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A New Era of Media Relations
Alumni Relations:
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BREAD AND BUTTER

By JOHN DiCONSIGLIO

Why annual giving is still the foundation of fundraising success

Every annual fund officer can recount a similar tale. Your institution has just received a major gift. Maybe a $5 million donation for the library. And your bosses can barely contain their glee. They're snapping pictures with an oversized check. The news is flying across the Internet.

And you are shaking your head. You remember when this donor first entered the giving pipeline—with a $100 check to the annual fund. The donor was nurtured with personalized thank-you notes and relationship-building phone calls. Eventually, you recruited the donor to your leadership giving circle. And over the years, that donor's annual giving elevated from $100 to $500 to $5,000—to the megagift everyone is talking about.

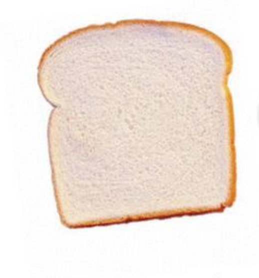
Beth Gardner Braxton has heard this story before. As director of annual giving at the University of North Carolina at Chapel Hill, she's attended scores of meetings celebrating megagifts. After each one, she checks the donor's data. "Sure enough, it'll turn out that their first gift was during a phonathon," Braxton says.

Major donors don't fall out of trees. Most of them have been part of an institution's giving network for years, first identified and cultivated by—you guessed it—annual fund professionals. "The reality is that annual giving is the No. 1 indicator that someone will make a major or planned gift," Braxton says.

Giving experts agree that a solid, well-tended annual fund has a good chance to ripen into a productive major gift program. And while annual checks may never steal the spotlight from headline-making donations, they are generally viewed as the bedrock of the giving foundation. Investing wisely in the annual fund today is an investment in the major gift program of the future.

"Annual funds are the meat and potatoes of fundraising, while the major gifts are more like the cherry on top of the dessert," says

PHOTOGRAPH by PETE McARTHUR



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But you have to explore new avenues, even if they don't

annual giving consultant Robert A. Burdenski. "It goes with the territory. You will never be able to polish up annual giving and make it as sexy as big gifts or capital campaigns. But the annual gift does the broad-stroke lifting. It enables an institution to identify who they ought to be concentrating their attention on for a more significant, statement gift."

RECESSION BUST AND BOOM

But if the annual fund has recently taken a backseat to major and megagifts—and consequently shrunk to an even smaller slice of the fundraising pie—the recession made a bad situation even worse.

Today, most annual fund performance indicators have plummeted. Virtually all annual giving–related figures continued downward trends in 2008 and 2009, notes a 2009 Blackbaud survey of higher education fundraising performance for 33 private and 29 public institutions.

Alumni participation rates fell by 3.5 percent, with significant drops at both public and private institutions. Revenue took a "stark decline," according to the Blackbaud report, of 13 percent. The median change in revenue per donor is down 8 percent—5.5 percent among private institutions and 9.2 percent at publics. Across the board, the Blackbaud report notes, nearly every annual fund indicator has felt a sizable hit, from reactivation rates (down to 16 percent, the lowest in more than a decade) to retained donor revenue numbers (diving by an alarming 12.9 percent).

"There's no doubt that annual giving has fallen on hard times," says Dan Allenby, vice president for annual giving at consulting firm Grenzebach Glier and Associates. "The numbers have been on a steady decline for several years." Allenby cites factors like greater competition for donor dollars and the ongoing recession for torpedoing many annual funds. But he also notes that even before the economic nose dive, alumni givers were turned off by a combination of ballooning multibillon dollar endowments and consistent tuition increases. "The average [alumnus] is carrying increasing debt," he says. "I'm not saying they blame the institution, but it affects how much they value the organization as part of their own development and whether they see it as a cause to support."

A NEW ERA?

But in some ways, experts say, the recession has offered annual funds a new opportunity to step into the spotlight. While the prerecession fundraising model focused heavily on major gifts, the economic spiral caused many endowments to suffer steep declines. In this new economic environment, Allenby suggests, annual gifts can represent a steady flow of reliable revenue, unrestricted funds, and a connection to a community that's eager to show its support. "That might not be the same as a giant check. But right now, I think many institutions would take it in a second," he says.

With so much gloom-and-doom news surrounding giving—and specifically annual funds—it's hard to believe that institutions are really at the dawn of a new annual giving era. "We're in a sort of best-of-times, worst-of-times phase," Burdenski says. He bristles when he hears fundraising prognosticators blame the economy and subscribe to catch phrases like "flat is the new up" when, he says, there is actual good news in giving.

