

ARTICLE

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## Where Are My Donors?

**With fewer Americans giving to charity, some nonprofits are planning for an uncertain future.**

By Nicole Wallace



ISTOCK

The Nature Conservancy, which runs one of the nonprofit world's largest and most sophisticated development operations, reliably raises more than a half-billion dollars annually. Yet not long ago, its research unearthed a number that highlighted a looming threat: Data showed the average age of a new direct-mail donor to the Nature Conservancy was 69.

This figure, which had gone up significantly over the past decade, prompted a lot of soul-searching. If today's new donor is that old, officials wondered, where will the money come from 15 or

20 years from now?

The environmental group is working hard to answer that question, investing heavily in digital fundraising efforts. It's one of a handful of organizations coming to grips with a fundamental weakness in philanthropy overlooked amid the celebration of giving's recent boom.

Even as "Giving USA" has reported record charitable fundraising three years in a row, the share of Americans who donate to charity is falling. In 2014, the latest year for which data is available, 56 percent of American households made a charitable donation. In 2000, that number was 10 percentage points higher, according to the Indiana University Lilly Family School of Family.

That trend holds true no matter how the numbers are sliced. Giving declined across every age group and every income and education level. Perhaps most frightening: The share of giving dropped most



## THE DISAPPEARING DONOR

Many nonprofits face a fundraising crossroads as Americans' support for charity erodes. In this special report, the *Chronicle* examines the problem and considers what has to change.

- [Public Radio Steals a Page From Politics to Land 300,000 New Donors](#) ✓ **PREMIUM**
- [Support for Charities Is Narrowing. Here's How to Fight Back.](#) ✓ **PREMIUM**
- [In Search of ... America's Missing Donors](#)
- [Quiz: How Well Do You Know America's Donors?](#) ↗

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among 51- to 60-year-olds, who are often bedrock donors.

It's clear that traditional fundraising tactics are faltering, says Dave Strauss, the Nature Conservancy's director for global membership. Many groups recognize this, but they often don't know how to change course and don't have the money to experiment. Facing enormous pressure to produce big-dollar results today, they put aside concerns about tomorrow. Their narrowing base of support may cause them some pain now, Strauss says, but they're like the proverbial frog in the pot of water slowing heating up to a boil. They may not realize the danger until it's too late.

### Big Gifts, Big Problems

What can fundraisers do? Many nonprofits have responded with a sharpened focus on major gifts, but that may only make matters worse by increasing their dependence on a small number of donors.

Jewish federations today rely on 30 to 40 percent as many gifts as they did in the early 1970s, Jack Wertheimer writes in "Giving Jewish," a report published by the Avi Chai Foundation. Many factors led to this, says Wertheimer, a professor of American Jewish history at the Jewish Theological Seminary. But it is at least partly the result of "pragmatic, hard-nosed decisions" made by Jewish federations themselves.

"They have decided that it's just not worth their while to invest the time of personnel in raising small sums of money from individual donors, that their resources are better spent in trying to cultivate the big givers," says Wertheimer.

It's not just Jewish federations that find themselves leaning heavily on wealthier donors. A *Chronicle analysis* of Internal Revenue Service tax data found that gifts from households earning \$200,000 or more in 2015 accounted for 52 percent of all itemized donations. In the early 2000s, that figure was consistently in the 30s.

When the software company Blackblaud analyzed 2015 fundraising data from 1,042 nonprofits, the results were even more stark. It found that 20 percent of households gave 83 percent of donations. And 1 percent of households accounted for a staggering 49 percent of contributions.

## **Eroding Donor Base**

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## WHY ARE FEWER AMERICANS GIVING TO CHARITY?

No one knows for sure what's causing the decline in giving, but here's what might be behind it:

### Economic swings

Wealth is increasingly concentrated in the hands of a few, while the middle class struggles after years of stagnant wages. The Great Recession took a toll; for many Americans, discretionary income only recently returned to 2007 levels. Some experts hope that the post-election surge in contributions signals a return to normal giving patterns, but time will tell.

### Demographic changes

Generation X is smaller than the baby boom generation that preceded it and millennials who came after it. That means the number of people turning 50 and entering their prime giving years is down and will remain low for at least the next decade.

Also: Many organizations do a poor job cultivating donors of color, a problem in a country growing more racially diverse.

### 'New' philanthropy

People have more ways to support a cause than their parents and grandparents did, says Susan Raymond, chief innovation officer at Edmundite Missions, a social-service charity. (She also serves as senior counsel at the fundraising consultancy Changing Our World.) People who care about the environment, for instance, can install solar panels on their homes, drive hybrid cars, buy eco-friendly products, or invest in companies that produce clean energy. "You are not less committed to the environment because of that," she says. "You, in fact, may be more committed."

