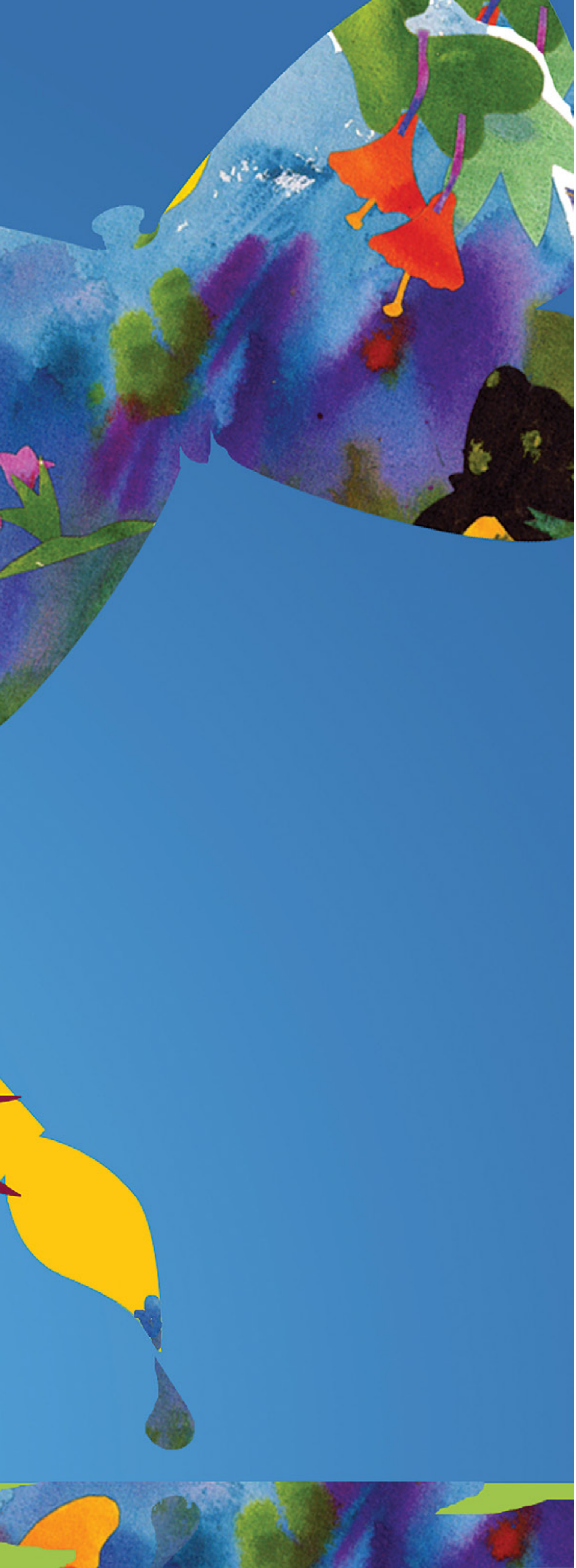
Inspiring Better



How relationship fundraising can win back skeptical donors and change the way fundraisers think about approaching them

By Paul Lagasse

When is too much simply too much? For donors, it is too many asks from too many fundraisers for too many causes.

Relationship building has become the foundation of successful fundraising, with many development professionals worldwide hard at work finding new and interesting ways to engage people with the causes they care about. However, a 2015 report in the U.K. is forcing fundraisers there to rethink how they define and build relationships, and the implications of those changes are likely to extend far beyond national borders.

The Wrong Mindset

Regulating Fundraising for the Future: Trust in Charities, Confidence in Fundraising Regulation, also called the Etherington Review after the chair of the panel that wrote it, was published in response to public concerns about fundraising tactics employed by some U.K. charities that many people felt were overly aggressive. Indeed, a 92-year-old widow, Olive Cooke, committed suicide, and some who knew her reported that she had felt overwhelmed by the barrage of solicitations she had received from charities. The issue received extensive press coverage—some of it highly sensationalized—and sparked an often-heated public debate over whether nonprofits had crossed an ethical line.

Concluding that fundraisers and the public alike had lost confidence in the U.K. nonprofit sector's ability to regulate itself, the Etherington Review made several sweeping recommendations that, if enacted, would have the force of law, including the establishment of a national

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registry for people who choose not to be solicited by charities. The major fundraising bodies in the U.K., the Public Fundraising Regulatory Association (**www.pfra.org.uk**) and the National Council for Voluntary Organizations (**www.ncvo.org.uk**), have endorsed the report's recommendations. Nevertheless, some commentators have predicted that such a registry would effectively starve nonprofits of new revenue.

