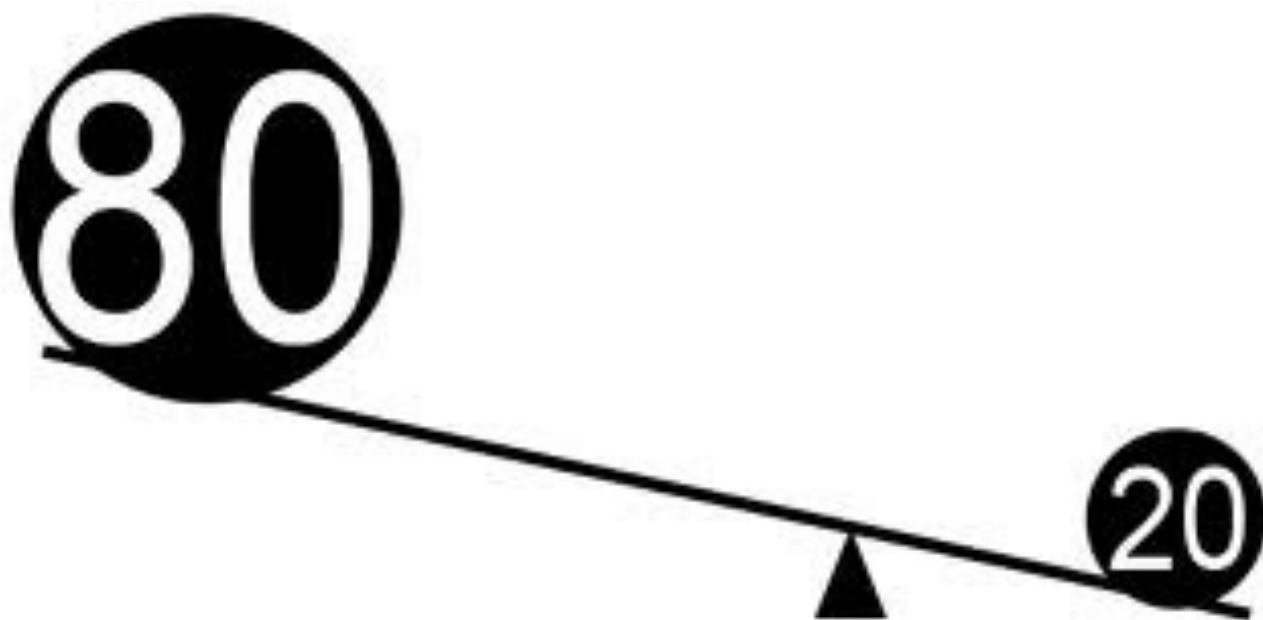

Major Gift Fundraising



The 80-20 Rule

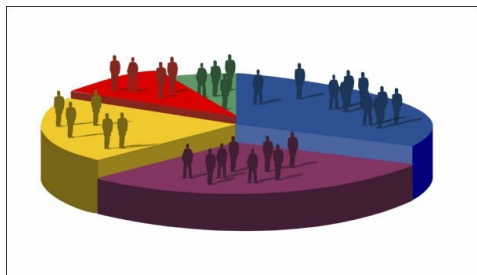
The 80-20 rule (the Pareto Principle) states that often about 80% of the effects result from 20% of the causes. In fundraising, this suggests that 80% of donations come from just 20% of donors. There is empirical evidence to support the rule, although the exact ratios vary. For example, data collected in early 2015 by Bloomerang (a donor management software company) from over 700 nonprofits in North America showed that 88% of donations came from 12% of donors (bloomerang.co). Near the extreme end of the spectrum, multi-million dollar fundraising campaigns at the University of Toronto and the University of Calgary elicited 97% of funds from just 3% of donors (Myers, 2011). Obviously, major gift fundraising is an important undertaking.

What is a major gift?

What defines a major gift depends on the perspectives of the organization and the donor, and the method of solicitation. A major gift for one nonprofit may not be categorized as such for another organization; for example, a \$1,000 donation may offset a large portion of the annual operation budget for a small, local charity, but would be a relatively small offering to a large,

national foundation. Much also depends on the age and development of the nonprofit and its fundraising program. Generally, from the perspective of the organization, a major gift may be defined as one that is significantly greater than a typical donation (after an appropriate cost-benefit analysis). How the donor defines a major gift, however, is what dictates the process by which the gift is secured. Typically, a major gift is bestowed only after a lengthy period of relationship-building (“cultivation”) between the nonprofit and the donor.

