

# FUNDRAISING IS BROKEN AND HERE'S HOW TO

# FIX IT

Your guide to ground breaking research and how **you** can use it to **raise more money at lower costs.**

market  smart

[www.imarketsmart.com](http://www.imarketsmart.com)



# Greg WARNER

**Our mission is simple:** We aim to exponentially increase revenues for nonprofits while dramatically reducing their costs. We achieve this by providing ridiculously effective products and services that deliver astounding returns on investment. But, while advancing toward our objective, we came to a startling realization.

## **Fundraising is broken.**

There, we said it!

You've probably seen the defects:

- Outdated strategies that keep you mired in the status quo;
- Too much time and money spent acquiring donors;
- Constant battles against consistently stagnant growth.

## **Something has to change!**

Good news is here because we have the cure - **Engagement Fundraising**.

Won't you join us? Together we can:

- Foster true engagement with hi-value supporters;
- Develop meaningful donor experiences;
- Deliver the kind of honesty and transparency your supporters deserve;
- Drive down donor acquisition and retention costs while plugging holes in your cultivation and stewardship efforts;
- And, ultimately empower your supporters to help your organization fulfill it's mission.

It's time to change how you engage your supporters so you can change the world— with **Engagement Fundraising**.

**Greg Warner**  
CEO and Founder  
MarketSmart

Click [here](#) to connect with me on **LinkedIn**

# FUNDRAISING IS BROKEN

## GIVING HAS BEEN STUCK AT AROUND **2%** of GDP (GROSS DOMESTIC PRODUCT) FOR OVER **40 YEARS**

We didn't have email, CRM, online giving, and big data in 1971. We couldn't segment our lists and personalize our messages either.

Considering all the technological advances, shouldn't we be generating more charitable donation dollars relative to the gross domestic product?



Source: The Giving Institute

## FUNDRAISING IS BROKEN

# HOW MUCH DOES IT COST TO RAISE \$1?

**DIRECT MAIL ACQUISITION**

Costs \$1.25 to raise \$1

**EVENTS/BENEFITS**

Costs 50¢ to raise \$1

**MAJOR GIFTS**

Costs 5¢ to 10¢ to raise \$1

Source: Association of Fundraising Professionals

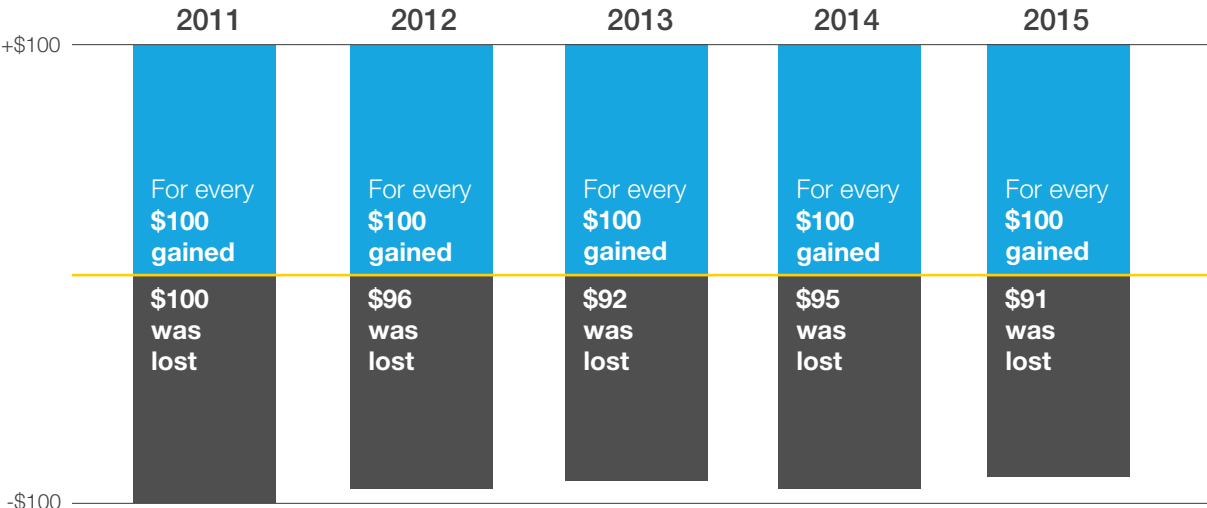
Don't confuse negative returns with investments. Too many organizations spend too much time and money focusing on tactics that do not yield worthwhile returns on their investments, or even worse—negative returns.



