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The Donor Issue

2012 seems to be turning into the “Year of the Donor” here at KCI.

Starting with our exploration into how best to tap the overlooked and undervalued mid-level or Bridge Donor in our Spring 2012 edition, we are continuing to find ourselves engaged in stimulating conversations about donors, both internally and with our clients.

Building relationships has always been an anchoring tenet in how to think about and approach donors. And more recently, organizations have also oriented their thinking around the very useful concept of making sure that they are being “donor-centred” in their approach and activities.

I think we have done well at applying the concept of donor centricity to our major gift donors. Because of the size of their contributions, we naturally tend to allocate more think time to them and pay them more attention. However, I believe that we have opportunities to intentionally apply this concept to all our donors, regardless of gift size. As the environment continues to become more competitive, we must be thinking of engaging donors and building real longevity at all levels of the pipeline, not just major gifts.

It’s also interesting to note that this increasing interest in developing stronger bonds with donors is occurring at a time of enormous scrutiny around the arrangements that charities are making with their donors, particularly those at the



major and transformational gift level. So while it may go without saying, I’ll say it anyway...Fundraising needs to serve the enterprise, not the other way around. As a result, even as we encourage you to think about getting to know your donors better and finding ways to better meet their needs and wants, this principle needs to continue to serve as your guide for any and all donor interactions.

And so it is to the topic of encouraging you to think differently about your donors that we turn our attention in this issue. Hopefully, we will provide you with

some ideas that spark conversations in your own organizations, as well as give you some specific tools and techniques to use as you develop plans and programs to make the most of your donor relationships.

Here’s to a wonderful fall!

Marnie A. Spears
President and CEO

KCI >>>

FORWARD THINKING



Donors are the lifeblood of our organizations as, to a greater or lesser extent, all charities rely on gifts from donors to execute their missions and mandates. Finding expression through concepts like stewardship and donor relations, the desire to engage with donors and make them loyal or “sticky” to our organizations has long been a priority for charities.

While these traditional concepts continue to be valid, they’re no longer enough. In this increasingly sophisticated and competitive philanthropic world, we need to push ourselves to think about donors differently if we hope to continue to grow and deepen our relationships with them.

While maintaining terms like stewardship and donor-centredness in our consciousness and vernacular, there are some new ideas being added into the mix – things like gathering *donor insight*, understanding *donor behaviour* and optimizing the

donor experience. These different ways of thinking about donors are all areas to which smart organizations are devoting “think time” in an effort to build stronger, longer and deeper relationships with their donors at all gift levels.

Central to these ideas is one theme – the need to better know your donors. In order to do this, organizations need two things. The first is to adopt an orientation that is curious about their donors and anxious to learn as much about them as possible.

The second is data.

Listen to what donors say...

It’s far too easy to fall into the trap of thinking that our donors are just like us or to take the opinions of the vocal minority as evidence of the sentiments of the whole. In building donor engagement and experience strategies, data must trump opinion.

Gathering this data need not be complicated and in fact falls neatly into two categories of activity. The first is listening to what donors say. The second is observing what they do. While the source and means of access to each type of information is different, both types are crucial and so donor insight activities should strike a balance between the two.

The essence of proactive listening is asking questions of your donors - questions about who they are, what they like about you, what they want from you and why they give to you. While one-on-one conversations with individual donors is a great way to gather this type of information, organizations should also incorporate broader consultations as part of their donor research, including activities like focus groups or donor surveys. You may be surprised by what you discover.

“We’ve done a number of surveys over the last several years and have found that

our donors really want to talk,” says Darrell Gregersen, President & CEO, CAMH Foundation in Toronto, explaining that their last survey had well over 600 responses. “We have had instances where our thinking has been validated through the survey results, such as donors confirming they want to hear about how people’s lives are different because of their gift and how gifts truly matter to the people who need the services of CAMH.” She goes on to say that this confirmation has translated into some changes in behaviour, as she and her staff have become even more disciplined in seeking out those stories. Finding those stories requires working very closely with their colleagues at the hospital and therefore has made building relationships with hospital co-workers a top priority.

