



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION, INFORMATION OR DISCUSSION

TOPIC: Use of services to improve alumni/friend engagement.

COMMITTEE: Advancement Committee

DATE OF COMMITTEE MEETING: February 5, 2014

SUMMARY: As USM institutions begin planning for their next capital campaigns, ensuring a strong pipeline of potential donors is critical. Regent Gossett and Vice Chancellor Raley will lead a discussion of the use of outside vendors as a cost-effective way to test new strategies on alumni and friend engagement.

ALTERNATIVE(S): This is an information item.

FISCAL IMPACT: This is an information item.

CHANCELLOR'S RECOMMENDATION: This is an information item.

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Leonard R. Raley, 301-445-1945, raley@usmd.edu

Strategies to Propel Annual Giving

What It Takes to Win Over Donors

2013



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Introduction and Survey Results

Advancement officers strive to activate new donors and create loyal alumni givers, measuring results by counting the number of givers and total dollars raised. However, little is known about the choices donors make and how they make them within the growing and increasingly competitive charitable giving environment.

In this report, the results of a national survey of a diverse group of alumni are presented. The findings provide insight into what makes an individual's alma mater a priority for charitable giving and how alumni's sense of "connectedness" influences their engagement, giving, gift level and loyalty. Findings shed light on when, how and how often alumni want to be asked for gifts and which messages have the greatest engagement potential and persuasion power. Strategies for building stronger and more effective giving campaigns are recommended.

Background and Methods

Colleges and universities compete against many compelling causes for charitable dollars. Particularly in times of economic hardship, increasing donors and dollars is even more challenging. Because understanding the donor perspective is critical to designing effective advancement strategies, a study was conducted to assess the perceptions and behavior of alumni relative to their giving patterns. In mid-2013, 1,647 adults completed a survey about their past giving experiences and their attitudes and opinions toward alumni giving. The sample received email invitations to participate in an online survey about giving priorities for nonprofit organizations and their preferences for communications regarding alumni giving. The participants included a mix of men (44.2%) and women (55.8%), with most between the ages of 41 and 65. The majority of respondents were Caucasian (86.8%). Nearly 85% of participants reported making charitable gifts in 2012, and 64.3% reported giving to a college or university. Most of those gifts were made in the fourth quarter of the calendar year.

Findings and Recommendations

What is the top priority for giving among those who donate to charitable organizations?

Religious organizations are the top priority when it comes to charitable giving. When participants were asked to rate their top priorities for donations, one's church or synagogue or other religious organization outperformed other nonprofit organizations. Other human service organizations (such as youth centers), health care organizations (such as clinics), colleges/universities and animal agencies were also in the top five priorities for charitable giving. The lowest priorities were political organizations or politicians and arts organizations. Men rated giving to a college or university as a higher priority than did women. On a scale of 1 to 3, with 1 being the top priority, the mean for giving to a college or university was 1.95 for men compared with 2.15 for women (Appendix, Table 1).

For those who prioritize alumni giving, what reason do they give?

A sense of personal commitment is the number one reason given by alumni donors for prioritizing alumni giving over other charitable organizations. Of those who rated colleges or universities as their top priority for charitable giving, 66.7% stated a sense of personal commitment to the school as their reason. Others indicated they gave in order to improve the quality of education and to provide a scholarship to a student motivated them to give (Appendix, Table 2).

Those who rated giving to a college or university as a second or third priority were asked why they prioritized something else over alumni giving. The top three responses were sense of a religious obligation (34.5%), belief in the organization’s goals (29.7%) and perceived need of the organization (26.8%) (Appendix, Table 3).

For those who did not prioritize alumni giving as one of their top three priorities, 40.1% reported that the issue was one of resource constraints either because they are already giving to another organization or because they felt they had no extra money to give. Importantly, 17.3% reported that they did not prioritize alumni giving due to disappointment in their alma mater. Other reasons given included feeling that other organizations had a greater need, their alma mater has enough money and beliefs that institutions already receive money through tuition and tax dollars.

