

A New Approach to Donor Engagement

MOVING AWAY FROM A TRANSACTIONAL PROCESS



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Introduction

In June of 2019, Giving USA published its annual report detailing trends in domestic charitable giving for the 2018 calendar year. Following four years of sustained growth in domestic charitable contributions that exceeded \$435 billion in 2017, the 2019 report documented a 1.7 percent decline in donations, due, largely, to reductions in individual giving.

As this reduction in charitable giving is only the 13th reported in almost two generations, many nonprofit development officers were left to consider the factors that informed this change within the charitable behavior of individuals. Additionally, as determining the causality for this event became the grist within the mill of every fundraising consultancy firm, many development officers, awaiting the fruit of such labors, were left wondering if this reduction in charitable giving was an isolated incident or a harbinger of a radically changing philanthropic landscape.

Although the Giving USA report did not delineate the “why” that informed their findings, what the data does infer, clearly, is that traditional and age-old approaches to the routine solicitation of individuals will no longer serve the present or future needs of nonprofit organizations. With more than 1.5 million nonprofit organizations within the United States competing for support, those organizations that refuse to abandon past development practices will be consigned to future memory.



A Transactional Process

The annual fund is the programmatic bedrock of any nonprofit organization's advancement office. It is, for many organizations, the point of entry for new constituents. As annual fund donors persist, growing in knowledge of and loyalty to the organization, they may draw the attention of major or planned giving officers. In the event of a capital campaign, organizations typically look to their loyal annual donors with capacity to make gifts that provide critical and early momentum to the initiative. Simply stated, a dynamic annual program is, in many ways, the parent, not the child, of an effective and dynamic development office.

Yet, as documented in the Fundraising Effectiveness Project's (FEP) report on individual charitable giving for the 2018 calendar year, all metrics associated with annual giving to include new donor retention, repeat donor retention and donor acquisition were at historic lows with commensurate declines in revenues from both general and mid – level donors.

If a robust annual program is the marrow of a dynamic development office and if the findings of the most recent reports from Giving USA and the FEP are to be taken seriously, then development officers must articulate an agenda for change for their annual programs that seeks to enhance donor acquisition, retention and giving rates.

Annual funds, for many organizations, are and have historically been, "transactional" in nature. The field of process management describes a transactional process as one that has a distinct beginning, short duration and sharp ending by performance. Consider, with this understanding, a typical nonprofit organization's annual program:



The typical annual fund program also embodies key concepts that are characteristic of a transactional process:

1. *The emphasis is on an exchange of value that benefits the organization. Once that exchange of value is complete, the process is concluded.*
2. *The point of departure and emphasis is the subject (articulating the need to be funded) of the transaction and not the object (the constituent).*
3. *An underlying belief that a response is secured through multiple requests for support or the repetition of similar "touches" with the constituent.*
4. *All constituents receive the same message and or packages regardless of their previous or current relationship with the organization.*
5. *Transaction parameters and specifics are developed based upon "cost" and not "return on investment."*

When annual programs are managed in this manner, the constituent becomes little more than a "potential revenue center" for the nonprofit organization and the primary concern of that organization becomes maximizing revenue for the least possible investment. With this being said, it is little wonder that the statistics reported by both Giving USA and the FEP demonstrate a reduction, generally, in individual giving. The object of concern, therefore, for many development directors, should be the consideration of transitioning the annual program from a transactional process to a relational experience that increases donor loyalty, engagement and giving.

Relational Marketing

Unlike a transactional process that relies upon the discrete process outlined above, a relational exchange is linked to historical antecedents or interactions, is longer in duration and is a component of a longer and ongoing process.

The commercial sector has long understood and applied this concept of relational exchange in their interactions with both current and prospective clients through the development and use of relational marketing.

Although there are competing characterizations of relational marketing, defined simply, relational marketing seeks to attract, develop and retain relationships with customers. Additionally, relational marketing, in all forms, maintains the following characteristics:



The success of any relational marketing initiative is predicated upon an understanding of the motivations of consumers for engaging in relational exchanges with organizations. Research in this field is vast, yet, essentially all critics agree that individuals enter relationships with organizations when they perceive that the benefit of such a relationship exceeds the costs sustained. Additionally, studies conducted by both R.M. Morgan and S.D. Hunt indicate that both trust and having a shared value set are critical antecedents for consumers when affiliating with an organization.