Also: Crowdfunding, in which money is often earmarked for individuals rather than charities, is growing in popularity.

### Religion's loosening grip

Research shows that those affiliated with a religion are more likely to contribute to charities — both religious and secular — than people who are not religious. But the percentage of Americans who attend worship services or claim affiliation is in decline.

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Focusing on larger gifts is working — at least for now. From 2010 to 2015, the amount of money the organizations in the Blackbaud study raised increased almost 42 percent even as the number of households contributing dropped 7 percent. Based on the breathless news reports about eight- and nine-figure gifts, philanthropy has a lot to be excited about.

But some experts warn that the eroding donor base will curtail megagifts in the long run. Such contributions are often the culmination of many years, if not decades, of giving to an organization. Fewer donors making small gifts today could mean a lost generation of major donors down the line.

"It's easy to feel overly optimistic about the big headlines we've seen," says Jeff Martin, senior consultant at EAB, a company that tracks trends in higher education. "When you look at the pipeline, I'm not sure that same success will carry into the future, at least without a profound change in

direction and strategy."

Martin says nonprofits relying on big gifts face a more immediate danger: a hit to unrestricted income, as major gifts are much more likely than small and midsize donations to come with strings attached. He thinks the impact of fewer new donors entering the giving pipeline will first be felt in midlevel giving. "This is something I'm not sure advancement leaders have fully grappled with."

It's shortsighted to neglect small-dollar donors, younger supporters, and alumni of color, says Matthew Lambert, vice president for university advancement at William & Mary. He and his colleagues have seen the consequences. Sometimes alumni will pop up on the development team's radar only after they sell a business or receive an inheritance. Staff will do their best to meet with the alumni, engage them, and ask for a donation.

"Nine times out of ten, what the person will say is, 'Where have you been the last 25 years?'" Lambert says. "They do often make a gift, but it tends to be something more of a token gift."

Many chief fundraisers have no incentive to focus on small donors, Lambert says. Increasingly short tenures mean they may be around for only one campaign, if that. They're judged by how much money they bring in now, Lambert says. The future is someone else's problem.

"When you don't feel responsibility for the campaign that will follow and the one that follows that, it's much easier to make a decision that you're going to focus on dollars," Lambert says. "That's what gets the headlines. That's what presidents and boards want to hear and see."

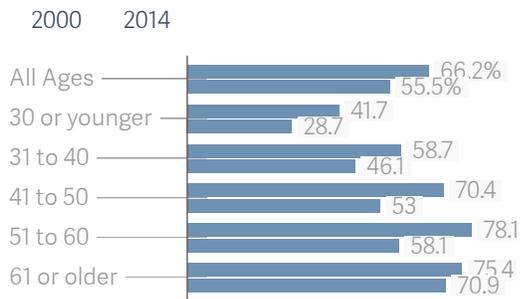
## **A Reckoning**

As philanthropic power concentrates at the top, the potential threat extends beyond dollars and cents, argues Don Hasseltine, a senior consultant at the Aspen Leadership Group, a recruiting firm, and former vice president for development at Brown University. The support that each donor offers becomes harder to replace, and suddenly three or four of them are defining the direction of an institution.

If current trends continue, Hasseltine says, he can imagine a time 20 or 30 years from now when donors routinely demand to pick chief executives or professors in exchange for a large gift. The unfolding scandal about the influence the Charles Koch Foundation wields at George Mason University, with allegations that donors were involved in faculty hiring, suggests that pressure is already felt. "The choices of those nonprofits is to either go out of business or play the game."

## **The share of Americans giving to charity has declined ...**

Since 2000, the percentage of households that donate has dropped in every age group. Surprisingly, people ages 51 to 60 — prime years for giving — saw the biggest percentage-point drop.