Gregersen notes that their survey results have also invalidated some long-standing assumptions. “Through our latest survey, we discovered that not everyone in our leadership donor group (i.e. \$1,000 to \$25,000) wanted an in-person experience, something that was counter to our assumptions about this group of donors. While they said they welcomed hearing

Analytics tools can play an important role in gathering donor insight by enabling you to better understand who your donors are and identifying how they interact with you

from us, they preferred it be by mail, phone or electronic, with a large number saying that they were not interested in having an in-person personal experience.” This finding has changed how she and her staff are thinking about how best to interact with this group of donors.

...and watch what they do

Observing the behaviour of your donors is another powerful source of insight for you. And to observe that behaviour, organizations need look no further than their website and databases. Analytics tools can play an important role here by enabling you to better understand who your donors are and identifying how they interact with you.

The marketing and development team at The Corporation of Massey Hall and Roy Thomson Hall, led by Heather Clark since 1996, regularly digs into its database to see what can be learned about their ticket patrons, members and donors. “We have long done analysis of our database to create segments for both marketing and development activities,” says Clark. “I found years ago that applying the popular and scalable RFM (Recency/Frequency/Monetary) method of segmentation helps identify prospective donors and members in a very efficient manner by identifying the behaviours that link to a higher engagement with us.” Recency refers to the date of an individual’s last gift or ticket purchase, Frequency refers to how often they give/purchase tickets and Monetary relates to the size of their gift/what ticket price point they purchased.

Clark notes that their results have been akin to industry norms which shows that Monetary tends to be the least predictive of potential and that an individual’s behaviour related to the Recency and Frequency of interaction with MH-RTH are much more powerful predictors of a

	Nature of Activity	Type of Information	Source of Information
Donor Listening Data	Listening to what donors say	Captures what donors think: <ul style="list-style-type: none"> - what they want from you - what they expect of you - what motivates them to give to you 	Surveys, focus groups
Donor Behaviour Data	Observing how donors behave	Captures what you know about your donors: <ul style="list-style-type: none"> - how they give to you - how often they give to you - when they give to you - how they interact with you (phone, email, mail, event participation) - what they respond to 	Donor database, website/email click-through

donation/membership/ticket purchase. In recent months Clark has used other analytics tools to deepen their knowledge as she prepares for a large capital campaign. "Through a recent analytics study, we learnt that some genres of music had a higher conversion to membership than we realized and the group with the highest donor rate is our contemporary jazz patrons when we believed it was our classical music patrons. So that was interesting."

Because it is a performing arts venue, Clark

recognizes that they have the luxury of having a large database that is rich in transactional history due to the large volume of activity at their concert halls. The database currently has 450,000 records and has grown 10-15% per year which is challenging both to ensure a high level of database maintenance and be able to use it cost efficiently. When she started in 1996, the database was only 60,000 records and was seen as a repository of transactions rather than the lifeblood of the organization with enormous potential for engaging our donors and mem-

To be successful, gathering donor insight cannot be viewed as an event, but rather as part of an ongoing shift towards creating a "culture of curiosity"

bers. "I have gone through three database conversions in 16 years and we are at an exciting time in what we can learn from the data we now have," says Clark.

Learning from the best

Target (the American retailer coming to Canada in 2013) thinks of its customers as guests, has identified that its key customer segment is young moms and regularly asks itself the question "what would she want us to do" when setting its strategies. Disneyland has created a customer experience that is legendary, so much so that it is now the "go to" organization on customer service training with its Disney Institute. And Apple came from near bankruptcy in the 1990's to being one of the most successful tech companies of the decade with many arguing that the company's unrelenting focus on the needs and wants of its customers is key to that success.

Corporations, particularly those with business models that rely on a large consumer base for their success, have long put the customer at the centre of their thinking, looking to understand their wants and needs when creating products and service offerings. Admittedly more complex for charities, for whom the donor is only one of multiple stakeholders it serves, what the donor wants and thinks is still critical to know. And so, it is useful for those of us in the non-profit sector to learn from the knowledge and wisdom of our corporate colleagues, for whom the getting to know the customer is central to success.

