

Fundraising as a Strategic Decision

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In many organizations, the approach to fundraising has become institutional and stale. Nonprofits need to make their fundraising plans an integral part of the strategic planning process. We present critical considerations for groups to analyze in making decisions about how to raise funds, including a six-category scheme of fundraising strategy activities.

The group was about to kick off their fundraising carnival – their *yearly* fundraising carnival. This year they had a special program in the works. The common wisdom was that this year's carnival would have to be bigger than usual. No one had the time, energy, or courage to ask whether another fundraising activity might be needed instead of or in addition to the carnival.

Like many other things in our organizations, fundraising falls into habits and familiar patterns. We do what we've always done, what our Board of Directors is comfortable with, and what our staff knows how to do. Our organization runs its traditional fundraisers and executes its programs to match its revenues. The tail has once again wagged the dog.

Nonprofits have hundreds, yes hundreds, of ways they can raise money. At any given time, your organization is probably using only a few. A small school group may use only one door-to-door cookie sale each year, while in a major nonprofit 95 percent of its revenues may come from a mail program, foundation grants, and web-site giving. We need to restrict fundraising activities to a manageable handful because even fairly large groups cannot successfully execute and manage dozens of fundraising activities at the same time. But, since we are restricted to a small number of activities, and since hundreds of them are potentially available to us, we should be sure we are wisely choosing those that will give us the greatest returns.

Fundraising is Part of the Strategic Plan

Every nonprofit group needs revenue. But what do you need revenue for, how much do you need, and what is the best way to get it? If you do not know the answers to these questions, you probably are not doing fundraising the best way. The answers to these questions come from your organization's strategic planning process.

Let's start with a simple summary of strategic planning. Your organization has a mission – its purpose for being in existence. You also have a vision of what would constitute a successful year for your organization, which is enumerated through a series of organizational goals and objectives. Armed with the knowledge of what you want to achieve this year, your leadership team has agreed on a set of strategies. For small organizations this basic planning model might be achieved within an hour or two, while a large multinational organization might need an entire month to construct it. Regardless of scale, however, the model of mission, vision, goals, and strategies is essentially the same for all organizations.

If you have followed the model described in the paragraph above, your group has laid the foundation for creating a fundraising strategy. Once you know your programming targets and how you intend to achieve them, you can flesh out the fundraising side of your strategic plan. The fundraising model is similar to the overall planning model – what are the fundraising goals (needed to support our program goals) and what are the best strategies for achieving those? It is to those strategies that we now turn our attention.

The Components of a Fundraising Strategy

To create a comprehensive fundraising strategy, your organization needs to think through four major types of questions: 1. Who are our potential donors and funding sources; 2. what resources do we have for fundraising activities; 3. how can we make our fundraising operations most effective; and 4., what fundraising strategies and activities should we undertake? We present the questions in separate categories but these questions are interrelated – the answer to any one may affect or change the answers to the others.

Potential Donors and Funding Sources

- Who are our potential funders? Are our potential donors individuals, organizations, government agencies, local companies, or major corporations? If we cannot identify specific individuals or groups, do we at least understand their distinguishing characteristics?
- How can we motivate them to donate? What makes our mission more important to them than the missions of any other organizations? What interests and concerns do we share with them? Why would they want to invest in us?
- What forms might their donations take? In addition to cash, could we benefit if they donated time, in-kind, challenge match, property, or services?
- What is the best timing for making an appeal? When do we need the gifts? What would be the optimal timeline in terms of a fundraising activity?
- What influential or famous person or group might help us make our appeal more interesting or persuasive? How can we get to this person or group? If we did, how would we utilize them?
- How can we encourage relationship building so the first donation is not the last?

Our Resources for Fundraising Activities

- What internal talent do we have (staff, volunteers, board members, service recipients) who could be applied to fundraising activities? Do we have the right talent to make the types of appeals we are considering?
- Do we have resources (personnel and physical) that are currently underutilized and could be applied to fundraising tasks, even if on a temporary basis?

Fundraising Operations

- What is our marketing theme and branding strategy? How can we keep all the parts of our fundraising campaign integrated, consistent, and mutually reinforcing?
- Do we have prepared materials (such as brochures) that effectively convey our message, tell our story, demonstrate our value, and prove our effectiveness?
- What are the best media for communicating to potential donors? Who are the best people to convey our message and make the ask?