FUNDRAISING IS BROKEN

# GIFT ATTRITION

## GIFT GAINS vs. GIFT LOSSES



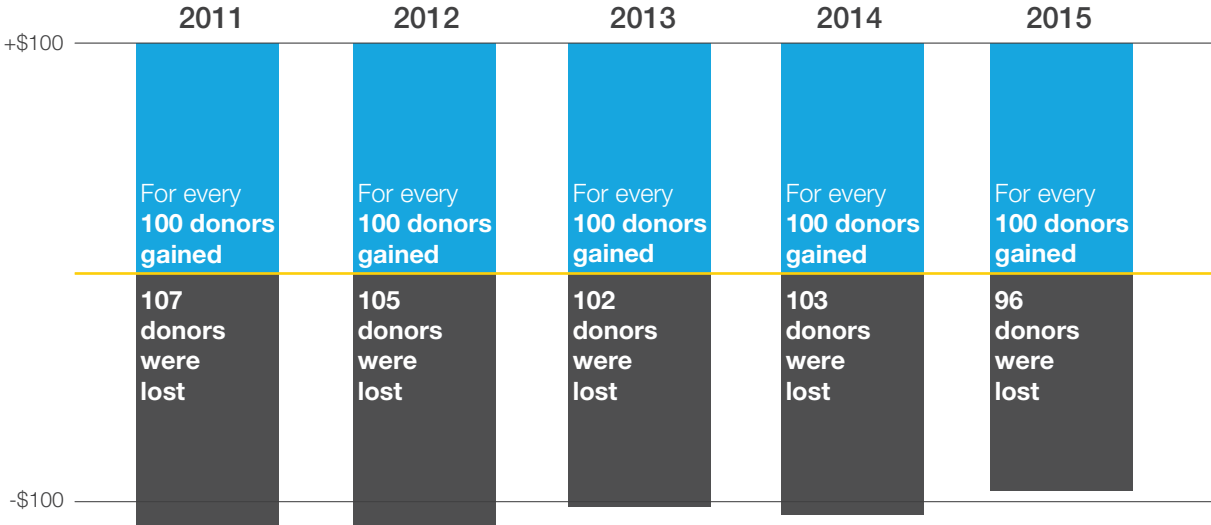
5-year average: For every \$100 gained, \$94.80 was lost



Source: 2011 through 2016 Fundraising Effectiveness Survey  
Report Association of Fundraising Professionals

# DONOR FORFEITURE

## DONOR GAINS VS. DONOR LOSSES



5-year average: For every 100 donors gained, 102.6 were lost



Source: 2011 through 2016 Fundraising Effectiveness Survey  
Report Association of Fundraising Professionals

# DONORS ARE HOPPING AROUND FROM ORGANIZATION TO ORGANIZATION



**THINK ABOUT THIS:** More donors are being lost than acquired but giving is not declining as a whole. The amount of charitable donations as compared with the GDP is solidly stuck at 2%. So where do you think all the donors are going?

They are hopping and hoping.

Hoping they'll finally find a home.

Hoping they'll finally find a charity that loves them back.

Hoping they'll finally find a charity that thanks them with genuine sincerity.

Hoping they'll finally find a charity that welcomes them to their "family."

