

# Annual Giving and Fundraising Methods

## An Overview of Annual Giving

Annual giving is used to broaden support, upgrade levels of giving, and provide operating money. The annual giving campaign involves the largest number of prospects, unlike major gift solicitation where each appeal is highly personalized and focused.

### Purpose

- Acquire donors
- Renew donor support annually
- Cultivate donors to increase giving levels
- Build donor loyalty
- Identify and involve leaders
- Identify major gift prospects

### Objectives

- Donor acquisition
- Donor renewal
- Donor upgrade

### Audiences

- Central point for most first-time donor gifts 365 days a year
- Essential first stage that precedes all other stages
- Individuals
- Institutions or organizations

### Best ways to solicit

- Personal solicitation
- Telephone solicitation
- Mail solicitation
- Ephilanthropy

### Prospect Identification

- Electronic Analysis of giving history and donor information from your current database will provide trend data as consecutive and cumulative donor histories.
- Electronic Screening of current donors and prospects will identify “wealth indicators” for segmentation of the appeal prospects into two categories:
  - General annual giving prospects
  - Upper level annual giving prospects

# Annual Giving Fundraising Methods

## Individual Solicitation

Individual (personal) solicitation is the most effective form of solicitation and is used to move first-time annual giving donors and current donors to a higher giving level. This method is also used to cultivate prospects.

### Purpose

- Cultivate donors to increase giving levels
- Build donor loyalty
- Identify and involve leaders
- Identify major gift prospects
- Build depth in your donor base
- Create buy-in to your mission

### Objectives

- Donor renewal
- Donor upgrade
- Special project funding
- Capital Campaign funding
- Endowment funding

### Audiences

- Individuals
- Institutions or organizations
- Corporations
- Current donors
- Volunteers
- Top prospects

### Best ways to solicit

- Face-to-face, peer to peer visits
- One on one or team of two
- Face-to-face informal, articulate, and authoritative dialogue
- Be an individual who has made and/or effected a meaningful gift to the organization
- Establish the appointment in advance, usually by phone
- Tell the donor or prospect the reason for your visit and specific amount of time it will take
- Be patient, listen, be persistent, be courageous, be proud of your role, and remember that you are not asking for yourself
- Solicit those donors and prospects you can motivate
- Learn about your donors and prospective donors
- Seek the maximum gift

### Prospect Identification

- Electronic Analysis of giving history and donor information from your current database will provide trend data as consecutive and cumulative donor histories.
- Electronic Screening of current donors and prospects will identify “wealth indicators” for segmentation of upper level giving donors.
- Prospects at higher annual giving levels have the greatest interest and potential; personal giving can maximize their giving potential.

## Significance of the Individual Donor

The primary source of charitable giving is the individual. Individuals provide the greatest percentage of all charitable funding, usually about 80%. If bequests are included, total individual giving is 86-88%. Retirees are the most generous givers. Volunteers give more than twice the percentage of income as those who contribute but do not volunteer. Foundations come in second with approximately 8 – 11% of all charitable funding and corporations third providing between 4 and 6%.

When we understand an individual's philanthropic motives, then we can select the case to present and the most effective solicitation method or methods. The more we know about their motives, the more likely we can offer them meaningful opportunities to give.

New donors are unlikely to make significant gifts to an organization that is new to them. The demographic profile of your current donors is a good indicator of the profile you will find successful in a prospect list for your campaign. Time (generally three to five years at a minimum), energy, work and budget are all required to build a broad base of predictable annual donors.

In a development program that solicits individuals you must be ready and able to answer the following questions, whether asked by mail, by phone, via the Internet or in person:

- Who is asking?
- For how much?
- Why me?
- For what purpose?
- Why now?

Using more than one method of solicitation is desirable for individuals. Each method has greater potential when it is well coordinated with other methods. By coordinating several methods, a development program can address various individuals at different levels of interest and involvement to encourage and increase commitment and enthusiasm. A basic fundraising program should include a "series of multiple, continuous, positive, asking situations that offer donors to repeat opportunities" to meet their personal giving objectives.