△ T L △ S Data: Indiana University Lilly Family School of Philanthropy

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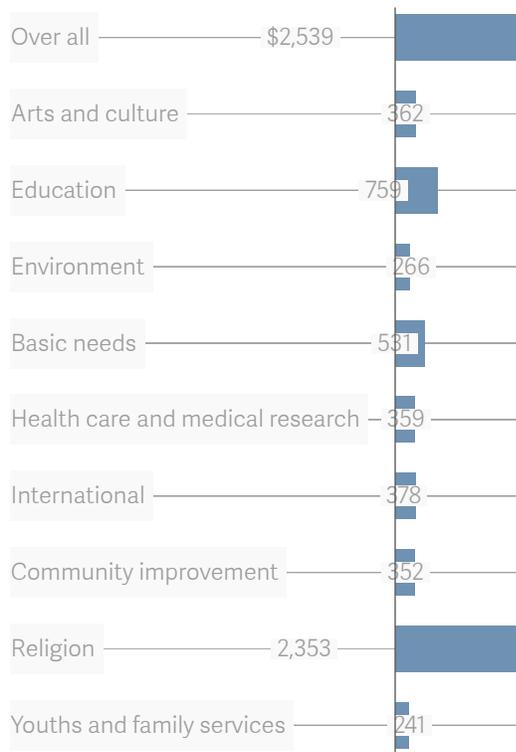
### ... but those who donate are giving more

Almost every cause has seen its supporters give more per household. The chart below shows the 2014 average contribution of donors over all and to specific causes. It also shows the change since 2002.



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ATLAS Data: Indiana University Lilly Family School of Philanthropy

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Mark Rovner, a longtime fundraising consultant, says the nonprofit world has been here before. Direct mail, he notes, started in the early 1970s as a way to democratize fundraising and counterbalance the influence of wealthy philanthropists. "We're coming back to the era of the swaggering major donor because we all have short attention spans."

Rovner's theory: Midlevel donors — people who make gifts of at least \$500 or \$1,000 — are the new base of the giving pyramid. He argues that midlevel giving is where authentic relationships with an organization start. It makes financial sense for charities to invest in those relationships, given their higher retention rate compared with small-dollar donors. There should be opportunities for people to give \$20 or \$50 gifts, he says, but fundraisers need to think about those supporters as "warm leads" who with the right cultivation might become middle donors.

Rovner acknowledges that a focus on gifts of \$500 or more doesn't fully square with direct mail's democratic ideals, but he doesn't apologize. "I'd rather have 100,000 upper-middle-class people than six billionaires."

The nonprofit world has only started to reckon with its narrowing base of support. Fundraisers are throwing a bunch of ideas against the wall, hoping some will stick.

Some groups think it's critical to attract more people who look like their existing supporters. Other organizations want to attract new types of people. Technology and data are critical to some efforts, while others are reintroducing the human element — in-person contact — to low-dollar fundraising.

Job one, though, is tightening the fundraising basics. It might seem obvious, but at a time when fewer people are giving, charities need to hold on to the donors they have.

"A generation ago, nobody cared that you lost a third of your donors, because you just went and fished and you got some more," says Chuck Longfield, chief scientist at Blackbaud. Not so today, he says. Nonprofits have to do a better job stewarding donors and keeping them in the fold.

Securing monthly donors has helped some nonprofits improve retention rates. A new study by the fundraising-software company Classy found that recurring donors give 440 percent more to a charity over their lifetimes than those who make donations one at a time.

The approach is particularly well-suited to the young people likely to replace aging direct-marketing donors. "This is the Netflix generation," Longfield says. " 'Just put it on my credit card and charge me \$10 or \$20 a month.' "

Public broadcasting has embraced monthly giving. It's provided a predictable source of income, which in turn has given stations breathing room to test new fundraising techniques, such as neighborhood canvassing. In the last four years, door-to-door canvassers at 14 organizations have recruited 320,000 new supporters. More than 60 percent of the revenue is from monthly donations.

The canvassers often persuade PBS lovers to make the leap to becoming a donor, says Dan Stencel, vice president for membership at Rocky Mountain Public Media. "Having somebody there at the door to give them that last encouragement has been a great benefit," he says. "It's developed into a major piece of our donor-acquisition strategy."

The key to fundraising success today is multiple sources of revenue, says Michal Heiplik, a development official at WGBH in Boston and executive director of the Contributor Development Partnership, a group of public broadcasters that share fundraising information. Nonprofits need to be flexible and willing to experiment, he says. And they must pull the plug on fundraising efforts — old or new — that aren't working.

When a vendor pitches a new fundraising idea, Heiplik's response is simple, he says. "Hey, we're absolutely willing to test it, but expect us to be really ruthless in evaluating the data."

Door-to-door fundraising has been more successful for public broadcasters than street canvassing because neighborhood and real-estate data helps them carefully target potential donors.

The same reliance on data is at work in the Nature Conservancy's efforts to attract new supporters online in large numbers. The group uses a mix of search-engine, display, and social-media advertising, and it has created a way to track how the ad purchases helped propel giving.

Examining different types of advertising in combination is critical, says Strauss, the organization's director of global membership. Display advertising — the banner ads that run on the top or on the sides of websites — is important to raise potential donors' awareness about the Nature Conservancy, but very few people click on them directly to make a gift.