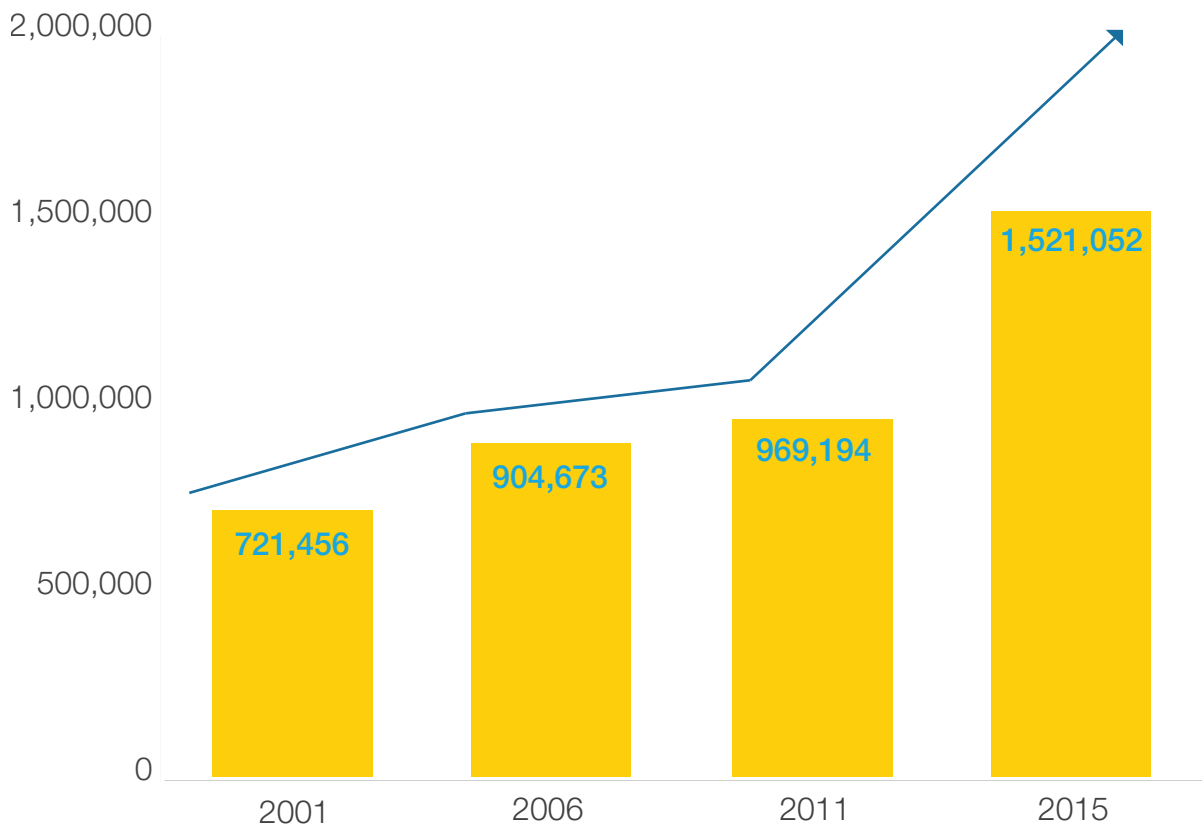
Hoping they'll finally find a charity that reports what they did with the money.

Hoping they'll finally find a charity that doesn't treat them like an ATM machine!

FUNDRAISING IS BROKEN

# YOU HAVE SERIOUS **COMPETITION** AND IT'S GROWING FAST

NUMBER OF U.S. PUBLIC CHARITIES, 501 (c) (3)



