

OPTIMIZE YOUR DONOR PIPELINE

4 Innovative Ways to Acquire,
Retain, and Upgrade More Donors

INTRODUCTION

Managing a healthy donor pipeline can be a challenging task even for nonprofit organizations with the best tools and latest technologies. 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 required to move donors towards greater levels of commitment.

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 it can be difficult to simply make it through the day-to-day activities required to move donors through the pipeline, it's important that you take time to step back, evaluate your strategy, and look for ways to intentionally improve your efforts so that you and your team will be more successful when it comes to achieving your fundraising goals.

This resource outlines four innovative ways you can optimize your donor pipeline and increase fundraising results.

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

- Evaluate the true health of your pipeline by identifying the key metrics that matter.
- Discover innovative ways to improve every area of the pipeline from acquisition to upgrade.
- Optimize your efforts by creating an integrated experience that resonates with every donor.

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:

Acquisition: Two Innovative Ways to Fill Your Donor 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.

Learn how your organization can maximize the power of social media to acquire donors: www.pursuant.com/SocialAcquisition

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 by deploying social acquisition campaigns to create viral experiences for their constituents. 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.

Reactivation is another valuable, but 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.

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.

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:

Retention: Two Creative Ways to Keep Your Pipeline from Leaking

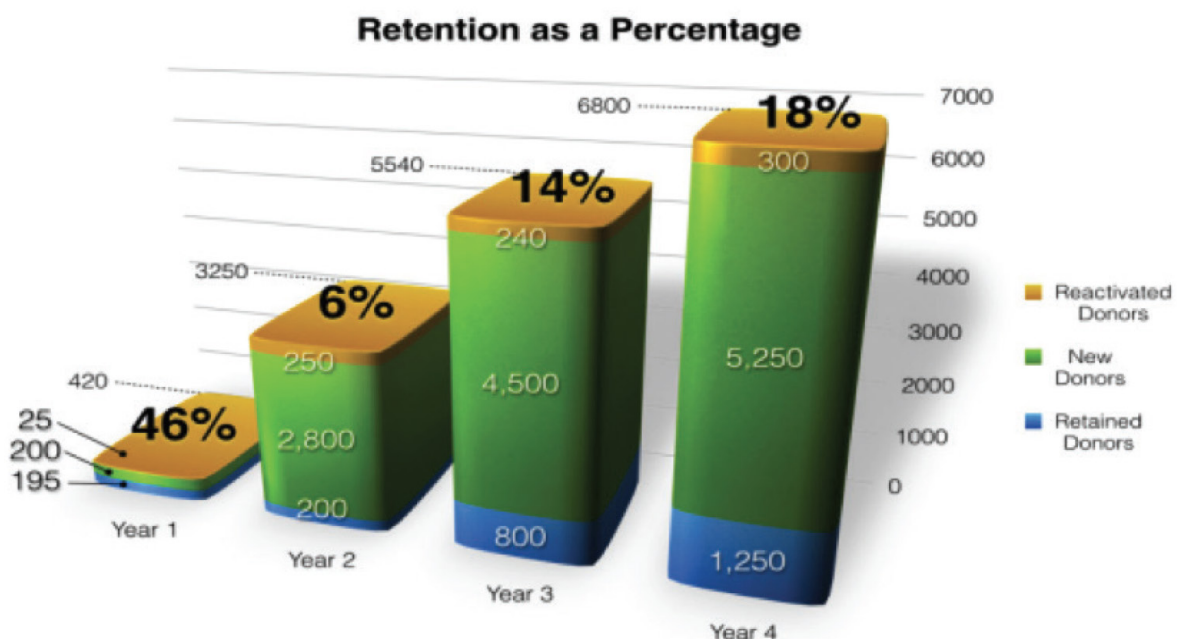
Acquisition and reactivation start the process of filling the donor pipeline, but you're going to need a strategy to keep donors from slipping through the cracks. How do you stop that from happening?

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

If you want to improve donor retention, it's important to measure the right metrics. 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.

Reinforce Your Pipeline Through Relationship Fundraising

Many donors give because they are passionate about the mission of your organization. They believe in your cause and want to play a role in helping changing the world through your organization. However, that enthusiasm fades fairly quickly when it isn't managed. This is why the concept of relationship fundraising is so important.

Donors don't want to be treated like ATMs, where it seems like the only thing your organization values is the transaction. Instead, we must focus on their needs.