Individuals have different motivations for giving and different patterns of giving. The more electronic data enhancement, including text, the Internet, and other information-gathering resources you use the—the more effective your solicitation activities will be.

How does an individual decide whether or not to give to your organization? Here are some reasons for giving to consider:

- To diminish negative feelings (guilt, fear, anger)
- To gain immortality
- To express deep emotion (grief through a memorial or joy through a commemorative gift)
- To give something back
- To identify with a worthy cause or goal
- To help care for animals and others
- To respond to the person asking
- To gain tax benefits and financial-planning benefits

## Telephone Solicitation

Telephone solicitation is selectively used to acquire and frequently to renew and upgrade donors. It is often used to gather information with careful attention to confidentiality, which can aid in prospect segmentation and data collection for improving the outcome of your next campaign. This type of solicitation is usually more effective when followed up or preceded with direct mail or an Internet-based e-mail campaign. It is best to test your telephone campaign on a subset of your database before launching the full campaign.

### Purpose

- Renew donor support
- Offer a more conversational, friendly approach to donor cultivation
- Upgrade last gift
- Build donor loyalty
- Engage volunteers
- Renew and upgrade pledges preceding a fundraising event

### Objectives

- Donor renewal
- Donor upgrade
- Event support

### Audiences

- Lapsed donors
- Donors from previous campaign
- Previous event participants

### Best ways to solicit

- Volunteers make phone calls to ask for gifts
- Staff make phone calls to ask for gifts
- Use of offices or area with multiple phones and phone lines
- Work in shifts using a pre-prepared script

### Prospect Identification

- Electronic Screening of current donors, lapsed donors, and event participants to develop phone lists for staff and volunteers.

## Sample Phone-a-Thon Script

### **Opening:**

“Hello Mr./Mrs \_\_\_\_\_(or first name). I’m \_\_\_\_\_, a volunteer with the XYZ Humane Society. I’m calling tonight for our annual fund drive. But first I’d like to thank you for your continued support of the XYZ Humane Society. By the way, are you still living on \_\_\_\_\_ Street, Road, etc? (If no, correct the address.) Thanks.....so that’s (repeat the address).”

### **Case for Support:**

“I don’t know if you’re aware of how much the XYZ Humane Society has been able to do with annual fund contributions.”

PAUSE: Wait for the prospect to say something. LISTEN and RESPOND. Often the prospects will state the case for support in their own words.

“A lot of people seem to know something about our ABC program (mention you’re most popular program). But not everyone seems to know about our DEF services...” (mention important outreach efforts or other lesser known valuable services).

*Close:*

“Of course, to continue our programs, we need your help this year. So I hope you are in a position to consider an annual fund contribution of \$100 or more. SILENCE, and wait for an answer. Don’t speak first.

NOTE: Remember to ask for more than last year’s contribution.

### **Objection, Negotiate:**

“I understand that may be a bit much for you right now. Well, let me enter you a pledge for \$25. You can contribute that now, or in several months, if that would be more convenient.

or

“Even \$15 or \$25 means a lot. Would you prefer to make a contribution like that or perhaps make a pledge that you can pay at a later date?”

### **No Gift:**

“Thank you for your time. I hope you’ll consider XYZ Humane Society in the future.”

## Direct Mail

Direct mail is the most impersonal and the least efficient of the fundraising methodologies. Yet, it reaches the largest number of people. Requests for a first-ever gift (from a prospect list) will yield a rate of return of between 0.5% and 1.0%. Direct mail is not simple to perform nor easy to operate at a profit; it requires years of experience to master. Every aspect of the direct mail campaign, from segmentation of the list to design of the letter, envelope, response-vehicle and recognition or thank you gift can affect the outcome of the campaign. It is recommended that each of these elements be tested for their response rate before any large, direct mail campaign is undertaken.

