

Everything is Connected to  
Everything Else

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## Everything is Connected to Everything Else

by PENELOPE BURK

The title of this article is translated from an ancient aboriginal saying that is most commonly applied to the environment. But “*everything is connected to everything else*” also has an important implication for fundraisers and a critical one for those who work in planned giving.

All that we do in fundraising is designed around and driven by the solicitation programs that raise the money, and that extends to how the Development Department is structured. In a charitable organization that utilizes several different kinds of fundraising programs to acquire donors and renew their support, the fundraising office is segmented by program – direct mail is down the hall, corporate campaign is on your left, and planned giving is upstairs to the right. And, inside those offices are the Direct Mail Manager and her staff, the Corporate Campaign Director and his assistant, and so on. It’s interesting that our terminology has everything to do with solicitation methodologies and nothing to do with donors. Why isn’t her title, “Manager of New Donor Retention” or his, “Director of Partnerships with Compatible Corporations”?

Organizing Development Departments by program also means hiring staff for their expertise in a particular type of fundraising and evaluating them based on the amount of money they raise in those isolated programs. This seems pretty logical if you design your department around only fundraisers and fundraising programs, but the logic doesn’t translate to the most important stakeholder of all – your donors.

Donors don’t see themselves as “direct mail donors” or “major gift donors”; they are simply donors and they’re just trying to support the work of charities they admire in as meaningful a way as possible. They also know that charities can only get ahead if donors stay loyal to the cause long term. A donor’s first time gift of \$25, for instance, won’t have a measurable impact on your organization and, in fact, may be a net loss. So, if donors want to stay loyal and if they know that raising money costs money, why is donor attrition so high and why are so few donors, relative to the number who support a charity, reaching the planned gift level?

In fact, donor attrition is so severe that 90% of donors who give for the first time in your charity’s next acquisition program will not be giving by the end of the fifth renewal campaign (80% in university alumni direct marketing programs). This alarming figure should be of great concern to planned giving professionals because it has a direct impact on your potential.

Our company's national research studies on the key motivators of donor loyalty (*Thanks!..A Guide to Donor-Centred Fundraising, 2000 and Donor-Centered Fundraising, 2003*) discovered that three things influence donors to stay loyal and give increasingly generous gifts over time, and that all three are tied to donor communication. They are:

- prompt and personalized gift acknowledgment
- confirmation that funds will be used as originally indicated in the solicitation
- measurable results on donors' last gift before they are asked for another one.

Because an astounding 93% of Study donors identified these three things as the most important influencers of long term loyalty and gift value, a “**donor-centered**” charity is one that can consistently provide them.

The vast majority of donors come into a charity through its direct marketing programs (direct mail in particular but also telemarketing and canvassing), and these programs are poorest at giving donors the three things they need. Planned Giving, on the other hand, is the “donor-centered headquarters” of the Development Department where donors enjoy superior relationships and meaningful communication. However, the reason that planned giving only occupies a tiny space at the upper point of the fundraising pyramid is that something is going dreadfully wrong down below. In a department built on isolation by program, planned gifts specialists may not even realize that their future bequest donors are walking away in frustration long before they ever hear the words, “planned giving”.

Here are four reasons why your current potential in planned giving is limited:

1. Although direct mail programs are very good at acquiring donors, they are exceedingly poor at retaining them. As your prospect group for planned giving is drawn largely from retained donors lower down in the fundraising pyramid, your potential pool is only 10% of donors who originally expressed a philanthropic interest in your cause.
2. 10% may be optimistic. In fact, isolation of one fundraising program from another and isolation of the people who run them, means that planned giving officers are competing for that 10% with all the other fundraisers in the department. Inside every fundraising program is a mini-version of the donor pyramid where a minority of the donors are contributing a majority of the revenue. As the Direct Mail Manager is, like everyone else, evaluated on money raised, she needs to hold on to those donors at the top if she wants to hold onto her job. Though these high performing donors are more than ready to move up and out of direct marketing, too many of them are held back artificially, increasing the likelihood of their eventual attrition.