Ken Burnett (**www.kenburnett.com**), managing trustee for the Showcase of Fundraising Innovation and Inspiration (**www.sofii.org**) and author of *Relationship Fundraising: A Donor-Based Approach to the Business of Raising Money,* disagrees. He argues instead that the "do not solicit" list is an inevitable outcome of a fundraising mindset that assumes that the best way to get more money is to simply ask more people more frequently.

"In taking regulation out of the hands of fundraisers in the U.K., the review body, while chastising British fundraisers for being overly aggressive, has insisted that fundraisers must put donors, not financial targets, at the heart of fundraising practice," Burnett says. "We're going to have to review how we do asking."

Nor is donor dissatisfaction with oversolicitation limited to the U.K. *The Burk Donor Survey 2014,* for example, found that, in 2013, 64 percent of U.S. respondents and 71 percent of Canadian respondents reported that they had reduced or even canceled their financial support of nonprofits that had oversolicited them.

The proper course of action in response to this donor backlash should be clear, Burnett believes. As he wrote in a 2015 blog post, "The upshot of the past horrible half year is that, in future, fundraisers are going to have to be a whole lot less persistent in asking. Which seems to suggest, logically, that we're going to have to get a whole lot better at inspiring."

A Matter of Perspective

Even though the Etherington Review does not have the force of law outside the U.K., fundraisers in other countries have been hearing similar calls for increased government oversight of charitable activities. Burnett feels that, along with the concerns about oversolicitation that prompted the Etherington Review, these and other calls for increased regulation are an inexorable result of the widespread perception—accurate or not—that fundraisers cultivate supporters just to gain access to their wallets. This is the antithesis of the philosophy that Burnett spelled out in 1992 in the first edition of *Relationship Fundraising*.

In his book and when speaking to fundraisers and stakeholders alike, Burnett defines relationship fundraising as "a donor-based approach to the business of raising money." The relationship, he elaborates, can be "remote, slender and distant, or it can be intense, close, warm and even intimate." The choice, he says, ultimately belongs to the donor. Whatever type of relationship the donor chooses, ideally it should be mutually beneficial, "where both [the donor and the organization] can see direct, tangible benefits that will encourage their relationship to continue by mutual consent and even grow."

This mutual commitment is what sets fundraising apart from other types of marketing activities that also seek to motivate people to show their support through financial means.

The difference between the two methods is really just a matter of perspective. In Burnett's view, a financial gift from a donor is the *result* of a relationship, not the reason for it. Put another way, an emphasis on the financial need of an organization or a cause is analogous to "pulling" a donor toward your desired goal. In relationship fundraising, on the other hand, you strive instead to motivate people to want to give, in effect "nudging" them toward finding that goal for themselves.

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As Burnett has written, "Instead of building the long-term relationships we need, fundraisers often opt for the low-hanging fruit of short-term money now, chasing the easiest bucks they can find to hit their quarterly or even monthly targets. At conference halls and seminars, there's talk of buying donors in volume. We've commoditized fundraising and devolved the job of talking to donors and prospects to commercial third-party contractors who ration out among us the fruits from their sites. For this short-term saving, we've sown the seeds of our downfall. Many are brilliantly talented and committed fundraisers, and we couldn't and shouldn't do without them. But the way we oblige them to work for us may not be what we need now.

"It seems to me and others, too, that what's missing is emphasis on the why and the pleasure of being a donor."

Relationships and Marketing

The catalyst for the Etherington Review was what the report described as "public concern over intrusive or aggressive fundraising methods" resulting from "high-profile cases of malpractice." The report noted that Britain's Fundraising Standards Board had received 48,000 complaints against charities in 2013, mostly regarding excessive mail solicitations. While the report pointed out that this was out of an estimated 20 billion donor contacts that year alone, Burnett and others believe that the number of complaints is still 48,000 too many.

"We need to focus less on repeated requests that are designed to wear down our donors and learn more about being inspiring," Burnett says.

He has long championed an emphasis on marketing approaches that are based on "shared emotions, truth and commitment"—in other words, using marketing techniques not to secure gifts but to secure relationships that lead to gifts. It is a subtle distinction that Burnett says many fundraisers often overlook. It also requires nonprofits to reframe fundraising expenditures in terms of the lifetime value of a donor rather than the average cost per gift. And in a post-recession economy in which fundraising costs are on the rise and nonprofits are increasingly looking to individual giving to offset declines in grant funding, that can be a very tough case to make.