Additional drivers for affiliation include:

1. *Cognitive consistency that drives greater efficiency in decision making (I always buy a Ford because I know what I am getting).*
2. *Reduction of risk that is predicated upon trusting the promise made by the organization (I buy this window cleaner because it leaves few streaks on the glass).*
3. *Realizing a goal that was made before the relationship was established (I bought these running shoes because I decided to lose weight).*

If the consumer makes a strategic choice to enter a relationship with an organization, so too does the organization make the same choice to enter into relationships that involve exchanges with consumers. If we understand "competition" as the ongoing struggle among firms to achieve a competitive advantage in the marketplace, then such an advantage is chased to secure a superior financial performance. Organizations embrace relationship marketing, therefore, to gain an advantage in a competitive market that drives better financial performance through the identification, development and nurturing of a relationship portfolio.

Developing a "relationship" between an individual and an organization is a gradual and evolving process that intends to create a permanent bond between the two parties. Within a commercial setting, relationship marketing has three levels, designed to progressively enhance the bond between the consumer and the product or brand:

LEVEL 1 – FISCAL

The consumer engages the product or brand based upon pricing. As such, the relationship is superficial and long-term engagement is questionable. This is done to attract new customers to the product.

LEVEL 2 – SOCIAL

The product or brand begins to reach out to the consumer with offers to the new customer informed by their previous purchases or interactions. The consumer is also given the opportunity to provide quantitative or qualitative feedback on the product.

LEVEL 3 – STRUCTURAL

With a better understanding of the needs and preferences of the consumer, the product or brand begins offering curated engagement opportunities designed to meet the consumer in their journey with the product. It is at this stage that consumer loyalty begins to develop.

As the consumer is drawn deeper into their engagement with the product or brand, the product or brand must ensure that the following qualities are maintained within their marketing to ensure the success of the relational initiatives:

- **Relational** – All outreach must promote a value proposition that resonates with the values of the consumer, thereby building a bond of trust between the individual and the product or brand.
- **Resource** – The product or brand must maintain internal resources (financial, human, technological) that allow for the successful implementation of any relational marketing initiative.
- **Competence** – The product or brand must have both the knowledge and competence to manage relational marketing programs.
- **Technological** – The product or brand must have the requisite technologies to deploy relational marketing initiatives. Such technologies may be internal to the organization or may be derived through strategic partnerships with external and trusted partners.

In committing technological, financial and human capital in the development and implementation of relational marketing programs, products and brands look closely at those outcomes, goals and indicators of successfully designed and implemented relational marketing strategies. Typically, a successful relational marketing program:

- *Improves the competitive position of the product or brand in the market.*
- *Drives a greater financial performance.*
- *Increases levels of customer satisfaction and loyalty.*
- *Improves learning across the organization as the efficacy of any relational marketing initiative enhances the product or brand's understanding of the needs and preferences of the consumer.*

In the early 1990's Harley-Davidson was losing significant market share to foreign competitors who were offering reliable motorcycles at a significantly lower price point. Harley-Davidson was able to win back market share when it introduced their unique relationship marketing strategy in 1993 by allowing customers to dictate and customize the product offerings that they would be most likely to engage in the future.

Harley Davidson formed an owners "club" named HOG: Harley Owners Group. Membership in this group provided a natural point of affiliation for Harley owners and club members were provided incentives for additional purchases from Harley-Davidson. All members received a one-year free membership, which in turn, helped Harley Davidson keep track and communicate with HOG members.

Data gathered from this group informed the development of future products and also provided opportunities for Harley-Davidson owners to gather on curated social medial groups, thereby increasing brand engagement and loyalty.

Creating a Relational Experience

Over time, the nonprofit sector has reviewed, and, in many circumstances, repeatedly adopted the methodologies utilized by the commercial sector to drive constituent engagement. As direct mail appeals may be traced to the mass catalog mailings of Sears and Montgomery Ward, so too was the nonprofit use of the QR code borrowed from the marketing efforts of the consumer electronic and aviation industries. Additionally, there is significant research to suggest that consumer purchasing decisions are driven by the same factors that inform individual philanthropic engagement with a specific charity.

A cognitive approach model of individual or consumer decision making posits that all decisions regarding engagement or consumption are based on the processing of information: a decision to engage a brand or product is directly related to the level or amount of information processing undertaken by the individual or consumer. Engaging in extended problem solving, seeking more information so as to mitigate the risk of purchase, has a deleterious impact upon the decision to engage a brand or product. A consumer, however, will limit the process of information gathering and assessment of alternatives when a lower level of risk is associated with brand or product engagement. These low problem-solving purchases characterize the vast majority of individual brand and product engagements as they are low in risk and the involvement of the consumer in the purchasing decision is limited.