### Purpose

- Build donor base
- Acquire donors
- Renew donor support
- Identify prospects
- Build donor loyalty

### Objectives

- Donor acquisition
- Donor renewal
- Donor upgrade

### Audiences

- Individuals
- Business associates
- First-time donors

### Best ways to solicit

- Lists from brokers of mail-responsive donors to similar causes
- Direct mail package
- Direct mail renewal package

### Prospect Identification

- Current donors and prospects
- Names of business associates from volunteers
- Personal holiday card list, including family members and friends of volunteers
- Names from phone book
- Names from reports of other organizations that list donors
- Lists from brokers are often the best source of individual mail prospects, because performance data on prior mail use is known

## **Components of a Direct-Mail Program**

### ***Mailing Lists:***

Your direct-mail program starts with the mailing list you develop considering who is likely to reply favorably to a first-time request and who is likely to reply favorably to a request by mail.

### ***Outer Envelope:***

The most critical period in the life of a mail solicitation is when individuals sort their mail. If the envelope does not survive the initial screening (less than five seconds), the message inside will never be seen or read. The outer envelope should include; addressee information, return address, address correction requested, stamp or metered postage, and a special message. The appearance of the envelope is critical, and having the correct name and address for the recipient is essential.

### ***Appeal Letter:***

The letter must capture the readers' attention quickly (within 15 seconds). The first paragraph and the "P.S." message are the two key attention getters. If you get their attention in the first paragraph readers are likely to read the contents of the entire package. The length of the letter can vary depending upon the appeal and audience. Testing will determine the optimum length.

### ***Enclosure:***

Adding any insert--a photograph, a reprinted newspaper article, a brochure about your organization, or a flyer about specific needs or gift opportunities—will increase the costs of the mailing. If the insert increases the weight of the package, postage may also increase. Unless an enclosure is critical to the appeal's message, it is generally not recommended. Donors who respond to appeals containing decals, address labels, note cards, etc., will frequently expect to receive such premiums again at renewal.

### ***Response Form:***

Most have name and address of donor/prospects preprinted. The form should be easy to complete and should suggest a specific gift amount. The form may also provide an information request, such as information for making a bequest, another special gift or volunteering, but the purpose is to secure a gift. Asking for other information can detract and should be tested before universal use. The response form should contain codes to help analyze results by various criteria, such as the list from which the prospect's name was taken.

### ***Reply Envelope:***

The envelope provides the donor with the convenience of having a pre-addressed return mechanism available and helps make responding as easy as possible. Direct-mail experts frequently debate the issue of including postage-paid envelopes, or asking donors to pay postage by adding their own stamps. A number of professionals feel strongly that it is important to make it as easy as possible for donors to make gifts. This includes providing a postage paid envelope, particularly in acquisition mailings. You may want to talk to other non-profit organizations in your community and ask what is successful for them.

### ***Costs:***

Using direct mail to acquire donors is the most expensive area of fundraising. If a mailing spends \$1.50 to \$2.00 and sometimes even more to raise \$1.00, it is successful. To justify the cost long-range planning is essential. Acquisition helps the organization find and recruit new donors, who with time can be cultivated and solicited to renew and upgrade their gifts. The average rate of attrition on donor files is approximately 15% per year so prospect mailings are critical to maintaining a strong donor base.

Donor renewal is much more profitable even when mail solicitation is the methodology of asking for the gift. Current donor appeals cost approximately 20 cents on the dollar. To evaluate direct-mail fundraising, acquisition and renewal of mail-acquired donors should be considered separately. To demonstrate the productivity and profitability of the combined effort, at least three years of continuous mail experience is needed. The purpose of an acquisition mailing is to generate donors, not dollars.



## **Components for a Direct-Mail Renewal Package**

### ***Mailing Lists:***

The mailing lists for renewal distinguish between donors and include; first-year donors, donors that give regularly for several years, and lapsed donors. Divide your renewal list by; length of experience as a donor, date of last gift, and gift size.

### ***Outer Envelope:***

Use your organization's name on the front so the donor will recognize it and open the envelope. Make sure you spell the donor's name correctly, avoid using labels or other impersonal methods of addressing; it should look like personal communication. If possible, include an individual's name above the organization's return address to make the communication more personal.

### ***Appeal Letter:***

The appeal letter should be personal, written as one person to another. It should be motivational and compelling and refer to the last gift with appreciation. Facts such as number of donors, dollars raised number of new donors and the increase in annual total can sometimes be included. Make special note of the progress made, animal lives saved, or services rendered as a result of the donor's support. Ask for another gift, citing the last gift amount and encouraging consideration of an upgraded gift.