Twenty-five years ago, Burnett hoped to counter the then prevailing "churn and burn" paradigm that focused on the money rather than the people sending it. "But my fundraising vision was still not based on what the donor wants," Burnett has written. "I ran a direct marketing agency. Though I tried to switch its focus toward communication, I still described our enterprise as marketing and communication specialists, putting marketing first. Why was marketing a mistake? Because our very success at it has enabled us to downplay the donor experience, which is what we should have focused on to build the long-term, 40-year-plus relationships we need. As a result, we're hemorrhaging our lifeblood while paying a fortune in acquisition just to stand still.

"The escalating cost of acquisition has now, in places, reached proportions impossible to justify unless we succeed in keeping donors a lot longer," Burnett adds. "Yet, despite persistent protestations of being donor-led and a few inspirational examples of relationship fundraising, our sector seems locked into the 'you give, we get' mind-set, with the fundraising equivalent of persistent hard selling the norm and brilliant customer experiences the hard-to-find exception."

Fully aware that many people will see his change of heart as biting the hand that has fed fundraising so well for so long, Burnett points out that the biggest argument against marketing is a simple one: Donors do not like being marketed to. The difference is, donors now have the means to express their displeasure in ways that directly—and immediately—affect a nonprofit's bottom line.

The ubiquity of "Unsubscribe" buttons has made it easier than ever for donors to terminate their relationships with charities on impulse, even when they continue to care about the cause. And with many nonprofits struggling with donor retention, every loss of a committed and passionate donor is a blow to the bottom line.

Despite what its name may suggest, relationship fundraising is very much a traditional, data-driven approach. Marketing is, and always has been, about treating people as individuals, not as numbers. That is because the best marketers know that if you focus on the gift, that is all you will get. If you focus on the donor, however, you will get all the gifts that the donor has yet to give. And the data prove it.

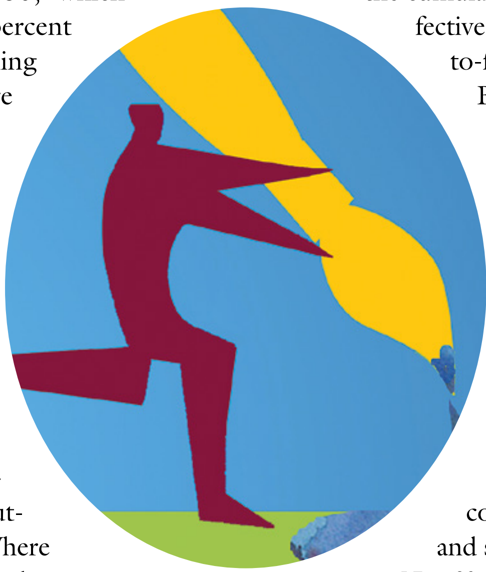
According to the *2015 Fundraising Effectiveness Survey Report,* the median donor retention rate was 43 percent in 2014. That is, only 43 percent of 2013 donors made repeat gifts to participating nonprofits in 2014. When looking at new donor retention, for donors giving less than $100, the retention rate was only 18 percent compared with 47 percent for those giving more than $250. The same trend was seen in repeat donor retention: Donors giving less than $100 had an average retention rate of 53.5 percent over the last seven years compared with donors giving more than $250, which demonstrated an average of 76 percent retention. Does this say something about the way the different donors are stewarded or their relationships with organizations?

In his article "Relationship Fundraising and Marketing: Friends or Foes?" major-gifts fundraiser Roewen Wishart, CFRE, addressed what he called the "false dichotomy" that many fundraisers believe separates donor-focused fundraising from marketing. Relationship-based campaigns rely just as much on strategies, goals, quantitative data and outcomes as transaction-based ones. Where they differ is that a relationship-focused campaign necessarily requires a longer-term view of the return on investment.

"Relationship fundraising does not mean abandoning or neglecting how we ask for money," Wishart writes. "It does mean that the transaction is the result, not the goal—and being careful with steps that reduce donor choice or favor quick returns over higher long-term returns, even where there is short-term cost."

Something to Believe In

One of the clearest trends in fundraising is that from now on, it is donors, not fundraisers, who will get to set the ground rules for their relationships with charities. The Etherington Review is just the latest high-profile effort to set limits on whom fundraisers can talk to, and how. Most donor-advised funds, for example, allow donors to give to charities without using fundraisers as intermediaries and without divulging contact information that would allow fundraisers to follow up with them. Donors have quickly become accustomed to choosing how and when they want to be contacted by the organizations they support, and they are not afraid to make their displeasure known when such options are not offered.