As consumer typologies may be understood through the lens of low problem solving, so too may donation typologies be formed and characterized on this basis. Studies conducted by Rados (1981) and Bruce (1994) indicate that low problem-solving decisions are prominent when individuals financially support a nonprofit organization. When asked why people made charitable contributions, such responses included that they did so to seek the acknowledgement of peers, to “feel good” and because they felt compelled to do so because of their religious upbringing. Additionally, research sponsored by the Bill and Melinda Gates Foundation on charitable decision making reaffirms that, for the majority of donors, little energy is expended by the donor on research and information gathering before they contribute.

If commercial brand and philanthropic affiliation are, arguably, driven by the same factors, might the well documented success of commercial relational marketing have application for nonprofit development officers?

STRUCTURING THE ANNUAL PROGRAM AS A RELATIONAL EXPERIENCE

Before any nonprofit evaluates a potential realignment of their annual program to provide a more relational experience for their constituents, the following organizational capacities and capabilities need to be in place:

What do you know about the donor?

Recently, there has been much emphasis placed upon the “donor journey” in relation to creating a strong experience for a current or potential donor. Yet, as the focus on “the journey” may ask “where the donor is,” such a question is irrelevant if the nonprofit organization does not know “who the donor is.” The point of departure for any organization seeking to glean more information about their donor is the organization’s CRM, as this platform facilitates knowledge use and sharing throughout the organization. As CRM programs involve both a relationship management and a data driven component, constituent data can be analyzed to uncover potential relationships that can be used to develop engagement strategies. Yet, this is only possible when the nonprofit organization makes the requisite financial investments in enriching their CRM with overlays that provides meaningful intelligence about the constituent. Such overlays may include elements that are quantitative, such as email addresses or birthdays elements that are qualitative, like preferred methods of engagement. The most valuable data that a nonprofit can receive, however, is provided by the constituent (this assumes that the organization is establishing, maintaining and evaluating platforms that allow for the sharing of information). Additionally, nonprofit organizations must also commit to the appropriate maintenance of their database and the training of those individuals who are responsible for data management.

Can you afford to do it?

Relational marketing involves significant resource implications that may exceed the current spend of the nonprofit organization. Analytical tools, data overlays, and cross media marketing programs can be cost prohibitive and nonprofit organizations need to carefully weigh the cost – benefit of adopting such platforms.

Can you manage it?

Relational marketing is not something that can be “learned as you go” as missteps in the process portend significant consequences. An honest assessment needs to be made to determine the organization’s ability to sustain the coordinated deployment of relational marketing assets. Additionally, the nonprofit organization must adopt an orientation that makes these initiatives a priority and such realignment may necessitate both changes to organizational structure and processes that inform donor outreach.



Creating a Relational Experience

Once these capacities and capabilities are embedded with the organization, the nonprofit development officer can begin to develop relational components within their annual program by:

- 1 **Changing the Mindset** – The success of an annual program is about dollars raised and donors secured. Instead of being concerned with the cost to raise a dollar and focusing on meeting a campaign goal, development officers should be more concerned with the cost to acquire and retain a donor. Simply stated, the organizational focus should shift from currency to constituents.
- 2 **Work at Establishing and Maintaining Trust** – Although the conclusions within the literature on the drivers of philanthropic affiliation are diverse, all agree that creating a sense of trust with constituents promotes both initial donor engagement and long-term affiliation. Within the context of the annual program, trust can be inculcated by:
 - a. **Maintaining a clear and consistent message** – Over time, donors and those who are considering philanthropic affiliation, become accustomed to the tone and temper of an organization’s messaging. Radical or even subtle changes in messaging can foster a “disconnect” with current or potential donors.
 - b. **Being truthful in the disclosure of financials** – Posting a 990 on the organization’s website, requiring a donor to comb through multiple pages of data, does not, by itself, build donor confidence. Nonprofit organizations should communicate, in clear terms, the percentage of contributed funds that support the provisioning of charitable services.
 - c. **Reporting results and crafting a compelling story** – Nonprofit organizations should delineate, broadly, the impact of their work in clear terms. Aggregated results of service should be accompanied by supporting stories or narratives.
 - d. **Broadcasting organizational reputation** – Many nonprofit organizations are recognized for excellence in their service provisioning. This recognition should be communicated to current, lapsed and potential donors.
 - e. **Executing on mission** – A commitment to excellence inspires philanthropic affiliation.
- 3 **Understanding that not every touch should contain “an ask”** – Within the context of a “relational” annual program, priority should be given to developing and implementing a regular cadence of communication. Such a communication program may provide opportunities for the donor to provide support but seeking solicitation should not surpass providing relevant information to the constituent. Information that is provided should be based upon what is known – in other words – if an alumnus of a college was an English major, then updates concerning the activities of relevant professors or other departmental alumni should be considered “of interest.” Additionally, within the context of new donor acquisition programs, many organizations embed “the ask” within the maiden package. When looking to acquire new donors, organizations should request support only after the constituent has acquired an understanding of the organization’s unique value proposition. Accordingly, outreach to potential donors should begin with the goal of providing information that delineates the impact of the organization’s work.
- 4 **Providing opportunities for input and feedback** – Too often, annual programs are “one way,” providing little if any opportunity for the constituent to communicate with the organization. Actively seeking the opinions and feedback of constituents can shape, not only future outreach initiatives, but provide an excellent opportunity to harvest additional constituent data.