"The methods in annual giving are evolving really quickly," he says.

The new annual giving model isn't your grandfather's phonathon, experts say. The revised landscape includes online strategies, social media opportunities, and analytical tools such as data mining and segmentation. And while annual funds may be on the verge of a breakthrough, not every institution will share the success. Allenby predicts steadily increasing annual fund revenues—but only for those who embrace the changing times.

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immediately yield high returns.”

"Less sophisticated programs that have always relied on traditionally high participation rates are going to continue facing challenges," Allenby says. "Now is the time to focus on some of the more innovative fundraising tools. Now is the time to be progressive—to be smarter."

THE DATING GAME

Just as in philanthropy overall, annual funds are all about relationships. Kathy Limmer, director of development at Texas' Hockaday School, sees it as a metaphor. "Think of the annual fund as a first date," says Limmer, whose 1,000-student independent school for girls exceeded $2 million in its latest annual fund. "On the first date, you might have a good conversation and find you have something in common. If that date goes well, then you have a better shot at a second. With each date, you make a deeper connection and build a stronger relationship." Likewise, annual fund officers have always relied on engaging donors with a message that piques a common interest—and keeps them coming back for more.

But the dating scene has changed. Certainly, the old ways of reaching donors aren't extinct, experts say. "Direct mail and phonathons are alive and well," Allenby says. "You can't take them out of the mix. But you have to explore new avenues, even if they don't immediately yield high returns."

With the advent of cell phones and caller ID, call completion rates have taken a hit. And the recession has made mass mailings of brochures largely unfeasible. "I know institutions that used to send half a million pieces of mail a year and are now cutting down to less than 100,000," Burdenski says.

Today's fundraising tools are more scientific and rely heavily on analytical tools, Burdenski says. Rather than casting a wide net, annual fund innovators have become more selective in their solicitations—and more adept at collecting and interpreting data. Stored information on alumni—from past behavior

5 Annual Giving Best Practices*

**That You Probably Aren't Doing Yet*

The rules of annual giving have changed. But are you on board with new tools and tactics? We asked consultant Robert A. Burdenski for five tips to fix your fund.

1. **Go automatic.** Think of annual givers as sustaining donors—and ask for recurring gifts. Many donors won't flinch at the idea of handing over their credit card number and authorizing a monthly $10 gift. "If someone gives $10 a month, they will probably end up giving more at the end of the year," Burdenski says.
2. **Know your ever-answers.** Not all phone rejections are created equal. In the past, few call banks have differentiated between those who never pick up the phone—and those who answer but say no. Keep track of those "ever-answers." You may have a shot at building good will with them the next time you call and getting a gift the time after that.
3. **Cast a wide net.** Take every opportunity to form Web relationships. Whether you encourage donors to make online gifts or to merely provide their e-mail addresses, you are establishing an enduring line of communication. "For the first time ever, we have students with two pieces of contact information—their e-mail addresses and their cell phones—that are probably never going to change," Burdenski notes.
4. **Pay attention to hand raisers.** Whether it's the mom and dad who attend every parents' weekend or the alumni who open up the e-mail newsletter, be aware of anyone who shows interest in your institution—even if they aren't giving right now. "Historically, we treat all nondonors the same," Burdenski says. "We throw them in one big bucket of people who haven't made a gift." But it's wise to tag interested parties in your database and experiment with different types of appeals to them.
5. **Use peer pressure.** Peers are perfect advocates, be they parents or recent graduates. And social networking sites allow peers to connect in previously unimagined numbers. "People think LinkedIn and Facebook are just places to advertise the fund," Burdenski says. "But that's missing the point. If you can get some alumni to post, 'Hey I made a gift. You should too,' that's a game changer." When those virtual volunteers become advocates, the institution doesn't have to do all the talking.—JD

and demographics to whether they attend reunions or opened the last e-mail newsletter—can be used to predict who should be targeted for potential solicitations—and how.

With data mining, "I can reduce my million pieces of mail down to people who show they have a pulse and an interest in the institution," Allenby says. "Before, we had to treat everybody the same. Either you gave or you didn't give. That's all we knew about you."

James Madison University in Virginia saw its annual fund decline in FY 2009 after recording an all-time high before the economic downturn. This year, JMU's numbers are up, with a 6 percent increase in alumni donors. Data mining has allowed annual giving officers at JMU to segment their donors into various categories, based largely on their interests. Not only can they predict who is more likely to give, they can also personalize their pitch. "We can see if, say, you went to the business school or if you are interested in the performing arts," says Kathy Sarver, associate director of the Madison Fund. "Then we tailor how we approach you—whether it's a piece of direct mail that is in your field or a connection that a student employee makes when he calls."