Primary Reason Alma Mater Is Not Top Priority for Giving

	Count	Percent
Gives to another organization	135	20.9
No extra money for donations	124	19.2
Disappointed with school	112	17.3
Other organizations are more needy	87	13.5
Lack of contact/connection with school	65	10.1
School has enough money	58	9.0
Already paid enough in tuition	42	6.5
School receives funding through high tuition	25	3.9
Donates to children’s university	23	3.6
School is funded by tax dollars	23	3.6
Don’t know/unsure	15	2.3
Disapproves of donation uses	14	2.2

Donors tend to focus on local causes rather than statewide, national or international causes. Almost half (46.9%) indicated they focus their giving on local organizations and causes.

What do we know about alumni donors and their choice to give?

Alumni giving is highest among those who feel a connection to their alma mater, but most do not feel connected. Less than a third of participants report that they have given regularly to their alma mater since their graduation.

Alumni Giving

	Count	Percent
I have given regularly since I left college	389	30.1
My alma mater is sometimes on my giving list, but I haven't given regularly	372	28.8
I have not made a gift to my alma mater to date	419	32.4
I made my first gift in 2012	8	0.6
Other	104	8.0

Other responses include: gave once or twice, have not given in a long time, give time/volunteer and stopped giving.

Why? In part, a person's sense of connection to the institution may explain whether and how consistently he or she gives. Only a small percentage (9.2%) of participants reported feeling very connected to their alma mater (Appendix, Table 4). Not surprisingly, alumni donors were more likely to feel some degree of connection than were non-donors – 63.4% of those who were not very connected did not give to their alma mater in the past year (Appendix, Table 5). That sense of connectedness tends to be the lowest among graduates 11 to 20 years out of school, with 61.5% reporting they felt a lack of connection.

It's not surprising that feeling connected is related to attitudes toward alumni giving. What is surprising is that while 42.9% of participants reported that they did not feel very connected to their alma mater, 83.6% responded that they were satisfied with their level of connectivity to their college (Appendix, Table 6). These results suggest that most alumni, feeling satisfied with their level of connectivity, are not motivated to develop a stronger relationship with their alma mater. This is a critical challenge for advancement officers. Without deeper relationships and increased connectivity, donor numbers will not increase and colleges will be forced to raise funds from a shrinking base.

Creating an affinity with alumni for their school is a balancing act that requires assets and creativity. Considering that advancement offices often lack significant marketing budgets, the result is limited resources and restricted access to potential donors. Most institutions actively seek ways to curtail costs while continuing to run effective programs. In assessing your programs on an ongoing basis, you need not always increase expenditures, but rather leverage strategies that optimize results and produce strong return on investment.

A common advancement strategy for achieving that sense of connectedness among donors is the giving society, a recognition program to acknowledge donors by level of giving. Unfortunately, 37.3% of alumni participants indicated that such societies are not at all important in making them feel connected to their alma mater (Appendix, Tables 8-10). Just 15.4% reported being a member of a giving society, and 34.8% indicated they were not aware of such a society at their college (Appendix, Table 7).

If you are planning to achieve long-term (and short-term) success by increasing the affinity with your prospects, you need to lay the groundwork for support and solicitation programs that are continuous, successful and cost-effective. Implementing these programs will create a donor-centric approach and produce revenue now and in the future. Using a strategic approach combines analytics and direct marketing expertise with the ability to continuously test strategies, offers and segmentation and enhance your core messaging. While this may require investments similar in size to doing the work in-house or even outsourcing, campaigns can be much more successful when you are strategic and have greater insight into donor behavior.

How do donors decide how much to give?

Donors assess giving levels annually based on their personal situations (Appendix, Table 11). While advancement officers tend to view alumni giving based on what a donor gave in the past year, donors do not. More than half of alumni donors base their donation on their personal situations in any given year. Only 7.9% of the alumni donors reported that they try to give a little more each year. Financial standing is a key determinant, with 43.6% of alumni donors stating that they'd be likely to give more in the future if their personal income increases.

Which activities are most effective for requesting donations?