Tim Hortons is an organization that has



long put the customer at the centre of its strategies, being guided by a "culture of curiosity" that views consultation with customers as a core part of their business as opposed to an isolated event every few years. "There's an old saying that 'whatever my boss is interested in, I'm fascinated by,'" says Glenn Hollis, Vice President of Brand Marketing and Advertising. "Here at Tim Hortons, we feel that way about our guests."

Tim Hortons talks to its guests through a variety of channels about a variety of topics. "We regularly do qualitative re-search in the form of focus groups and surveys to seek input into things like product ideas or advertising themes," says Hollis. Not limiting itself to traditional research methods, the company frequently utilizes an online panel to gather guests' thoughts and feedback. In addition, the company regularly checks in on the behaviour of its guests using analytics tools to look at things like purchasing patterns, product preferences, and traffic flow.

Another area of interest for Tim Hortons is guests' perceptions of the brand relative

to its intended characteristics. "We want our brand identity to be down to earth and friendly," says Hollis, "and we regularly pull together groups of our guests and test whether that identity is in fact being translated into their experience with us."

Guided by the philosophy that research needs to be enlightening, not stifling, Tim Hortons works hard to design its research activities so that they answer the right questions and don't overwhelm its leadership with too much data. And Hollis confirms that insight is only as good as what you do with it. "Several years ago, we did an exercise that had people draw an image of the quintessential Tim's customer," says Hollis. "Through that exercise, we discovered that many guests were finding our restaurants busy to a fault. Thanks to this insight, the operations and hospitality team at Tim's did some excellent work, resulting in a number of very meaningful and positive improvements to our guest experience."

The time and attention that Tim Hortons, as well as the rest of the incredibly successful companies listed above, devote to getting to know their customers shows just how valuable this type of investment is to creating customer loyalty and long term organizational success.

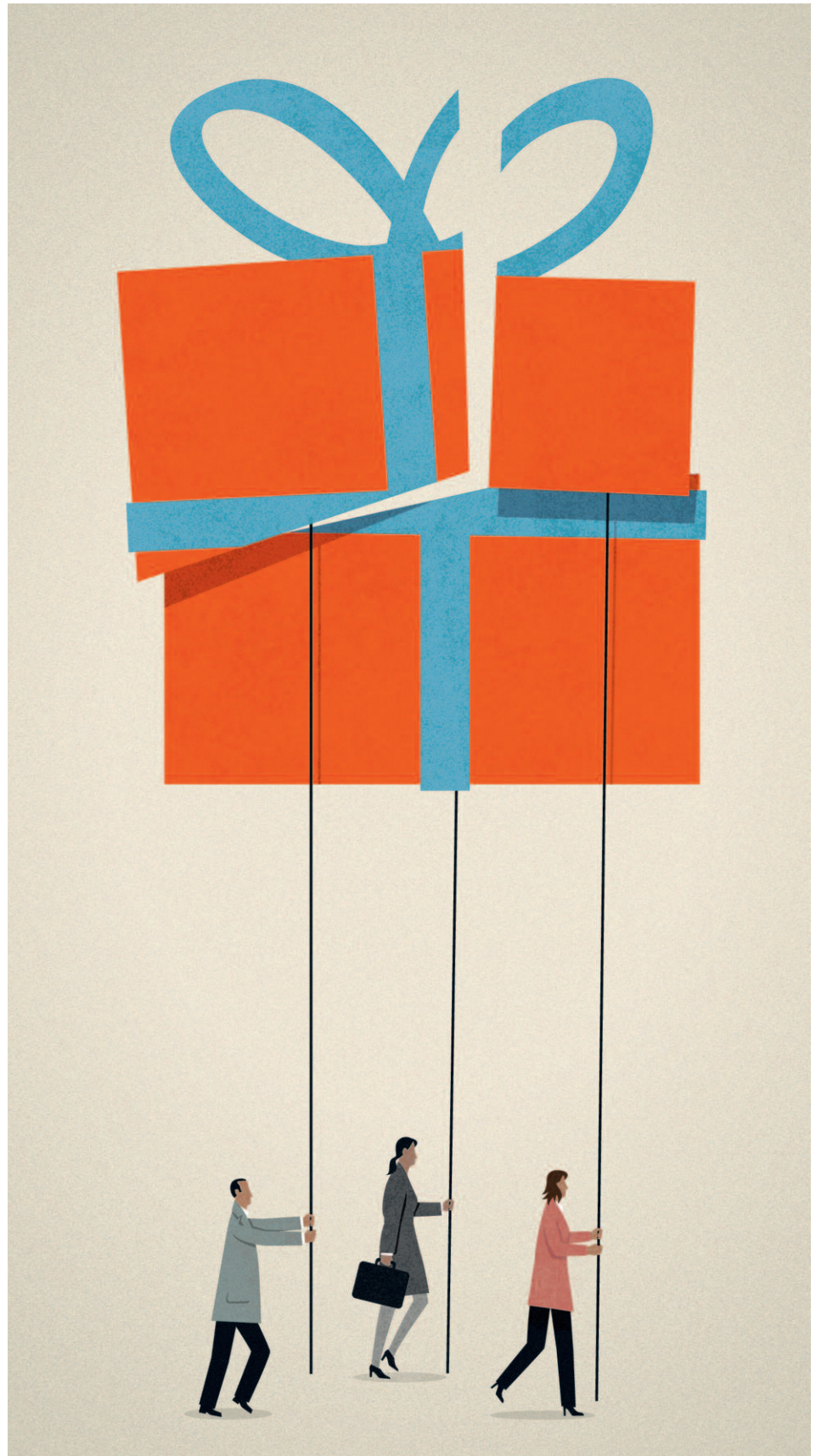
The shift in attitude highlights yet another important point related to gathering donor insight. To be successful, it cannot be viewed as an event, but rather as part of an ongoing shift towards creating a “culture of curiosity” – one that is curious about the people who support the organization and that values what they want and need at all levels of support and engagement. It also needs to be approached as a rigorous process, with objectives clearly identified and tactics well thought through. Otherwise, the exercise could turn into a random deployment of research tools that generates volumes of data, all of which may be interesting, but which may provide little value in answering the questions of interest to you. Spending time to clearly articulate what you’re trying to learn will ensure that the data gives you what you need, and that the endeavour is money well spent.