WIRED

Data collection becomes even more powerful when combined with a significant online presence. The Internet has opened up new channels for connecting to potential donors. At its most basic level, the Net offers a convenient payment option for annual gifts. "That's an enormous convenience factor," UNC's Braxton says. "Many of your donors are accustomed to putting their credit or debit card number online. I'm always looking at other online transaction sites like Nordstrom or Amazon to stay abreast of current trends. I want my site to look professional and be easy to use."

A healthy online presence can help fundraisers enhance their relationship with donors. Too often, for example, annual gift givers feel ill-informed about how their gifts are used. Online tools can help you keep your donors in the loop. "We don't just see the Internet as a solicitation tool," says Hockaday's Limmer. "It's a vehicle for reaching our alumni."

Warren Wilson College, a liberal arts school in North Carolina, raised $500,000 in annual funds from about 2,000 donors last fiscal year. Director of Donor Relations Miranda Hipple says the school's online presence has helped her reach students with everything from e-gift acknowledgments to e-pledge reminders. Hipple uses the Internet to keep former students connected with campus life. She e-mails items like monthly updates to the alumni magazine and videos of school activities taken by students. "That connects a lot of our graduates to their student experience."

But perhaps the greatest Internet "game changer," as Burdenski puts it, is social networking. Active social media sites like Facebook and Twitter can quickly connect fundraisers to a trove of alumni on a personalized level without employing scores of volunteers. "You can reach so many more people so

in short

THE MONTHLY FUND. How's this for an intriguing way to grow your annual fund: Stop thinking of it as "annual." So suggests giving guru Harvey McKinnon, who has penned a book on the topic, *Hidden Gold: How Monthly Giving Will Build Donor Loyalty, Boost Your Organization's Income, and Increase Financial Stability*. Modest monthly gifts, withdrawn from a donor's bank account automatically, are a key feature of regular giving in the U.K., where checks are being phased out of standard banking. McKinnon will be the keynote speaker at the CASE Major Gift Strategies conference in Denver, October 13–15. For information, go to *www.case.org/Conferences_and_Training*.

BIG AND LITTLE. The University of Macau Development Foundation started off with a bang, raising $40 million in the first six months of its existence. But even with that stunningly fast-paced success in major gift solicitation, the university recognizes that it must also establish a solid alumni giving program as an investment in the future of the university. In June, UM invited regional and western advancement leaders to a forum, Institutional Advancement and Fundraising: Community Partnership for Excellence, to learn about best practices in advancement. Macau, like Hong Kong, is a special administrative region of China.

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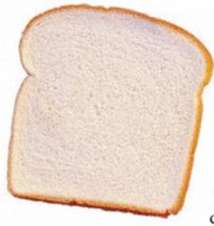


much more quickly than before," Burdenski says. "You don't need to call everyone in your class anymore. You can use Facebook to easily connect with all your friends at once and say, 'I made my gift. Won't you make yours?'"

When Warren Wilson's Hipple first heard about Facebook four years ago, she remembers annual fundraisers underappreciating its reach. "People used to say, 'It's nice to be on Facebook if you have time, but you can just have a volunteer run it,'" she says. "Today, you *need* to be there, and someone in your office better be managing your Facebook page."

Some colleges have taken online techniques even further by creating websites with personalized URLs, or PURLs. The marketing approach involves e-mail invitations that direct prospective donors to a website. The site is designed specifically for the donor and includes messages created to fit his or her profile. PURLs include the donor's name in the site address. By essentially giving donors their own institution-linked Web pages, fundraisers can engage them while gauging their individual interests. "PURLs seem like a nice window to take people from direct mail/postcard relationships and bring them into Web-based relationships," Burdenski says. "[A PURL] can be used to give us your e-mail, update your employment information, and bring you into our online community."

Still in their infancy, PURLs can be costly and time-consuming. And some donors are uncomfortable with seeing their names used for Web addresses. At Iowa's Drake University, annual fund officers created PURLs for 10,000 alumni. The campaign was costly—about $6,400 to produce—mostly because the PURLs included a video. And the results were mixed. On the positive side, the PURLs garnered a 17 percent viewing rate, with half of the viewers updating their personal information. But the PURLs netted few actual donations.

"I don't know if PURLs will be a brilliant idea forever," Burdenski says. "But there's value at the moment if you embrace the idea that you must try anything to get someone in an Internet relationship."