The annual fund must be a major focus for advancement. The most popular targets for alumni giving are the alumni annual fund (32.0%), the department/major (28.3%), faculty research initiatives (28.0%) and athletics (22.8%) (Appendix, Table 12). Within this annual activity, schools should highlight areas of need and how donations are allocated, including specific examples. More than two-thirds (68.9%) of alumni donors reported that knowing specifically how their financial gifts were used by their alma mater was at least somewhat important (Appendix, Table 13). When asked for donations, 46.9% indicated that they are not told about the school's specific needs, while 30.2% said that at times they are told of a specific need but not always (Appendix, Table 14). Just 23.0% said specific information about intended uses for the funds accompanied the requests for donations. In fact, 49.8% said they want an overview of the initiatives that need their support when they make donation decisions. More than one-third (34.2%) want a list of giving options, and 31.0% want presentations on how financial gifts help the institution (Appendix, Table 15).

What preferences do alumni have regarding donation requests? Less than a third (30.5%) of participants indicated they received too many donation requests over the past year, while 63.3% said the number of requests was about right (Appendix, Table 16). Requests should come via personal letter (39.6% preferred) or email (39.5% preferred). Just 12.1% preferred to receive an online gift form, and only 8.8% preferred a telephone call (Appendix, Tables 17-18). Be sure to balance resources devoted to mail and phone accordingly – phone programs have high costs because of the human resources they require. A strategic direct mail program combined with email messages should allow you to reduce that expense and respond to alumni preferences. From whom should the request come? For many, the source of the request is irrelevant, but for 18.1%, a current student is the most effective choice (Appendix, Table 19).

How can we better understand non-donors?

Those who do not give to their alma mater were asked to provide their reasons. The top three reasons were discontent with institution, commitment to other charities and limited funds for charitable giving. While two of these reasons are related to resource constraints, 37.2% responded that discontent was the issue (Appendix, Table 20). This finding emphasizes the need for institutions to communicate with graduates and put them in the center of the conversation, make the communications about them and offer a clear exchange of value between the individual and your institution.

A Strategic Approach to Advancement

The survey data reinforce that a strategic approach to advancement is necessary in order to increase alumni participation and drive increased net revenue. The most effective strategies are, not surprisingly, built with a focus on donors' giving preferences. The survey provides essential insights into what motivates alumni to give to their alma mater over other charitable organizations.

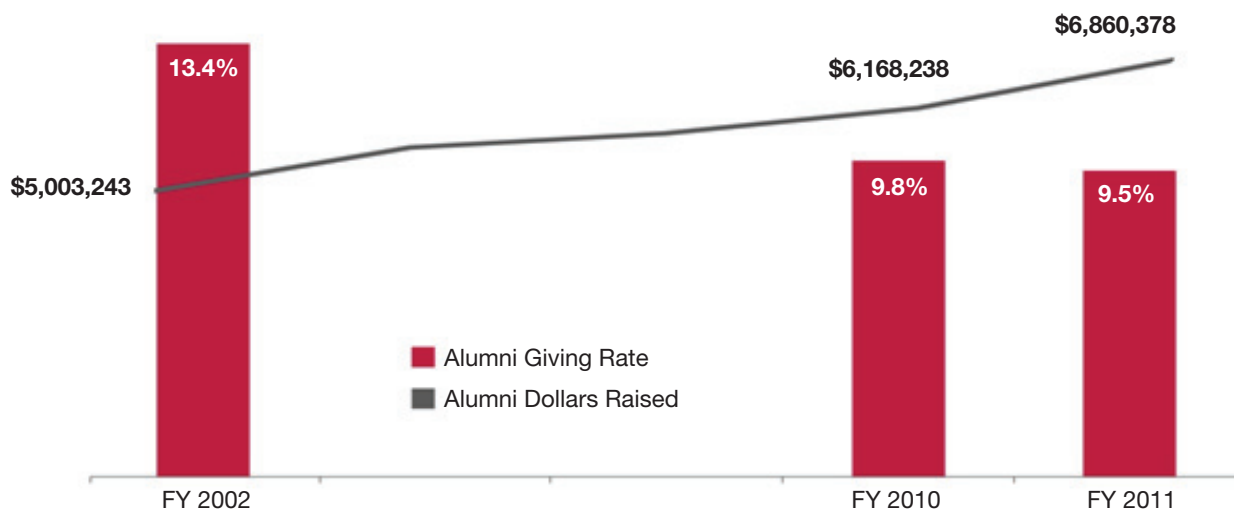
In this section, we examine several components of advancement strategies that have proved highly effective in the marketplace, and we explore how those strategies are supported by the survey results. The primary emphasis is on annual giving campaigns because, as the survey results indicate, the annual fund is the most popular target for alumni giving and must be a priority in any advancement effort. As a corollary, we cover the positive impact successful annual campaigns have on overall fundraising sustainability and on building a pipeline for major gifts.