3. The #1 and #2 reasons for donor attrition are lack of meaningful information and over-solicitation, both of which are characteristics of direct marketing programs but not prevalent in Planned Giving. Success in Planned Giving lies in developing close relationships and soliciting strategically and that is why both conversion and retention are maximized in this form of fundraising. If a donor stops giving while in the direct marketing program, their loss is also the planned giving officer's loss.
4. Lack of "synchronicity" between fundraisers and their donors – specifically readiness of donors to give vs readiness of the Development Department to seize the opportunity. Testing connected with our donor-centered research found that a small but meaningful percentage of just acquired donors is ready to offer a much more substantial gift immediately if the right connection is made. Sadly, we don't tend to see the potential that is just beyond our immediate field of vision; we see only the modest gift amount right in front of us and react with more solicitation and little, if any, meaningful information.

Planned Giving professionals are quite right to ask, "If a greater proportion of donors can be retained, will they actually be prepared to commit planned gifts?" The answer is a resounding, "Yes". A national survey in Canada that is now over 15 years old (Decima Research) found that 34% of Canadians with a will were willing to include a bequest to a charity but only 7% had been asked<sup>1</sup>. As well, in spite of a strong focus on this most important form of fundraising in the past decade, the incidence of planned giving has increased by only 1% in eight years<sup>2</sup>. The fundraising industry has been seemingly slow to capitalize on this incredible opportunity but part of the reason is the loss of those once eager donors before the Planned Giving officer realizes they exist.

So, what is the financial benefit for planned giving if fundraising and donor communication are realigned to give donors what they want? Consider this scenario. A charity conducts a direct mail acquisition program in May, 2004 and acquires 1000 new donors. With two renewal programs run each year starting in November, 2004, the charity will have 100 donors still actively giving by the end of 2006 (based on industry statistics on donor attrition in direct marketing). Let's then say that 20% of these 100 retained donors are targeted for the planned gifts program, and of those 20 donors, 10 or 50% say yes to a planned gift at a gift average of \$10,000 within the next 12 months. That would be a gross revenue of **\$100,000** in planned gift commitments by the end of 2007.

1. We were not able to identify a study of American donors that has asked the same question.
2. National Committee on Planned Giving, *Planned Giving in the United States 2000: A Survey of Donors*

In a donor-centered environment where prompt, personalized gift acknowledgment and meaningful communication are in place right from the start of the relationship, the productivity of those same 1000 acquired donors in planned giving can be dramatically different. The table below illustrates, using statistics from our research studies and associated controlled testing:

Activity	Donors	Revenue
Initial donor pool at acquisition	1000	
4% move up to major or planned gift at an average of \$10,000 when phoned by a leadership volunteer who thanked them for the gift within 48 hours	40	\$400,000
Remaining 96% of donors continue to be solicited in five renewal campaigns through the end of 2006. Because they receive meaningful information concerning their gifts at work in the interval between each solicitation, donor retention is 25% instead of 10%	240	
Because a meaningful relationship exists with all retained donors, more are willing to consider a planned gift. So, 50% are targeted for the planned giving program	120	
75% of those targeted agree to a planned gift at an average value of \$10,000 and these gifts are negotiated by the end of 2007	90	\$900,000
Meanwhile, 50% of the original group of 40 planned gifts donors who made commitments in 2004 make a second planned gift sometime in the next 3 years at a value of \$15,000	20	\$300,000
<b>Total value of planned gift commitments in a donor-centered fundraising operation</b>		<b>\$1,600,000</b>
<b>vs total value of commitments through traditional fundraising in the same period</b>		<b>\$100,000</b>

In a donor-centered model, charities invest early in communication while donors are giving through direct marketing programs and resource the Planned Giving office to

accommodate a greater volume of prospects. Still, the donor-centered alternative is still substantially more lucrative.

In fundraising, every program is connected to every other program, and every fundraiser is connected to every other fundraiser, no matter how hard we try to work in isolated program-based silos. Planned Giving works because it puts the donor first but, right now, Planned Giving is working with too few donors. It's time for the rest of the fundraising industry to recognize that everyone's #1 job is to hold on to those donors until the Planned Gifts officer can get to them. And, it's time for Planned Giving professionals to get much more involved in what's happening downstairs. ~

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