Relationship fundraising means intentionally engaging 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 relationship fundraising, here are a couple of essential steps you should take:

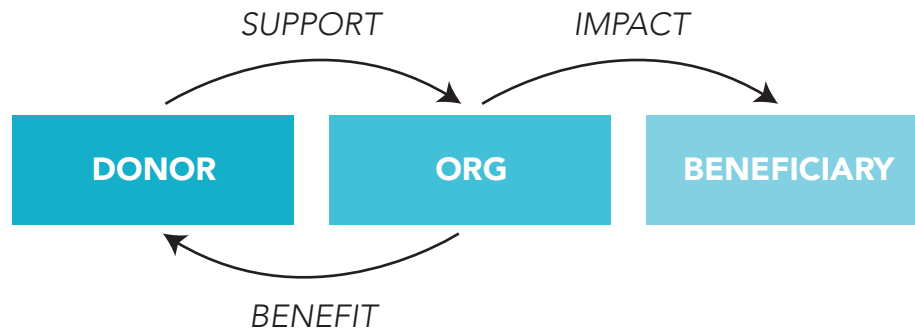
TAKEAWAY #1: Recognize the Stages of Relationship Fundraising

Relationship fundraising recognizes there are distinct stages in the relationship development process and those stages have unique requirements.

It is important for us to think differently about these stages and find a way to move people towards deeper levels of the relationship and ultimately commitment. We must recognize that our relationship with donors exist in different stages and be intentional about engaging them in the appropriate way at the appropriate stage.

TAKEAWAY #2: Provide Tangible Benefits for Your Donors

Generally the way we've approached fundraising in the past is that a donor supports and organization and that donation goes onto support the beneficiary. Instead, what we should be considering is how can we bring some sort of benefit back to the donor.



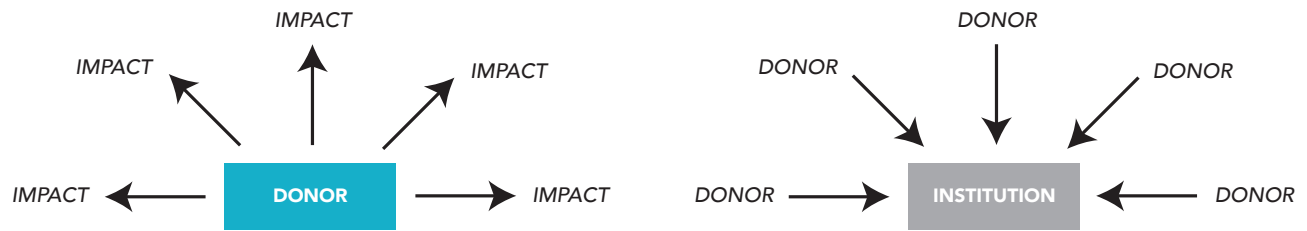
This is more than just saying thank you for the impact you're making. How can we make our donors better citizens so we make them say "I am better for my relationship with this organization than I am outside of it?"

Ask yourself, what are the greatest assets of our organization and how you can use that to bring benefit back to the donor. For example, Higher Education Institutions have a plethora of knowledge they can use to provide benefits that build relationships with donors. Health and Human Service organizations can provide mission trips for donors to provide them with an unforgettable experience.

We must provide some sort of benefit back to the donor or prospective donor.

TAKEAWAY #3: Build Stronger Relationships with Donor Fusion & Donor-Centricity

One thing every nonprofit must understand is that your donors do not perceive themselves as separate your organization. They see themselves as the organization. You can understand this whenever you think about a serious relationship. Eventually two people become one and see themselves as one. Donors have the same mindset when they think about organizations they're passionate about. This is the whole idea behind donor-fusion. The more you can play into this in how you communicate and engage your loyal donors, the stronger the relationship will become.



Donor-centricity is another important aspect of your relationship with donors that is important to consider. We must recognize that donors see themselves as the center of the universe, achieving and impact through various organizations that they support.

It's important to recognize how your donors think. Celebrate what they've accomplished by making them the hero that partners alongside your organization to change the world.

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:

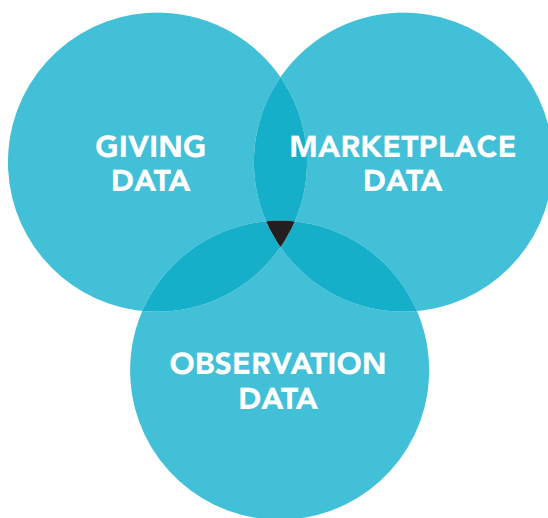
Upgrade: An Innovative Way to Identify, Prioritize, & Prime Your Major Donor Pipeline

Nonprofits have relied on wealth screening as a way to overcome the challenges around identifying and upgrading. While this approach has without question helped us identify prospects who would otherwise go unnoticed, often times the sheer volume of information can be paralyzing.