The Science - Identifying Prospective Major Gift Donors



The first step in identifying prospective major gift donors relies on quantifiable information, including a donor’s age, income and assets, education level, family size and stage, and history of giving (to your nonprofit as well as others). Next, qualitative factors such as a donor’s interests and hobbies should be determined. Often more challenging to elucidate, but most important in identifying viable major gift prospects, is a donor’s

motivation for giving. Many researchers have attempted to segment the donor population. For example, Neighbor and Ulrich (2010) describe six donor segments, in each of which the top-ranked motivation for giving was at least four times more important than in any other segment:

- ❖ **Repayer:** gives to causes or organizations that have directly affected their life
- ❖ **Casual:** gives to established “brand name” organizations
- ❖ **High Impact:** gives to organizations they feel are making the biggest difference
- ❖ **Faith-Based:** gives to organizations that fit their religious beliefs
- ❖ **See the Difference:** gives to organizations working in their local communities
- ❖ **Personal Ties:** gives to organizations when they know the leadership or were asked to give by a friend

It is inefficient to try to appeal to all segments of the donor population; the authors recommend focusing on the segments most likely to be attracted to your organization. Some sources of information helpful in identifying prospective major gift donors may include census data, real estate filings, business filings, annual reports, and published or broadcast interviews.

The Art - Securing a Major Gift

The model of relationship-building and major gift decision-making summarized here (Knowles and Gomes, 2009) is comprehensive and well-researched. Many other sources suggest a similar approach to major gift fundraising by nonprofits.

AWARENESS AND UNDERSTANDING

After identifying prospective major gift donors, fundraisers should ensure that the donors have an awareness and understanding of the nonprofit's mission and goals – even if the donor has already had some contact with the organization. It is important to focus on the specific needs and interests of each donor: why would knowing about the organization be interesting or otherwise beneficial to the donor?

INTEREST AND INVOLVEMENT

The major activity during this stage is to encourage donors to become involved with the nonprofit in ways that interest them, for example volunteering time or professional services.

DESIRE TO HELP

Before this stage, the nonprofit will have segmented the prospective major gift donor market and targeted those donors that best align with its mission and goals, and by building awareness and interest, positioned itself as the nonprofit of choice for those donors. A strong relationship is built on trust and commitment, and although trust is of great importance, research has shown that a desire to help (i.e. give) is mediated more by commitment. The authors suggest using status-building as a means to strengthen commitment and the desire to give, for example, honouring the donor at an event, or arranging a meeting with a famous or important person.

TRIAL GIFT

The authors recommend requesting a small “trial” gift to demonstrate to the donor the effectiveness of the nonprofit. The gift might be used to fund a project that is of special interest to the donor or to fund a small special event, and works to build trust and credibility.

INFORMATION

Information about what and how to give. At this stage, a prospective major gift donor should be aware that a major gift request is inevitable. Many sources agree that if a donor is surprised by or highly resistant to the request, the fundraising team has failed to appropriately cultivate the relationship. In preparation for “the ask”, the fundraising team should develop a proposal that reviews why the request is being made, relevant timelines, how the donation will advance the donor's goals through the nonprofit, and describes how the nonprofit plans to maintain an on-going relationship with the donor. The proposal should be presented by a team well-trusted by the donor and of appropriate status within the organization.

MAJOR GIFT ACTION

Following the receipt of a major gift, it is important that the nonprofit follow-up with the donor to express gratitude and appreciation, and to put into action the plan developed to maintain the relationship.



Facts and Figures

Of more than 700 North American nonprofits surveyed by Bloomerang, more than half (53.4%) responded that multiple major gifts were absolutely vital to their fundraising strategy. Although only 41.1% reported having a specific strategy for securing major gifts, 11.3% of nonprofits did not pursue major gifts at all. Of those organizations that did not actively pursue major gifts, lack of time, manpower, and expertise were cited as the primary contributing factors. Two-thirds of all respondents did not employ any full-time major gift fundraisers. Instead, the responsibility fell to other fundraisers or executives within the organization.

Almost 20% of the nonprofits in Bloomerang's survey had more than 50 major gift donors, but more than half (49.9%) had less than 10. What constitutes a major gift varied considerably among the organizations; 8.4% reported that a major gift was any donation greater than \$500, and 43.7% said a major gift was greater than \$1,000. Almost as many (35.9%) considered a major gift any donation greater than \$10,000. Smaller proportions of respondents said that \$100,000 (4.5%) and \$1M (0.28%) constituted a major gift. Prospective major gift donors were identified among the nonprofit's current list of donors (90.7%), wealthy members of the community (52.4%), and philanthropists who had given to similar causes (46.1%).