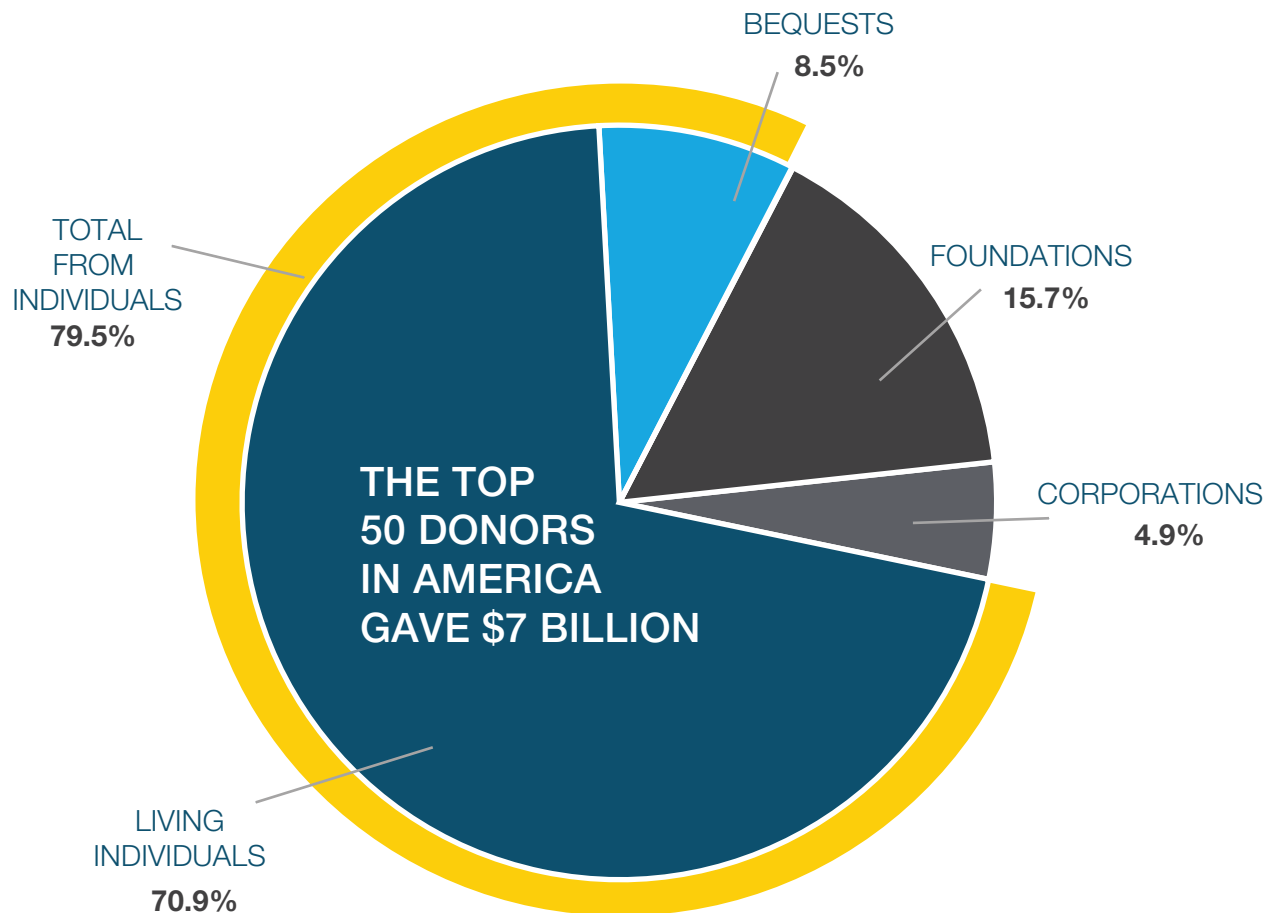
Source: National Philanthropic Trust



# FUNDRAISING IS BROKEN

NONPROFITS TEND TO FOCUS ON ACQUIRING NEW, LOW-LEVEL DONORS AND EVENTS WHILE MOST OF THE EASY MONEY COMES FROM MAJOR GIFTS AND BEQUESTS

