifts with no restrictions. Furthermore, we know that unrestricted gifts are made each year motivated primarily by the donor's belief in the cause. Consider, for example, the \$144.5 million of unrestricted gift income raised annually by the Salvation Army, or the \$750 million unrestricted gift income raised annually by the American Cancer Society.

While these organizations employ a variety of solicitation strategies, the important reminder is that donors will, in fact, make unrestricted gifts if they are invited to do so and they believe in the mission.

3. An Individual Annual Giving Appeal Should be Discontinued if Its R.O.I. is Low

This piecemeal focus on individual appeals evidences a misunderstanding of basic marketing principles and brand building strategies. Certainly, each annual giving appeal should be well-planned, compelling and productive in its own right. But we also have to acknowledge that many donors require several "touches" before they respond with a gift (just like many consumers require several "touches" before making a purchase). Donors may need a late summer e-mail, an early fall direct mail reminder, and, perhaps still, a phone call in late fall before making their gift. It can be argued that each one of these efforts is important to moving the donor toward a gift since research has shown that gift income decreases when "touches" are reduced.

Our firm recommends that organizations answer two annual fund R.O.I. questions each year:

1. Most importantly, how did the amount of total expenses for the annual fund compare with the total amount raised through the annual fund?
2. How did the expenses for each individual appeal compare with the amount raised by each appeal?

The key, here, is to remember that just because a single appeal may not produce as much gift income as you had planned does not mean it was ineffective. Looking at the bigger picture of the first question, the less productive appeal may have been the "touch" that helped increase gift income later in the year. Only when you analyze the annual giving program's productivity through both of these lenses will you gain a clear picture of how appeals are integrated and how best to adjust.

Having reconsidered the primary claims that can lead organizations to question the use of traditional annual giving methodologies, we now turn our attention toward improving and better positioning these approaches for success.

Plan for Your Appeal to Succeed

With any appeal, most of our time and effort is spent crafting a compelling message, writing an engaging script or designing and laying out a visually captivating piece. This is understandable since we want our message to be read and acted upon.

But there's a hurdle that we must first overcome before our well-tailored message can be read: our constituents must choose to engage with our appeal. In other words, the powerfully-written text in our latest direct mail piece is worthless if the envelope is unopened. The wonderfully sharp phone script is blunted if our constituents don't answer the phone. And the visually enthralling e-mail we've designed with fascinating photos and engaging videos is lost if our constituents choose not to open it. So, it pays to give just as much time to preparing our appeals for success as it does to crafting the messages of our appeals. Below are a few helpful hints:

- ◆ Use social media to spread the word that your appeal is forthcoming. Shoot a video of an influential constituent announcing your phone campaign or holding an advanced copy of your direct mail gift invitation. And, of course, use this time to deliver a succinct and compelling message about the impactful work of your organization.
- ◆ Use teaser copy on the front and back of the direct mail envelope. The copy should invite your constituents to partner with you on the front and demonstrate the impact of your support on the back. For example, front teaser copy might read, "join countless others in helping our neighbors in need," with a short client testimonial on the back about the difference your organization made in his life.

- ◆ Set your direct mail apart from others by using a high quality paper and envelope or varying sizes, colors, and an actual stamp. These small improvements are eye-catching, demonstrate organizational pride and make people feel good about being involved with you.
- ◆ Make sure your data is accurate. Spend the money to do cell phone, e-mail and address appends. While these services require a financial investment, they are worth uncovering the money in your budget to do so.

Be Intentionally Personal


Once your appeal is planned for success, turning your attention to delivering a high-quality appeal is crucial. People respond to appeals when:

- ◆ Their awareness of the organization is high.
- ◆ They care about its mission.
- ◆ They are convinced they can make a difference.
- ◆ They feel like the organization is showing effort to know them.

Unfortunately, all too often, development programs fall prone to the "tyranny of the urgent," resulting in generic, bland and vanilla appeals. Instead of inspiring a gift, they may damage the organization's brand and, inadvertently, send constituents the message that they are unknown or unvalued. To counter this, below are a few suggestions that will help your appeals come across more personally.

- ◆ Segment thoughtfully. Messaging is critical and it's impossible to send one message that connects personally with your entire constituent base. A better approach is to segment your database into smaller groups or segments, defined by donor commonalities. For instance, research has shown that donor giving history, or common areas of interest are good data points to begin your segmentation. This will give you more flexibility to craft a message that attracts the recipient's attention.





Furthermore, keep your segmented message simple, specific and concrete. You don't have the time or space to articulate everything that your organization does well, so highlight just one thing. For instance, an organization that provides spiritual formation for college students telephoned constituents to invite a financial gift with a message about the impact of their spring-break mission trips.

Appeal to smaller, segmented audiences with personal messages and watch response rates and R.O.I. increase.

- ◆ Prove you know your constituents. A few years ago, a well-known coffee shop made news when they began asking patrons for their name at the start of the ordering process, and then proceeded to use the patron's name several times throughout the transaction. Asked why, company executives explained that they wanted to be friendly and they wanted customers to feel known. Make no mistake, people feel appreciated when you demonstrate that you know them.

As an example of how to put this principle into practice, your organization might design a direct mail piece that includes the names of your constituents four different times: twice in the appeal letter, once on the response card, and once again on the business reply envelope. Furthermore, you could use variable data sets to demonstrate that you know the giving histories of your constituents. You could acknowledge the donor's last gift amount in the appeal and also make suggested gift recommendations at pre-calculated increases based upon the donor's last gift amount.

- ◆ Employ an influential "brand ambassador." Having someone who is well-known by the selected segment of constituents deliver your appeal can aid in effectiveness. For example, if your segment is comprised of volunteers in a specific program, selecting a well-respected volunteer from that program to sign the appeal enhances the engagement with the appeal.

Donors are more likely to respond or engage when someone known, trusted, and/or respected invites their support.

Conclusion

Our organizations should aim to connect personally with all of our constituents. We want our donors to know how much we value and appreciate their passion for and support of the vital work we do. And, we want our supporters to know that their gifts do make a significant difference.

Striving for these outcomes, it is important to keep in mind that traditional annual giving methodologies (and the annual giving program itself), remain significant components of effective development programs. Simply put, there are no replacement annual giving strategies that, today, have emerged as effective alternatives.

We encourage all development leaders to consider how you might enhance your use of these tools instead of discounting or dismissing them. When you commit to strengthening your annual giving program, you will be enhancing the short and long-term results for your organization. Even more importantly, you will be providing your constituents – those who care deeply for your mission – with consistent and multiple opportunities to respond generously.