This begs the question... when information is difficult to act on, how beneficial is it really?

Prioritize Your Pipeline with Insights Beyond Wealth Data

Many predictive models on the market today include a combined analysis of donor giving history, wealth, demographic, and philanthropic data; however, those data points are only the beginning of the story.



While this information is helpful for discovering prospects with the capacity to give, it doesn't provide any insights into their propensity. As a result, many gift officers spend time with donors who might have the ability to make a major gift, but lack the desire and interest to become a true philanthropic partner with the organization.

Understanding your major donor prospects involves more than just assessing their wealth and giving history. It also involves creating a complete picture of who they are. This involves analyzing data beyond traditional wealth screening. For example — What

kind of relationship do they have with your hospital? How have they supported your cause in ways other than donating? Which prospects actively attend your events? Who opens your email newsletters? How are your donors responding to the stories you tell? What are they specifically interested in relating to your cause? This information helps define inclination and affinity, which in many cases is more important than just capacity.

Prime Your Pipeline by Proactively Engaging Major Donor Prospects

One of the fundamental challenges around upgrading major donors is that many prospects aren't ready to be cultivated when they are initially identified by making a significant gift or showing up on a wealth screening report.

The good news is that technology provides an opportunity to proactively engage those prospects in a format that's less invasive than picking up the phone and trying to set an appointment. It also allows you to create a two-way conversation with prospective major donors by communicating your case for support through a digital campaign and listening to them by tracking their engagement. Learning as much as possible about your donors will allow you to be more effective in how you communicate with them, whether through direct mail, over the phone, digitally or face-to-face.



REFLECTION POINT

What information about your major donor prospects might be helpful for cultivating donors beyond financial data? Do you have a way of identifying which aspects of your mission resonate most with each donor? How much more effective would your gift officers be if they were equipped with insights on your prospects' interests and intentions?

STEP 4:

Integration: Optimize the Donor Experience by Connecting 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 integration 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 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 donorcentered 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.

NEXT STEPS



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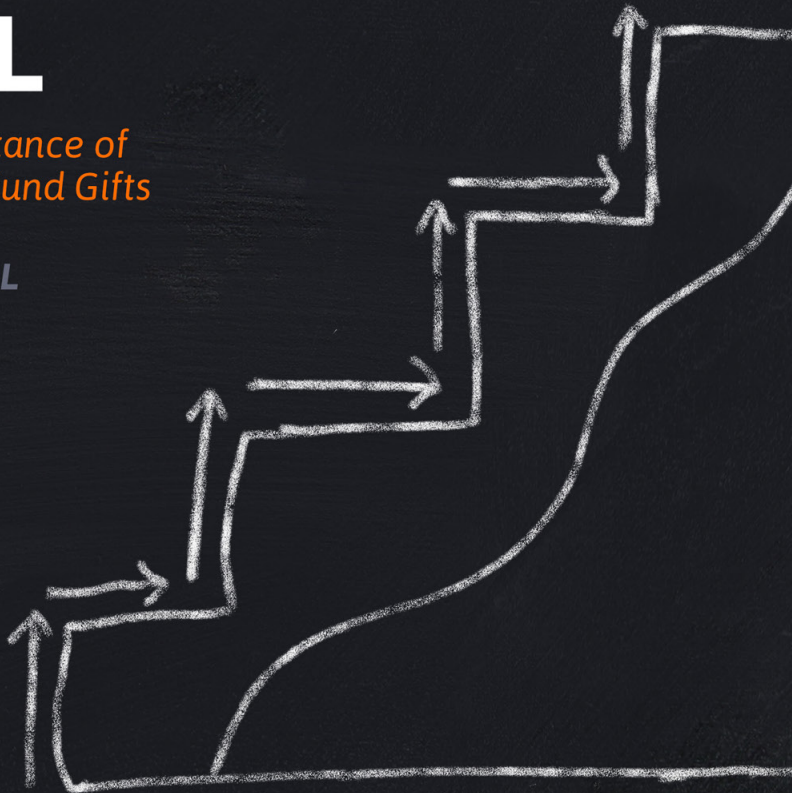
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