5 Embracing a complimentary and omnichannel approach to outreach – Annual programs that rely heavily or exclusively on a single media channel are rarely successful. Conversely, multi-channel programs that are built without a strategic architecture may confuse the constituent and actually discourage engagement. Without a clear understanding of the constituent’s channel preferences, organizations should construct annual programs that use, in a complimentary fashion, all channels so as to ensure the best rate of engagement. Additionally, if possible, organizations should assess constituent use of specific channels, and, based upon such analysis, offer curated experiences that match constituent preference.

6 Provide opportunities for constituents to affiliate and communicate with each other – Social media platforms provide an excellent opportunity for organizational champions to gather and celebrate their support. An organization should not assume, however, that maintaining a Facebook or LinkedIn page will inspire social affiliation and eventual participation. An organization needs to seek or solicit constituent participation and the experience of the constituent needs to be curated, closely, by the organization

7 Take a long and hard look at your CRM – If the only data that is retained is mailing address and giving history, resources will need to be invested to enrich the data set. Additionally, if the CRM has not enjoyed regular maintenance, such as NCOALink®, then additional revenue will need to be expended.

As competition for the philanthropic dollar becomes more acute and the dynamics informing the philanthropic market become more complex, developing strong and persistent relational bonds with donors will be essential for the survival of any nonprofit organization. As such, those organizations will need to thoroughly assess the current state of their annual program and make the requisite investments to enhance donor acquisition, retention and giving rates.

It appears that donor decision making follows a similar pattern to consumer buying decisions. There appears to be a low incidence of extended problem solving, even where relatively large donations are concerned. Examples of limited problem solving and routine response behavior, by contrast, were more prevalent.

Donations Dilemma: A Consumer Behavior Perspective, Sally Ann Hibbert and Suzanne Home, 2011

How We Can Help

For more than a century, Cathedral Corporation has been the leading provider of innovative direct response programs for nonprofit organizations seeking to enhance their advancement capabilities. Providing a strategic approach combining a deep analysis of constituent data with the application of leading technologies and creative assets, Cathedral Corporation develops omnichannel programs that increases donor and member engagement.

Monitoring and evaluating every program that we develop and manage, Cathedral provides:

- Evaluation of current programs to identify performance gaps.
- The development of omnichannel campaigns that increases donor acquisition, retention and giving levels.
- Innovative design of all campaign elements.
- Fulfillment of all elements to include print and mail.

As a strategic partner with leading industry suppliers and vendors, Cathedral provides an unmatched level of service that creates deep value for our clients.



About the Author



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James Michael Kopp serves as the vice president for nonprofit programs at Cathedral Corporation. In this capacity, he develops innovative and award winning annual and special fund programs for the leading nonprofit organizations in the United States.

Jim has more than twenty five years of experience as a senior manager in nonprofit organizations. As dean at Keuka College, Jim secured a significant grant from the United States Department of Education to address on campus alcohol and other drug consumption. Following the successful implementation of this initiative, Jim was asked to serve as a senior grant reviewer by both the United States Departments of Justice and Education.

Following roles as dean at Knox College and vice president of advancement at Green Mountain College, Jim served as director of advancement at the Diocese of Albany. In this capacity, Jim was responsible for the management of a 9 million dollar annual program and a 30 million dollar foundation.

As a senior managing director at Changing Our World, Jim directed comprehensive campaigns and development audits for such organizations as the United Nations Foundation, the Sesame Workshop, the United States Presidential World War One Centennial Commission, the Catholic Foundation of Eastern Missouri and the International Society of St. Vincent DePaul.

Jim is a frequent speaker at national and international conferences and resides in Albany, New York. He holds a M.A. from the University of Maine.



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