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- Will it be more fruitful if we try to get millions of very small contributions, thousands of medium contributions, a few hundred large donations, or a handful of enormous donations?
- Can we partner with another nonprofit so we both can get revenue through a combined activity that neither of us could have done very well without the other?
- What will be the optimal mix of fundraising activities for us that will maximize the return relative to our fundraising investment?
- How can we benefit most from fundraising activities through reuse – i.e., how can we design materials, communications, etc. so resources invested in one fundraising activity can be reused in additional activities in other times or places?

Fundraising Strategies and Activities

Using the three categories of questions immediately above, you have set the stage for your fundraising program. Finally, you must decide exactly what to do. What specific combination of fundraising activities will you undertake?

Nonprofits have used hundreds of fundraising activities. To help decide which ones are best for your organization, it may help to collate the activities into six general fundraising strategy groups. These are summarized in Table 1, which describes the general characteristics of each strategic approach and the type of motivational appeal it inherently makes to potential donors. By thinking about these approaches in light of the information gleaned from the previous questions, your group can make more informed decisions about how to invest its fundraising energies.

1. *The Mass Appeal Strategy* - These activities involve direct appeals to large groups of people, in which the individuals are all treated more or less the same way. Examples are telephone and direct mail solicitations, internet appeals, collection cans, and face-to-face solicitations in shopping malls. Using segmentation strategies, the appeals can be somewhat varied among subgroups (e.g., a different pitch for men than for women), but the subgroups are few in number relative to the total population and the appeal is homogeneous within the subgroups. To raise funds in this manner, the major motivating factor is “**heartpull**.” The strategy is to catch a person’s interest with a quick-working, simple, usually emotional appeal, which motivates the person to make an immediate decision to donate. The appeal can optionally include a sweetener (also called a premium) to increase the likelihood of a donation, such as a small gift (like address labels) or entry into a sweepstakes. These activities are designed to make money by getting relatively small amounts from a very large number of donors.

2. *The Playtime Strategy* - This category includes most special events, such as bake sales, fund-raising parties, auctions, walk-a-thons, carnivals, bingo games, amateur talent shows, etc. It also includes events such as media promotions in which, for example, entertainment is broadcast via a television program and appeals are made for people to pledge donations. The general concept is to provide people with events that are entertaining and **fun** for which they would not normally pay. People indulge themselves with these mildly entertaining events or products, parting with small amounts of money on a one-time basis for a good cause. The potential donor audience is broad, but more focused than in the mass appeal strategy. These events are often labor-intensive to organize and run; they usually depend on the good will of a strong volunteer

group to make them successful. They usually produce a feel-good result with donors and provide the nonprofit with more substantial opportunities to communicate their messages.

3. *The Pay-for-Product Strategy* - In the activities of this category, the nonprofit earns revenue through the sale of products or services. For example, people can receive newsletters from an organization, buy T-shirts with organization-approved logos or slogans, receive branded products such as a bible, pay for real services such as a car wash, or rent a facility such as a “banquet room” in the main hall of a museum. A nonprofit might earn money by running a thrift store or a souvenir shop, or by hosting a celebrity concert. The value proposition here is essentially commercial, with people paying for **products or services** that have real perceived value. However, because people know the profits are going to a good cause, they are prepared to overpay and are unconcerned about shopping for competitive alternatives. Many of these are more effective if the organization tags them with a strong brand mark (e.g., Save the Whales); but some do better if the brand and the product are not strongly connected (e.g., clothing from a Salvation Army store).

4. *The Institutional Strategy* - This fundraising strategy includes items such as grants, program funding, capital campaigns, workplace giving programs, and endowments. Revenue in this category tends to be relatively large in amount and realized over a relatively long period of time. It is also tied to formal institutions such as foundations, government agencies, companies, trust funds, and financial institutions. This is the realm of “serious” giving with many administrative formalities. The donations are made because the donors perceive great value in the organization’s mission or specific programs and want to establish a long-term relationship to support the nonprofit. To raise money in this manner, you need some type of program evaluation data or **impact evidence** showing that your program is truly having an important effect.

5. *The Good Deed Strategy* - This category includes funding from sources such as memorials, one-time philanthropic gifts, bequests, and item-specific sponsorships. Examples of this include donations of major pieces of equipment (such as an X-ray machine), plaques on doors, named programs or physical facilities, and adopting the elephant in the local zoo. In this domain, the donations represent a deep belief in the value of the organization’s mission or some specific component of it. The donor expects to receive long-lasting **public acknowledgement** and credit for the donation accruing either to himself, or to someone else in memoriam. Organizations that have highly visible, long-lasting physical resources can make these available for good deed funding or sponsorship.