Turning insight into action

As noted in the examples described earlier, gathering donor insight is not an ends unto itself. While learning more about your donors and their attitudes, behaviours and motivations is interesting in and of itself, what’s most important is what that knowledge enables you to do.

As evidenced by MH-RTH’s segmentation through the RFM model, one of the most powerful ways it can be used is to create segments of donors. Outside of direct mail programs, few charities segment their donors to any significant degree. And even within the direct response program, segmentation tends to be based upon year of most recent gift (i.e. renewing donor, lapsed donor). Armed with more robust information about donors, organizations can create donor segments, targeting cultivation and solicitation activities to better match each segment’s needs and wants.

The concept of picking your segments



leads to another important point. It's unrealistic to think that every donor to you is going to be a lifetime donor. So don't expect it. In reality, all organizations probably have three types of donors - one time, episodic and long term.

Think about donors who support organizations through pledge based event fundraising (i.e. sponsoring an individual who is raising money for a charity). In this type of fundraising, the relationship

with the person who asked for the sponsorship is usually the primary motivating factor.

This theory is supported by the results of the 2011 Cygnus Donor survey, in which 70% of respondents cited this as the main factor influencing their decision to support these types of fundraising initiatives. And while a certain percentage of these donors (17%) indicated they would be willing to support the charity through

another means, the vast majority of these donors will end up being one time or episodic donors.

Memorial or tribute giving is another program that lends itself to attracting one-time or episodic donors. These types of programs have a significant group of "come-and-go" donors who are usually more motivated by the individual being honoured than by any attachment to the charity.