### ***Enclosures:***

As with the initial direct-mail campaign considers costs.

### ***Response Form:***

The response form should restate your case for support, introduce higher gift ranges linked to donor recognition or donor clubs if appropriate, and provide the opportunity to request information about specific programs if it may encourage more action leading to increased involvement.

### ***Reply Envelope:***

The reply envelope is included for convenience; the donor may be asked to provide a stamp to control costs but it is important to make it as easy as possible for a donor to make a gift.

### ***General Information:***

Donor renewals can be multiple-letter appeals. According to research, the most popular times to mail are September to November and March to May. Your testing will determine the best time for each appeal in your community. The time between the initial letter and any follow-up appeals is usually four to six weeks.

## Giving Clubs

Giving clubs are best used to upgrade current donors. It is effective because it involves upgrading, inspiring and recognizing donors at the top of the annual giving range. It is a natural stepping-stone to the next level of giving. When a giving club is managed well, it will help advance the donor into the major gifts category.

### Purpose

- Increase level of giving
- Donor recognition

### Objectives

- Donor upgrade
- Build depth in donor base

### Audiences

- Donors from previous campaign
- Donors at the top of annual giving gift range

### Best ways to solicit

- Annual campaign renewal mailings offering every donor recognition if they make a gift over a certain level
- Donor receives special thank you and listing in an annual publication or on the web site

### Prospect Identification

- Screen top current donors from annual campaign

## ePhilanthropy

The growth in the use of the Internet for philanthropic purposes will be met with success when the communication and relationship building aspects of the Internet are integrated into the traditional fundraising methods of direct mail, telephone and personal solicitation. The focus of ePhilanthropy must be relationship building customized to the needs and desires of the donor.

Your organization's online presence can be as simple as a website with information on activities and contact information or the website can be interactive and complex, with opportunities for potential donors to become part of your annual campaign, monthly giving club, volunteer for a special project, participate in an online survey, take an online course, participate in an online auction, or purchase items offered for sale by your organization.

### Purpose

- Cultivate new donors
- Build donor loyalty
- Online donations

### Objectives

- Donor cultivation
- Event support
- Streamline donation process

### Audiences

- Current donors
- Prospective donors
- Event participants

### Best ways to solicit

- Create a user friendly, informative web site
- Offer the opportunity for the donor to make a give online using a credit card or offer the opportunity to print out a donation page they can mail in with a check

### Prospect Identification

- Current donors can sign up for electronic updates and information
- Promoting the website to prospective donors
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You must drive traffic to your website through the promotions integrated in your printed material and traditional fundraising appeals.

## Special Events

The purpose of special event fundraising is to raise the public awareness of your organization. It is a good public relations tool, provides visibility, and attracts new, interested people and introduces them to your organization. These events also provide a socializing function for members of your “family.”

### Purpose

- Raise public awareness of your organization
- Provide visibility
- Acquire new donors
- Build donor loyalty
- Identify and involve leaders
- Special project funding

### Objectives

- Donor acquisition
- Donor upgrade
- Elevate public image

### Audiences

- Current donors
- Prospective donors
- People who have adopted an animal
- General public

### Best ways to solicit

- Media advertising (30 and 60 second spots, press releases, etc.)
- Donor, volunteer, service user communication

### Prospect Identification

- Electronic analysis of adopters, current donors
- Call to community for support

A new special event may only break even, but the careful planning of an event should show a better than break even within three years to justify the continuation of the event. Finding a niche to provide an unusual or unique event can be very profitable in the long run. Analyze profitability carefully, including required volunteer and staff time.

To hold a successful special fundraising event you must determine the event best suited to your community and constituency, build a realistic budget and be realistic about staff commitment and time requirements. Special events fundraising is time consuming and labor intensive. Ideally, your organization should limit special event fundraising to two events per year. One event focused on the general public with high visibility to attract new donors, prospects and raise awareness in the community and one to focus on current major donors and the ability to have them together for a high profile event.