The Current Charitable Giving Environment

Understanding the current charitable giving environment is a necessary precursor to any discussion of advancement strategy. The most relevant trend across the entire charitable giving landscape is a dramatic increase in the number of active, IRS-registered nonprofit organizations, from 400,000 to more than 1 million since 1995 [Urban Institute National Center for Charitable Statistics]. In short, there are significantly more organizations competing for your alumni's financial resources than there were in years past. Additionally, many of these organizations operate with fundraising as a primary goal, meaning they devote ample resources to raising money, and they often benefit from highly refined fundraising strategies.

When we narrow our focus and examine the higher education giving environment, the trend is equally daunting. While the amount of money raised by higher education institutions has increased moderately over the past decade, that financial support is coming from an increasingly smaller number of donors [Voluntary Support of Education 2011 Survey]. Relying on larger and larger gifts from fewer alumni every year is not a sustainable approach to advancement.

Alumni Support of Higher Education



Source: Voluntary Support of Education 2011 Survey

How do you identify your highest-value audience?

Our alumni survey data provide context and support for what the market has already shown: the highest-value audience for advancement consists of alumni who have given in the past. While various subsets of that audience may be most productive depending on an institution's specific alumni demographics, alumni who have previously participated in advancement campaigns consistently prove most receptive to future giving.

Responses to the survey suggest why that is the case. Although 42.9% of participants reported that they did not feel very connected to their alma mater, 83.6% responded that they were satisfied with their connection. This indicates that a significant portion of the alumni with a limited sense of connection has little motivation to engage and build increased connectedness to their alma mater. These same alumni are also less likely to give because they do not feel connected to their institutions.

Cultivating this “not connected, not interested” group's sense of commitment to their institution – and thereby adding them to the ranks of likely givers – would require significant resources, with no guarantee of success. In contrast, alumni who have given in the past have already demonstrated a sense of connectedness and interest, which can be maintained or rekindled, thus producing a better near-term return on investment from your annual giving resources.

Which annual giving campaign strategies provide the greatest ROI?

Annual giving campaigns that focus on your high-value audience – alumni who have given before – are the most likely to generate engagement and increase active donors and dollars. Consequently, strategies that promote renewal of existing donors and recapture of lapsed donors provide the greatest ROI. Although acquisition of new donors should not be ignored, engaging past givers, and thereby reducing turnover, will increase donor numbers and revenue more rapidly than new-donor acquisition and also create higher-quality, long-term givers.

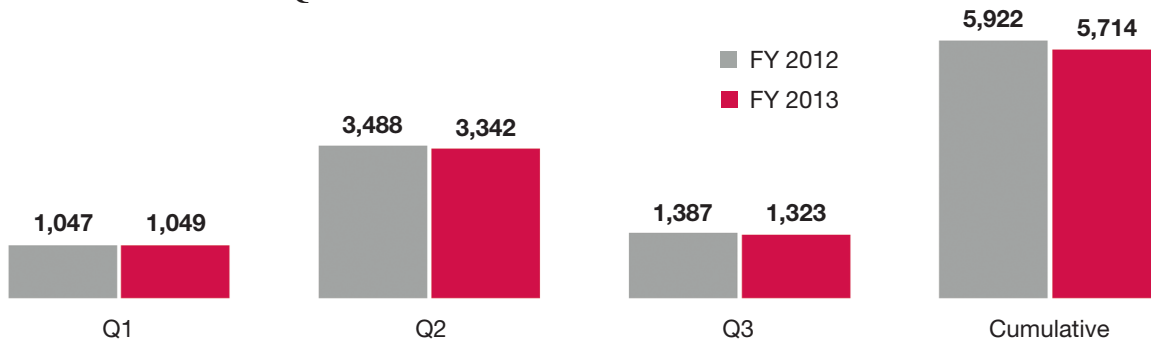
Donors value their sustained sense of personal commitment and rate it as the number one reason provided for giving to their alma mater. Making this kind of personal connection long-term requires personal communications that resonate with alumni. The best way to achieve this is by meeting alumni where they are through understanding their donor history. Although information such as major or class year can provide one level of personalization, donor history is a better indicator of a donor's fundamental relationship with his or her institution.