Not all major gift donors think alike

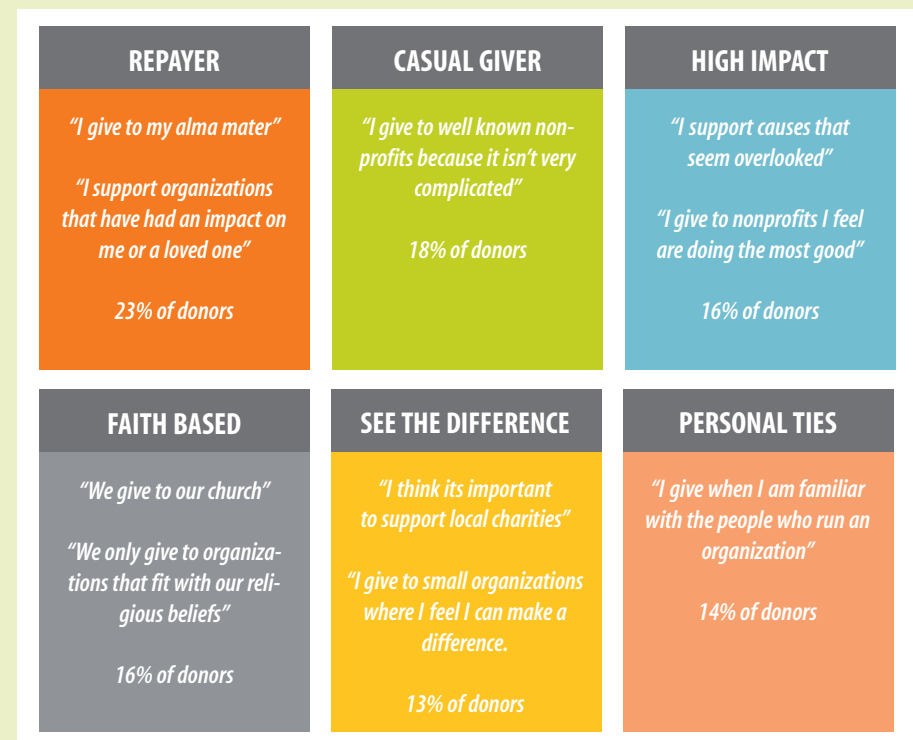
Segmenting donors by behaviour or giving motivation provides a powerful means for managing the relationship with your donors at all levels of the giving pyramid. And as discovered by some recent research conducted by Hope Consulting, a U.S. based consulting firm, even at the major gift level, donors can be broken into distinct behavioural segments.

Within these six behavioural segments, we see three even broader themes that can be helpful in terms of segmentation:

1) **"You had me at hello..."** Coming in at 18% of survey respondents, the **Casual Giver** group is made up of donors who cite things like "the organization is established and respected" or "easy to give through work" as the primary reasons for giving.

2) **"I want to see impact!"** Combining the **See the Difference** and **High Impact** Groups yields 29% of survey respondents who cite making a difference with their contribution as the primary motivator for giving. Some of the primary drivers cited by this group for making the gifts that they did include "focusing on under-served social issue" and "the organization works in my local community".

3) **"It's personal!"** But by far, the most compelling primary motivator for giving is some sort of strong personal connec-



**From Money for Good, The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors, Hope Consulting May 2010*

tion with the charity. A full 53% of survey respondents fall into this category, which combines **Repayer, Faith Based and Personal Ties** cohorts. Most commonly cited reasons for giving in this category include "case impacted me or a loved one", "organization fits within my religious beliefs" or "I'm familiar with the organization and/or its leadership".

These categories may not apply directly to your donors and you may find through your research that different titles are more appropriate. Regardless, once you've done your own categorization, it's important to align your strategies and activities according to the characteristics and motivations of each.

Making donor experience an organizational priority

A novel idea to ensure that organizations create a donor-centred culture that is explicit and intentional about their donor experience is to hold regular **Donor Summits**. Involving all functions of the organization (development, communication and operations) with the explicit goal of exploring the donor's experience and engagement with your organization, these annual or semi-annual meetings will ensure that the donor is kept top of mind.

These summits should address three things. First is to have all staff from all parts of the organization align on the vision for the donor experience with the organization by answering the question "what do we want our donor experience to be." The outcome of this exercise could be a series of words or feelings that serve to guide all the activities and touch points that animate that experience.



And the articulation of those activities and touch points is a second, and crucial, step. Summit participants should identify the tactics and strategies that they will use to reach and engage donors so as to create the envisioned donor experience.