## AMERICANS GAVE \$373.3 BILLION TO CHARITY IN 2015



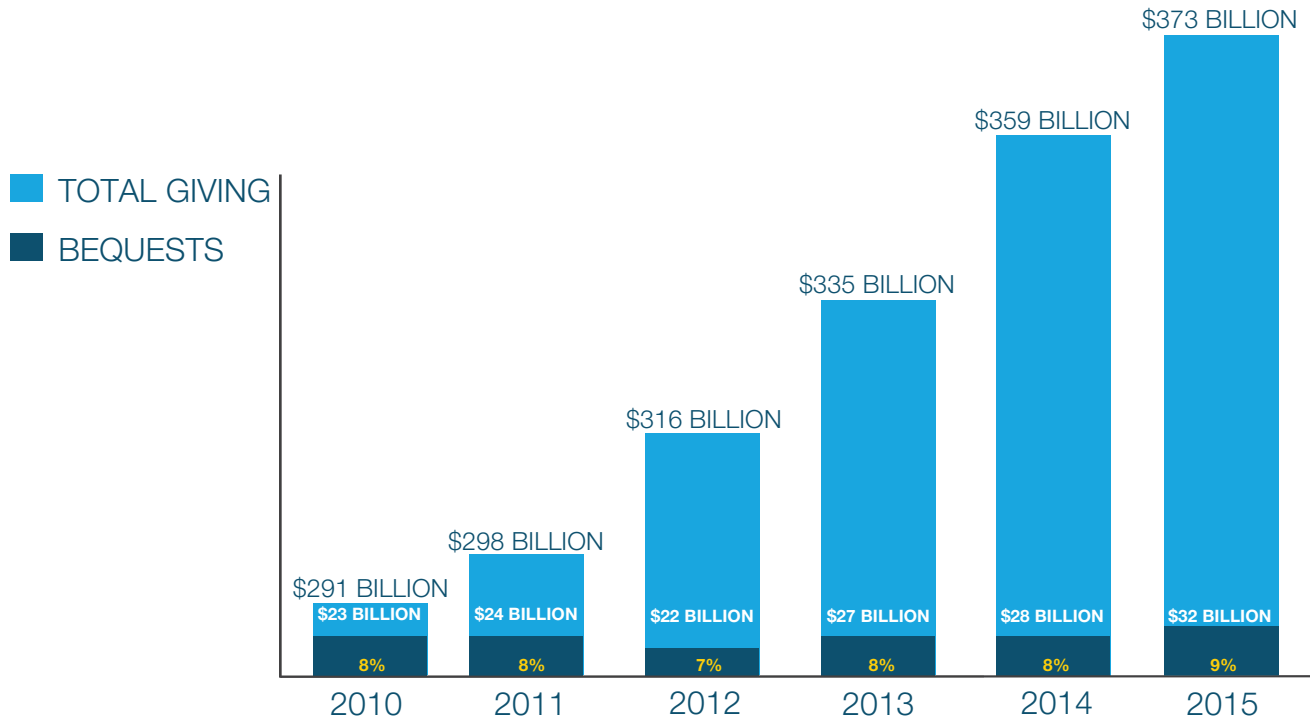
Source: Giving USA and the Chronicle of Philanthropy

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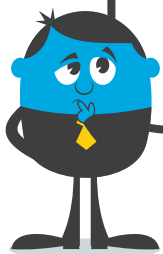
# FUNDRAISING IS BROKEN

## ON AVERAGE BEQUESTS ACCOUNT FOR 8% OF NONPROFIT REVENUE



Source: Giving USA

## YET MOST FUNDRAISING BUDGETS WOEFULLY UNDER-INVEST IN MARKETING PLANNED GIFTS






Are you investing at least 8% on planned gift marketing and stewarding your devoted legacy society members?

# SO HOW CAN YOU PUT **ROCKET BOOTS** ON YOUR FUNDRAISING?

## **MARKETSMART'S SIMPLE PLAN:**

- 1 TARGET THE 80/20**  
Aim first to find new major and mid-level donors, before acquiring new low-level donors
- 2 MOVE THE MIDDLE**  
Invest in moving your existing high-capacity mid-level donors up to become major donors and planned givers
- 3 RETAIN AND STEWARD**  
Reinvest time and money spent acquiring new low-level donors into retention and acquisition of major and mid-level donors (plus remember to steward your legacy society)
- 4 GET SMART**  
Invest in smart marketing that tracks results carefully while monitoring donor engagement to determine where each supporter resides in the gift consideration process.

## **TRY OUR TOOLS:**

-  **FUNDRAISING REPORT CARD:** [www.fundraisingreportcard.com](http://www.fundraisingreportcard.com)
-  **BEQUEST CALCULATOR:** [www.imarketsmart.com/bequestcalculator](http://www.imarketsmart.com/bequestcalculator)
-  **OUR OTHER PRODUCTS:** [www.imarketsmart.com/solutions](http://www.imarketsmart.com/solutions)

# EMPLOY **3** to **1** FUNDRAISING AT ALL TIMES

Your supporters want something in exchange for their cash. Therefore, fundraisers must maintain a “giving” mindset too — because you need to give before you can get.