A detailed understanding of donor history and likelihood of giving also allows you to focus resources where they are likely to deliver the greatest return. Consider, for example, a first-year returning donor. While many traditional advancement campaigns immediately ask for a second-year upgrade, a strategic approach that accounts for donor preference (only 7.9% of survey respondents try to give a little more each year) forgoes the upgrade ask in favor of further solidifying the relationship and simply renewing the gift. As a result, this approach retains far more donors, which not only increases participation, but also leads to increased revenue and helps build a more robust pipeline for major gifts.

Case Study: University A

University A, a large, research-oriented university in the Midwest, provides an excellent example of the power of a strategic approach to advancement. As you can see in the following graph, University A advancement officials found themselves in a position at the start of the fourth quarter of Fiscal Year 2013 where they were not only behind their participation goal for the year, but also behind their cumulative participation results from FY 2012. In response, they acted decisively to drive a successful fourth quarter by deploying multiple strategic annual giving campaigns.

Results at Start of Fourth Quarter



These strategic campaigns were focused on attracting two major groups. First, the campaigns targeted renewing FY 2012 donors and engaging the large number of lapsed donors. Second, University A needed to engage its young alumni population, a group that was not only growing, but also giving at a substantially lower rate than other alumni groups.

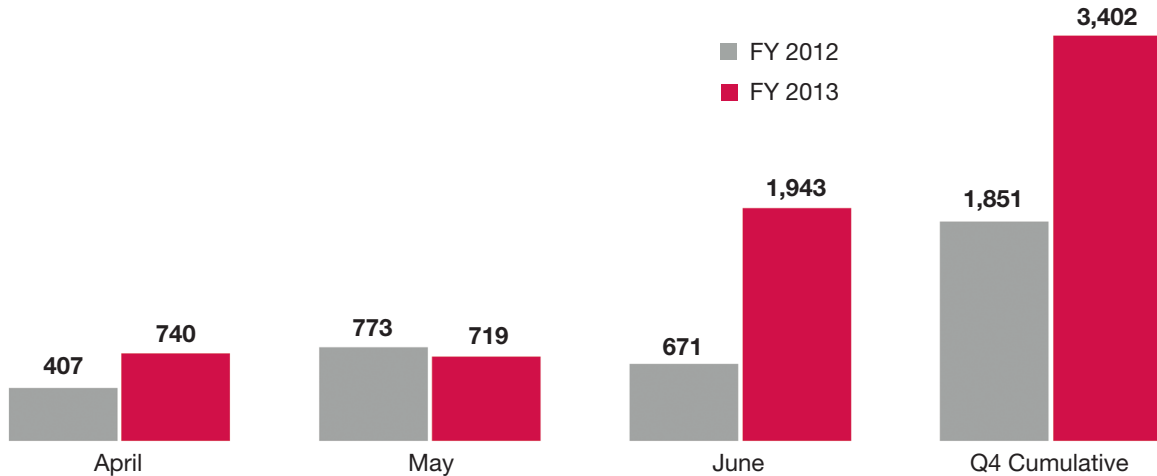
The fourth quarter kicked off with a letter from the President that conveyed a vision for the future and made the case for how alumni support – at any level of giving – was integral to University A’s future success. The message contained a direct ask and was supported by electronic communications from members of the development team. Within this message, the President introduced a Challenge Match that would be available to all fourth-quarter donors.

The next campaign picked up on the presidential message and further emphasized the opportunity for donors to increase their impact on University A students by taking advantage of the matching gift. The letters and emails within this campaign targeted the known desires of specific donors and created a sense of urgency surrounding the end of the fiscal year (which happened to be the last day the match would be in effect).