"If you're only looking at display and revenue generated from display, you wouldn't do display," Strauss explains.

The way the Nature Conservancy tracks how ad sources contribute to giving is complicated and expensive. Strauss says many organizations won't be able to attract large numbers of new donors online until the fundraising industry as a whole figures out a reliable way to track the impact of digital advertisements. He says that work is a number-one priority for small-dollar fundraising in the next five years.

Right now, he says, "very few organizations are driving digital-acquisition programs, truly driving them."

## **Calling All Donors**

Other nonprofits are casting their nets wide to expand their universe of supporters.

William & Mary is in the thick of a \$1 billion capital campaign. Apart from its monetary target, the college has also set goals to get alumni more involved and to win gifts from 40 percent of all undergraduate alumni. These are designed to build the base of support for future campaigns.

One strategy: William & Mary has recruited 1,000 "ambassadors," volunteers who each agree to stay in touch with 10 classmates to share university news, invite to events, and ask for gifts.

Class ambassadors are a way for donors to interact with a large institution on "a very human scale," Lambert says, something he believes is particularly important to millennials.

As the country becomes more racially and ethnically diverse, the Sierra Club is doing more to reach out to Latinos. It started by asking potential supporters what issues they care about and what services they want. The environmental group has reached donors of color through its peer-to-peer fundraising efforts, and it's thinking how it can help chapters make their hikes more attractive to families, which would make them a better fit for many Latinos.



SIERRA CLUB

The Sierra Club is helping chapters make their hikes and outings more inclusive as part of the venerable environmental charity's push to expand its donor base to include more younger supporters and people of color.

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The effort isn't bringing in large amounts of money now, but it's critical to securing the organization's future, says Mary Nemerov, the Sierra Club's chief advancement officer. She's convinced that nonprofits with primarily white donor bases need to engage more supporters of color if they want to be financially healthy 15 or 20 years from now. "I'm actually surprised I don't hear more directors of development talking about it."

Edmundite Missions is betting on the increasing desire of Americans to drive social change in new ways. In November, the social-service group started Kitchens in Selma, a catering and food business that provides job training. Its bacon pecan brittle is a customer favorite.

Edmundite is carefully collecting data about the enterprise's customers, who so far don't overlap very much with the organization's critical direct-mail donors. As a result, the venture is reaching a new audience without supplanting longtime supporters.

## Fighting Back

For the University of Connecticut, the disappearing American donor isn't an abstract problem. Its annual fund has been shedding 2,000 donors a year. But UConn is fighting back with a host of changes that combine many of the strategies others are testing.

The UConn Foundation shut down the office of annual giving. The digital-engagement team took over those responsibilities; some of the annual giving staff were reassigned, and two positions were eliminated. Instead of automatically asking alumni to support the school from which they graduated, the university is now trying to learn what inspires them to give and ask them to support that.

The shift comes with risk, as annual giving's primary goal was to raise unrestricted dollars. But it was a necessary change, says Josh Newton, chief executive of the UConn Foundation.

"We didn't have a choice," he says. "The world around us was changing."

The university also cut back 70 percent on telephone fundraising, calling only donors who have made a gift by phone in the previous five years. It invested the savings in a technology platform that tracks how alumni interact with the university's social-media accounts. Fundraisers can then use

that to tailor appeals to potential donors' passions.

Take the university's six-year-old human-rights major. With only a handful of recent graduates, it doesn't have a built-in fundraising base. But if hundreds on social media like, share, or comment on a post about a student who did a summer internship documenting human-rights abuses, fundraisers have a natural foothold, Newton says.

"They've shown their interest," he says. "If I solicited them for 10 years for the law school dean's fund and they never gave, well, maybe they'll give to the Human Rights Institute."

Other UConn efforts are more low-tech and have a human touch. Fundraisers set up tables at basketball games to seek support for programs like its efforts to help veterans or the university cancer center. A cash-register campaign at the bookstore raised money for the student emergency fund.

Too many annual-fund campaigns ask donors to give without telling them how their money will be spent, Newton says. UConn's experiments aim to appeal to donors' passions and bring more alumni into the fold.

They're all designed with an eye toward the future, he says. "The \$10 donor who doesn't give — who becomes successful and could make the \$10 million gift — is not even going to be in our pipeline two decades from now."

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THE DISAPPEARING DONOR

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G.J. MCCARTHY/UCONN FOUNDATION

With annual-giving numbers down, the UConn Foundation is testing a range of fundraising strategies, from highly targeted digital appeals to tables at Huskies basketball games to solicit support for the university cancer center.

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