6. *The Commitment Strategy* - The final category includes fundraising activities such as memberships and cause-related marketing programs. Here again, the donation represents a deep belief in the value of the organization’s mission. Unlike the good deed funding, however, commitment funding is not done primarily for the public recognition but rather for **mutual benefit** – to create spiritual and material benefits for both the funder and the nonprofit through an ongoing relationship. A nonprofit and a company might co-brand a commercial product or program, for example, that contributes toward both the company’s commercial mission and the nonprofit’s service mission. Or, in purchasing a membership with a nonprofit, an individual lends long-term support to the organization while gaining some type of spiritual or other personal benefits from a formal affiliation.

Synthesizing the Fundraising Strategy

Up to now, everything we have talked about has been part of your organization's strategic marketing analysis. You have identified your strategic mission and the components best suited to it. The final step is to synthesize your fundraising strategy.

Every book and article on strategic planning seems to have a different explanation of what, exactly, a strategy is. We have found it most useful to think of a strategy as an informed guess about how to do something and what effect you think that is likely to bring about. For example, we can create a fundraising strategy that includes a direct mail component. In doing so, we might predict that if we mail 100,000 pieces in each of 10 mailings over the next 12 months, based upon a certain message and appeal, we will be able to generate net revenues of \$1 million. This will contribute toward the organization's overall goal of raising \$5 million in total revenue in order to support specific programs designed to fulfill the organization's primary mission.

How will you know if the strategy is a good one? You test it. You implement an action plan consistent with the strategy and see whether your guess about what the effects will be turns out to be accurate or not. If you get the desired effects, the strategy is a good one. If not, you need to abandon your strategy (but not your goals!) and try something different.

In many organizations, unfortunately, fundraising activities are chosen without strategic analysis because "that is how we've always done fundraising." In those same groups, strategies are seldom carefully designed to support specific goals nor critically tested to assess whether the strategies are effective. Done correctly, though, fundraising is an integral part of your organization's overall strategic planning process and a major force in helping you fulfill your mission.

*For further information about Strategic Planning or CDR's Management Consulting services for nonprofit organizations, feel free to contact Dr. Zimmerman at Creative Direct Response, Inc. or read his book on Strategic Planning: **"Management Walkabout: Discovering Your Organization's Strategic Readiness."***

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Table 1. Six Categories of Fundraising Strategies

Type of Strategy	Fundraising Activities	Characteristics	Key Motivators and Appeals	Examples
Mass Appeal	Direct Mail, Face-to-Face, Direct Response TV, Internet Appeals, Telephone Appeals, Welcome Packages, Collection Cans	Donor target is an individual. Short, quick appeal. Small, one-time donation is expectation. Audience is large and undifferentiated.	Heartpull. Immediate, short, catchy, one-dimensional appeal to conscience with possible sweetener (premium).	Sweepstakes mailing, passing the can at stoplights, web site "donate now" button, disaster appeals
Playtime	Special Events, Media Promotions	Donor targets are individuals in response to fun and entertainment. Contributions are often relatively small, more than one, ad hoc decisions. Target audience is large but more well defined than mass appeals.	Fun. Indulge yourself for a good reason.	Telethons, bingo games, carnivals, bake sales, walk-a-thons, fundraising parties, raffles, amateur talent shows
Pay-for-Product	Donor Newsletter, Earned Income	People give money in return for products or services of value to them. Products or services are "real" and regular.	Product or service. Purchase something of value, and be prepared to overpay for it.	Clothing with logos, monthly magazine, thrift store sales, equipment rentals, book sales and royalties, car washes, celebrity concerts
Institutional	Grants, Program Funding, Workplace Giving, Capital Campaigns, Investment and Endowment Income	Gifts are relatively large and span a length of time. Tied to formal institutions such as foundations, companies, government programs, financial groups.	Impact evidence. "Serious" giving. Important causes with long-term relevance.	Company match programs, payroll deduction giving, program grants, endowed chairs
Good Deed	Memorials, Philanthropic Gifts, Sponsorships/Partnerships	Donations represent a belief in the cause. Donor (or other of his choice) gets public recognition for or by the good deed.	Public acknowledgement. Deep, personal appeal. Possibility for strong and lasting public exposure.	Donated equipment, plaque or a brick, name given to a building or a program, in-memoriam placard
Commitment	Cause Marketing, Memberships	Donations represent a belief in the cause, a long-term commitment, and spiritual alliance with the nonprofit.	Mutual benefit. Deep, personal appeal. Some form of spiritual and material benefit from an ongoing relationship.	Co-branded sales program, yearly membership drive