With an eye toward the young alumni population, University A created a crowdsourcing, social media-driven Day of Giving. For weeks prior to the day, University A solicited volunteers to “like” the campaign on social media, built excitement through email and social media posts and created a sense of competition. Throughout the day itself, premiums were offered for new donors (e.g., “The next 100 donors get a signed copy of Professor X’s new book”), as well as recognition opportunities, and a running scoreboard was kept for all to see.

This strategic approach, focused on the needs of University A’s most valuable audiences (non-renewed donors, lapsed donors and young alumni), enabled the annual giving campaign to not only catch up with FY 2012, but also generate the highest annual giving year (and day) in recent memory, in terms of both donors and revenue.

Results at End of Fourth Quarter



Conclusion

As the success of University A’s campaigns demonstrate, a strategic approach to advancement makes it possible to achieve your fundraising goals, even in today’s challenging charitable giving environment. By focusing on donor preferences, colleges and universities can make a compelling case for alumni to prioritize giving to their alma mater. The responses to the survey show that alumni must be engaged in a personal manner that clearly demonstrates the impact of their giving. Additionally, to maximize returns on investment, annual giving campaign strategies should focus on renewal of existing donors and recapture of lapsed donors and be driven by alumni donor history. With these strategic pillars in place, institutions will be well-positioned to increase donor numbers and generate increased net revenue from advancement.

Appendix

Table 1: Priorities for 2013 Gifts

	Mean
Your church/synagogue or other religious organizations	1.45
Other human services (youth centers, women's shelters, feeding programs, etc.)	1.98
Health care organizations (hospitals, clinics, cancer centers, etc.)	2.01
A college and/or university you attend/attended	2.05
Animal agencies (shelters, clinics, pet adoption services, etc.)	2.08
Other educational institutions (high schools, middle schools, grade schools, etc.)	2.14
Environmental organizations	2.16
Arts organizations (symphony, ballet, museum, etc.)	2.24
Political organizations and/or politicians	2.37

Mean Score based on a three-point scale where 1 = first priority.

Table 2: Reasons for Prioritizing Alumni Giving

	Count	Percent
Sense of personal commitment to college/university	104	66.7
To improve the quality of education	41	26.3
To provide scholarship to current student	25	16.0
Belief that the school is spending wisely	6	3.8

Table 3: Reasons for Priorities Other Than Alumni Giving

	Count	Percent
Religious obligation	130	34.5
Belief in organization's goals	112	29.7
Belief that other organizations have a greater need	101	26.8
Better investment	30	8.0
Desire to give back to the community	23	6.1
Same priority	13	3.4

Table 4: Sense of Connectedness to Alma Mater

	Count	Percent
Not very connected	573	42.9
Somewhat connected	413	30.9
Moderately connected	226	16.9
Very connected	123	9.2

Table 5: Sense of Connectedness by 2012 Giving

Gave to alma mater in 2012	Yes		No	
	Count	Percent	Count	Percent
Not very connected	214	28.5	265	63.4
Somewhat connected	247	32.9	115	27.5
Moderately connected	180	24.0	29	6.9
Very connected	109	14.5	9	2.2

Table 6: Satisfaction with Sense of Connectedness to Alma Mater

	Count	Percent
Satisfied	1,113	83.6
Dissatisfied	218	16.4

Table 7: Membership in Giving Society at Alma Mater

	Count	Percent
Yes	134	15.4
No	432	49.8
I'm not aware of a giving society at my college	302	34.8

Table 8: Membership by Level of Connectedness

	Level of Connectedness					
	Low		Medium		High	
	Count	Percent	Count	Percent	Count	Percent
Yes	11	4.5	71	13.9	52	46.0
No	138	56.6	258	50.5	36	31.9
I'm not aware	95	38.9	182	35.6	25	22.1

Table 9: Importance of Giving Society in Influencing Connectedness

	Count	Percent
1 = Not at all important	321	37.3
2	133	15.5
3	80	9.3
4 = Somewhat important	191	22.2
5	66	7.7
6	46	5.3
7 = Very important	23	2.7