Tips for Major Gift Fundraising

Countless sources offer advice for nonprofit organizations pursuing major gifts. Broadly, these tips address identifying prospective major gift donors, cultivating donors, making "the ask", and following-up with a major gift donor. Collected here are common suggestions related to identifying and cultivating donors, and soliciting donations.

- ❖ Major donors are already known to nonprofits, and it is important to look beyond databases to staff, trustees, and other supporters who may come into contact with potential donors (Day, in Third Sector, 2006).

- ❖ Focus on behaviour, not demographics. While factors like income and assets can help identify how much someone may be willing to give, they do not reveal why they give, which is the key to understanding how to attract them (Neighbor and Ulrich, 2010).
- ❖ Concentrate on building relationships with the growing number of people who have the potential to make gifts of \$1,000 to \$100,000, instead of the mega-wealthy; many of these donors probably already give to charities, but have never been asked to contribute larger gifts because nonprofit groups do not view them as large givers (Nichols, in Lewsi, 2001).
- ❖ Follow the ABCs when evaluating prospective major gift donors: Access, Belief, and Capacity. Do you know the potential donor? Does this person care about your cause? Do they have money to give? (Robinson, 2014).
- ❖ Once prospects have been identified and qualified, prioritize them. The fundamental rule of major gift fundraising should be: "Top down" and "inside out" i.e., you should first visit the prospects who have the greatest giving capacity and who have the greatest affinity with your organization (Manzi and Kipnis, 2005).
- ❖ One of the best ways to cultivate donors and connect them to your mission is by giving them opportunities to work alongside your staff in a volunteer capacity (Garecht, 2010). Without traditional volunteer roles, a common tactic is to invite someone to give a speech or host an event to promote a campaign to inspire a sense of belonging and ownership (Day and Dyer, in Third Sector, 2006).
- ❖ Offer prospective major gift donors leadership roles on committees or the governing board, or recruit them to serve as ambassadors. Best of all, ask for guidance. As the old saying goes, "If you want advice, ask for money. If you want money, ask for advice." (Robinson, 2014).
- ❖ When it comes to asking for an investment, you want the person to express surprise at not being asked before. If you have successfully navigated the major gifts model, you will have identified, informed and involved the prospect to the point where the donation is inevitable (Day, in Third Sector, 2006)
- ❖ "The ask" should be made in person. Set up an appointment by phone or email and be transparent about its purpose (Robinson, 2014). The nonprofit's team should include someone known and trusted by the donor, and an appropriate high-level representative. The meeting should also include all of the decision-makers on the donor's side, for example, the donor's spouse (Meyer, 2009).

- ❖ Present the case for support. It needs to be valid and compelling (Meyer, 2009). The proposal should describe the opportunity as it relates to the prospect's own priorities and outline the proposed action for fulfilling the opportunity, and include a summary statement of benefits the donor will derive from the gift (Dove, 2010).
- ❖ Your request should be specific, and encourage the prospect to reach. Many times major gift efforts are sabotaged by the failure to ask for as much as research has indicated the donor can give. If this is too much, the donor will let you know. By asking for too little, you run the risk of insulting your prospect or leaving money on the table (Manzi and Kipnis, 2005).
- ❖ Once the request has been made, allow the donor to respond, no matter how tempted you are to fill the silence that inevitably occurs while the prospect considers the request (Manzi and Kipnis, 2005). If does not immediately agree with the solicitation, it is important to uncover the reason for the donor's reluctance by asking "why?" (Meyer, 2009).

Comments

A large-scale survey of affluent individuals and nonprofits that engage in major gift fundraising would be the only way to yield meaningful results with respect to the potential success of this strategy in garnering funds for Charity Science. Given the availability of other similar data, the incremental benefit associated with a study tailored specifically to Charity Science does not justify the cost of undertaking such a study. The organization would likely be better served by an investment of time in identifying prospects and developing a major gift strategy based on a review of research already available. The cultivation of prospective major gift donors requires time and patience, but does not necessarily require a significant budget – and it is up to the major gift fundraiser to determine when the cost of securing a major gift outweighs the value of the prospective gift. For example, flying across the country to solicit a \$1,000 gift essentially negates the benefit of the gift. At this point, the major gift fundraiser may choose to discontinue the relationship with the prospective donor, or scale-back efforts to secure the gift. Major gift fundraising seems to be a viable option for future fundraising efforts by Charity Science and, as evidenced by the results of the recent Bloomerang survey, has the potential to become a vital part of the organization's overall fundraising strategy.

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