Finally, think about creating an ongoing **Donor Council** within your organization. The Council's makeup can be different depending on the size and type of organization. Large organizations can bring together representatives from different functions. Foundations that support institutions can include representatives from

the institution. Smaller organizations can include board members or donors. Regardless, the role of the council is the same – to serve as the group that animates the findings of the Donor Summit and ensures that donors and their experience with the organization stays top of mind. Meeting quarterly or even monthly, these Donor Councils can not only bring a focus to how donors are engaged in the organization, they can also be helpful in breaking down silos between functions that tend to naturally occur in most organizations.

As a result, it's crucial to track the different motivations and entry points for giving to help you understand who is most likely to go on to give regularly, as well as who may only give to you once or twice. Then apply the right strategy to each segment so you're not trying in vain to turn a classic "one-time or episodic" donor into a lifelong donor. Save your donor retention and loyalty strategies for those with the greater likelihood of giving to you over the long term.

Defining the donor experience

Taking a page from the playbook of our for-profit counterparts, who devote much time and energy to optimizing their "customer experience" to ensure that it is building long-term customer loyalty, many leading charities are now thinking about their "donor experience". And those that have thought it through have discovered that connecting donors to the organiza-

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When Ronald McDonald House Southern Alberta recently built their new house, they started to think about the kind of "family experience" they wanted to create. "In doing that, we realized that far more than simply being a place to stay when their sick children were in the hospital, we wanted to create a temporary home for these families," says Larry Mathieson, Executive Director. "And so we created facilities and programs that enabled us to create that home-like atmosphere. In doing that, we also created mech-

anisms to give our donors the chance to experience the impact of their gift."

Mathieson cites two examples. One is the House's Magic Room, a special room filled with toys that all children staying at the House visit on particular occasions, whether it be their birthday or after an especially difficult treatment. Making sure it is filled with toys that the staff know the child likes, entrance to the room is "magical" involving a wizard at the door and a special key. Another example is their Dinner at Home Program, whereby groups of donors prepare the evening meal for families staying at the home, having the chance to sit down and eat with them if they would like. "By walking through our Magic Room or cooking dinner for a family, our donors are able to experience what it is we are trying to do for our families, and in turn, what it is that their donations are enabling," says Mathieson.

For the folks at the CAMH Foundation, the donor experience is all about showing how their gift is Transforming Lives, which is not only the theme of their campaign, but is also seen as the ultimate objective of the work the hospital does with its programs and services. “Central to our experience is giving our donors the sense that every gift, no matter the size, will be helping to transform lives,” says Gregersen, who believes that no dollar level makes the concept of creating an investor experience invalid.

Gregersen and her board and staff believe the concept of donor experience is so critical that they have made it one of four key components of their strategic plan. Choosing to think in terms of “investor experience,” this priority is seen as second only to revenue generation in terms of importance and, in fact, as critically interconnected with the organization’s ability to increase revenues.

Innes van Nostrand, Principal at Appleby College in Oakville adds that an additional nuance in creating an optimal experience for donors is to help them to feel like they are an insider, or part of the organization’s “family.” “For me, the creation of really great donor experiences feels closely tied to what’s going on in the organization,” says van Nostrand. “Thinking in terms of the donor as a “small trustee”, I believe it’s important to create the feeling for donors that they have contributed, beyond just their giving, to the organization accomplishing something; that they are part of defining the “end game.”

Donor motivation, particularly when it comes to major gift donors, is another



key ingredient to keep in mind. “Many of our major donors come to us after having had an experience with the hospital, some of which have had a happy outcome, others where the experience has been far more sobering,” says Ron Dumouchelle, President & CEO of VGH & UBC Hospital Foundation in Vancouver. “And so when creating our individualized donor experiences, we keep in mind the original motivation for the gift and try to customize the experience that matches and links back to it.”

Just like the “culture of curiosity” that guides the ongoing gathering of insight into your donors, orienting yourself

around a philosophy of donor engagement and experience cannot be seen as a one-time event. It too represents a cultural and philosophical shift and so thinking about donor experience needs to be written into strategy.

And so ultimately, the key to better managing and optimizing relationships with our donors at all levels of the organization will be to marry the “hard” (analytics, segmentation) and the “soft” (meaning engagement strategies, the art of communicating in ways that maximize their donor experience, thinking of them as whole people). The sweet spot lies at the intersection of the two.

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FORWARD THINKING