Table 10: Importance of Giving Societies by Membership

	Member of a giving society at your alma mater					
	Yes		No		Not aware	
	Count	Percent	Count	Percent	Count	Percent
1 = Not at all important	14	10.5	179	42.0	128	42.5
2	21	15.8	61	14.3	51	16.9
3	11	8.3	49	11.5	20	6.6
4 = Somewhat important	38	28.6	80	18.8	73	24.3
5	22	16.5	29	6.8	15	5.0
6	19	14.3	21	4.9	6	2.0
7 = Very important	8	6.0	7	1.6	8	2.7

Table 11: Conditions for Giving More to Alma Mater in the Future

	Count	Percent
Personal income increases	312	43.6
Appropriate use of funds by institution	141	19.7
Nothing would change my giving	123	17.2
More alumni events	67	9.4
More information on school events and activities	67	9.4
Changes within school structure	34	4.8
Children attend my alma mater	18	2.5

Table 12: Top Giving Targets at Alma Mater

	Count	Percent
Alumni annual fund	278	32.0
Department of my major area of study	246	28.3
Faculty research	243	28.0
Athletics	198	22.8
International programs	117	13.5
Student scholarships	68	7.8
Academic programs	51	5.9
Endowment	27	3.1
Special building projects	27	3.1
Sustainability initiatives	13	1.5
Other	44	5.1
I am not likely to designate my gifts for a specific activity/entity	81	9.3

Other responses include: requests from specific schools within the college, specific groups/clubs on campus and scholarships.

Table 13: Importance of Knowing How Financial Gifts Are Used

	Count	Percent
1 = Not at all important	144	16.8
2	72	8.4
3	51	5.9
4 = Somewhat important	233	27.1
5	85	9.9
6	119	13.9
7 = Very important	155	18.0

Table 14: Specificity in School Requests for Funds

	Count	Percent
Yes	219	23.0
No	447	46.9
In some cases but not in others	288	30.2

Table 15: Desired Information to Accompany Requests for Funds

	Count	Percent
Overview of initiatives that need my support	625	49.8
Potential giving options for me to consider	429	34.2
Presentations about how gifts help the institution	389	31.0
Profiles or interviews with benefactors and beneficiaries	167	13.3
List of donors by giving levels	117	9.3
Other	303	24.1

Other responses include: don't want any information, department-specific information, financial aid information, how gift will help improve the school, how gifts are used, budgets and top needs of the institution.

Table 16: Number of Requests from Institution

	Count	Percent
The number was about right for me	613	63.3
I received too many	296	30.5
I didn't receive enough (I need more frequent reminders)	12	1.2
Other	48	5.0

Other responses include: no phone calls, no contact from current students, no reminders and no paper.

Table 17: Contact Preferences for Giving Requests

	Count	Percent
Personal letter	343	39.6
Email	342	39.5
Gift envelope included in mailing	240	27.7
Online gift form	105	12.1
Telephone call	76	8.8
Other	20	2.3

Other responses include: not by phone, once a year and not at all.

Table 18: Significant Differences

Preferred Approach	Gave to Alma Mater in 2012			
	Yes		No	
	Count	Percent	Count	Percent
Email	219	36.9	97	47.3
Telephone call	69	11.6	5	2.4
Gift envelope included in mailing	178	30.0	43	21.0

Table 19: Preferred Contact

	Count	Percent
Current student	157	18.1
Dean of your school	73	8.4
Classmate	51	5.9
Development officer	48	5.5
Faculty member	41	4.7
Other alumnus	41	4.7
President	29	3.3
Athletic director	9	1.0
Other	44	5.1
No preference	376	43.3

Other responses include: alumni association, department chair, coach and no one.

Table 20: Reasons for Not Supporting Alma Mater

	Count	Percent
Discontent with school	136	37.2
Prefer to give elsewhere	110	30.1
Limited personal funds	92	25.1
Given enough to school already	20	5.5
Belief that school should lower tuition	13	3.6
Nothing specified/none	11	3.0
Don't want to donate	8	2.2
Plan to donate soon	4	1.1