LONDON CALLING

American institutions may have hit a phonathon ceiling, but some international universities are finding that tried-and-true methods, when conducted with care, can still be donor magnets. Singapore's Nanyang Technological University began its annual fund program in 2005. Today, the school is at a 7 percent participation rate, thanks largely to phone appeals.

"Phonathons and direct mail work like magic here, and we love it," says Marina Tan Harper, director of the university's development office. "They are the two major vehicles that bring in the bottom line."

BACK TO THE FUTURE. Researchers at the Center on Wealth and Philanthropy at Boston College are predicting a turnaround in U.S. household giving. Says Paul Schervish, director of the CWP: "2010 may just turn out to be the beginning of good news for fundraisers and charities. But it may not be until 2011 that we see the amount of individual giving returning to its prerecession 2007 purchasing power." Schervish and his colleagues base their prediction on their Individual Giving Model, which relies on data from the Federal Reserve, the Bureau of Economic Analysis, the Bureau of Labor Statistics, and other sources. Find out more at *www.bc.edu/research/cwp.html*.

AN APPRECIATION. Lakefield College School, an independent school in Ontario, Canada, for grades 7–12, has made its faculty and staff giving campaign unique to LCS. The campaign uses the school's initials to mean "Let's Celebrate Someone," "Let's Challenge Someone," and "Let's Congratulate Someone." The program, suggested by Director of Student Services Vera Wilcox, has been embraced enthusiastically on campus. Faculty and staff receive certificates thanking them for a job well done, or congratulating them on the birth of a child, for example. "We've been dazzled by the generous spirit of our staff," says Theresa Butler-Porter, annual appeal coordinator. "Everyone is feeling great about it!"

Likewise, donor numbers are up at the University of Leeds in the U.K., due in large part to its three yearly telephone campaigns. Leeds has invested heavily in boosting its phone program—adding a dedicated call room, DialVision software, and bigger call teams in the last few years. The moves have paid off, says Annual Fund Manager Adrian Salmon. The school consistently beats its annual goals by at least 20 percent. In the past year, Leeds' annual fund—or "direct marketing fundraising" as Salmon calls it-was up 58 percent from last year in total cash and 32 percent in donor numbers. Salmon admits he'd like to see U.K. institutions develop a more robust online presence. But phone appeals deliver more than 80 percent of donors, he says.

"People have been saying the phone is dead for about 10 years now, but I've seen no evidence yet to suggest it," he notes. "There's currently no other way in which you can directly and effectively engage with a mass market of potential donors in a way that will secure a promise. Mail is becoming ever-less responsive, e-mail is easily delete-able, and social media is more about a noncommittal gesture of support."

Burdenski suggests that international institutions have had success with phone programs by avoiding the "hard-sell" tactics of many American institutions. He describes many international phone appeals as being "more of a conversation and less of a solicitation."

"Graduates in England will actually pick up the phone and have a nice chat about who was your favorite professor and whatnot," he says. "It's very liberating to go overseas and see what a bright vision they often have."

COLLABORATION—NOT COMPETITION

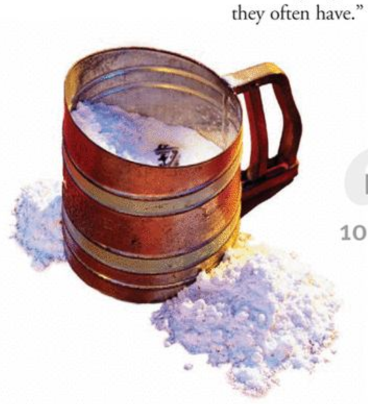
At JMU, annual fund officers work closely with advancement services to collect data and identify donors. The annual giving department meets weekly with communications and marketing staff to refine a consistent donor message. "All of our efforts are collaborative," says Sheila Smith, director of JMU's annual giving office. "We all know what's going on with everyone else. There are so many challenges—from keeping up with technology to making sure we are all on the same page. It takes a whole team to make it work."

But for every annual funder working to stay ahead of the tech curve, there are many crumbling under the weight of economic pressures. Still, Burdenski says it's time for the annual fund to shed its inferiority complex—and to make sure best practices are in place before you cite the economy as an excuse.

"It's easy to say, 'Well, we can't do better than this,'" he says. "But if you haven't updated the way you run your annual fund, it's not the economy's fault. It's your fault for not waking up and understanding that your audience is evolving.

"Before we argue the limitations of annual giving, we need to challenge ourselves to keep up with best practices. [Success is] out there for annual giving. Someone just has to take it."

John DiConsiglio is a freelance writer based in Arlington, Va. He writes frequently about education.



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