In the same vein, Gene Takagi, managing attorney at NEO Law Group (**www.neolawgroup.com**) in San Francisco, predicts that over the next few years, the nonprofit sector will see more state and federal regulation of nonprofits in response to increased media scrutiny. He also foresees that nontraditional forms of giving, including for-profit social enterprises, benefit corporations and mission- and program-related investing, will challenge traditional foundation-based giving.

Many fundraisers see these and other changes as having the cumulative effect of taking away their most effective tool: the ability to go to donors face-to-face and persuade them to give. Ken Burnett and other donor-focused fundraisers have argued that the only realistic solution to this trend is to find ways to persuade donors to come to them instead. The way to do that, they believe, is by getting back to basics and focusing on shared experiences, or what Arthur C. Brooks, president of the American Enterprise Institute (**www.aei.org**) in Washington, D.C., calls creating meaning. "Donors possess two disconnected commodities: material wealth and sincere convictions," Brooks wrote in a *New York Times* op-ed piece ("Why Fund-Raising Is Fun," March 29, 2014). "Alone, these commodities are difficult to combine. But fundraisers facilitate an alchemy of virtue: They empower those with financial resources to convert the dross of their money into the gold of a better society."

Burnett's opinion on the matter echoes Brooks' sentiment. "I think we should be more conscious than other enterprises that we're encouraging people to do the right thing," he says. "Our profession is based on the idea that people buy our product because it makes them feel like they're making a difference." In this regard, he likes to quote American marketing guru and illustrator Hugh McLeod, who said, "The market for something to believe in is infinite."

What's Next?

Looking toward the future, Burnett believes that fundraising could be on the cusp of what he calls a "golden age," but it will not happen unless donors' experiences become consistently and continually very much better and more desirable. However, will the profession be willing or able to come together as a whole to make the kinds of sweeping fundamental changes that will permit that era to come to pass? It could, Burnett explains, if there is a confluence of three distinct factors:

- The enormous untapped potential represented by improved donor retention;
- Dramatic demographic changes resulting in an increase in donors age 65 and up who are looking for fulfilling activities that nonprofits can provide; and
- Opportunities to engage the corporate sector, which increasingly wants to be seen as contributing to social good.

"What prevents us from making the most of all these opportunities, tragically, is the nature and quality of the experience that we've traditionally offered our donors and that, in our current paradigm, we seem unable to change," Burnett writes. This is why he has come to see storytelling, not selling, as the essential activity of fundraisers.

People still care about nonprofits and the causes they were created to address, but they want to be engaged by them in more meaningful ways, and on their own terms. Burnett believes that the way to do this is through relationships in which shared storytelling is used to convey the need. Otherwise, if fundraisers do not change their approach themselves, change may be forced on them.

"People are going to have to want to listen to us," he says. "We have the best stories to tell, and we have the best reasons to tell them. Right now, people can hang up on us or cross the street to avoid us, so we have to find ways to make people cross the street to come to listen to us instead. And no one pretends that's going to be easy."

Dramatic changes in technology have made it possible to reach more people using certain techniques, most importantly the rise of the World Wide Web. "Communications have changed completely since the first edition of my book came out," Burnett says. "I fundamentally believe communication is the core of fundraising, and given that it has changed so much, I think it's remarkable that my book is still relevant."

It is easy to see how today's fundraisers can use social media channels, e-newsletters, email blasts, interactive websites and mobile apps to accomplish their goals more readily. At the same time, does Burnett feel that relationship fundraising is in danger of becoming passé in an age where many relationships are conducted primarily through tiny screens? "I do think that things are becoming more superficial, that we need to cater for shorter attention spans now," Burnett admits. He notes that the baby boomer generation is aging out of the prime-giving age bracket, and those in the next generation who are moving into their prime-giving years have different expectations about how they want to be approached and be engaged. "We can't just keep asking the younger generation the same way as we asked their elders," he says. "We have to find a better way that is more inspiring and less obvious.

"I've never met a donor who wants to be marketed at," he concludes, "but I've met many who want to be inspired."

Paul Lagasse is a freelance writer in La Plata, Md. (www.avwrites.com).

Resources and Additional Reading

"10 Predictions for the Nonprofit Sector in 2016 and Beyond" by Gene Takagi, Jan. 3, 2016
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www.ncvo.org.uk/fundraisingreview

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"Relationship Fundraising and Marketing: Friends or Foes?" by Roewen Wishart, CFRE
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