## **Reciprocate! Here's How:**

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For every single donation you receive from a major supporter you should

- (1) thank them
- (2) report on the results of their donations
- (3) provide an offer for an engagement experience before asking for another gift.

**One Thank You + One Report On Results + One Engagement Offer**

**=**

**Ask For Next Gift**

# PUT **3** to **1** FUNDRAISING INTO ACTION

Why not draw three check-boxes beside the donor's name once you receive a single gift?

Then, after you send your personalized, heart-felt letter of gratitude, you can put a “check” in the box beside the words “Thank you.”

Next step, find a way to report what happened to your donor. Be honest. Be transparent. Personalize it as much as possible. And be real! Once you've done that, put a “check” in the box next to the words “Report on results.”

And, last, reach out to the donor to offer a meaningful engagement experience. Email her a chance to view a video of the environmentalist doing great things as a result of her support. Send her a note from the child she helped cure. Invite her to watch the opening night performance of the symphony for which she helped provide instruments.

Once you have provided that engagement offer, then you can put a “check” in the box next to the words “Engagement offer”.

## YOUR SUPPORTER

- 1. Thank 'em**
- 2. Report results**
- 3. Offer engagement**
- ASK AGAIN**

After all three check-boxes have been filled, then you can consider asking for another gift. **And I bet you'll get it!**

**ORDER YOUR 3-TO-1  
FUNDRAISING PADS HERE:**



[imarketsmart.com/3-to-1-pads/](http://imarketsmart.com/3-to-1-pads/)

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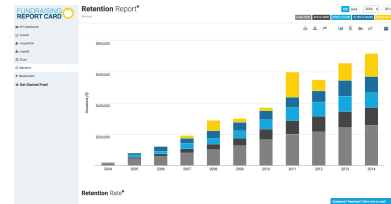
# KNOW YOUR NUMBERS

## TRY OUR FUNDRAISING REPORT CARD

IT'S FREE!

FUNDRAISING  
REPORT CARD 

- ✓ Compelling charts
- ✓ Actionable insights
- ✓ Simple
- ✓ Easy to use



[fundraisingreportcard.com](http://fundraisingreportcard.com)

## TRY OUR BEQUEST CALCULATOR

IT'S FREE!



CALCULATE YOUR  
**BEQUEST**  
POTENTIAL

[imarketsmart.com/bequestcalculator](http://imarketsmart.com/bequestcalculator)

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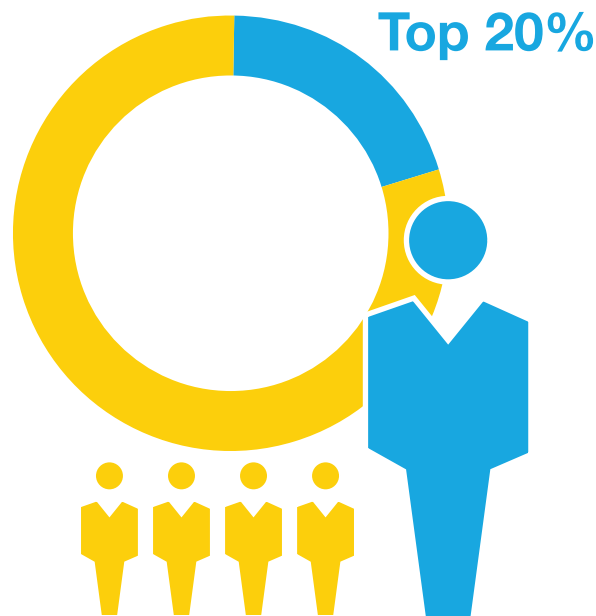
# PUT THE **PARETO PRINCIPLE** **INTO PRACTICE NOW!**

In 1906 an Italian economist named Vilfred Pareto discovered that 80% of the land in Italy was owned by 20% of the people. He further expanded the concept by observing that 20% of the pea pods in his garden contained 80% of the peas.

The concept quickly caught on and businesses everywhere soon came to realize that 80% of their sales revenues came from 20% of their clients.

**This later became known as “THE 80/20 RULE.”**

The Pareto Principle works for nonprofits too! 20% of your donors generally account for 80% of your donations (and sometimes it's more like 10% account for 90% of your donations).

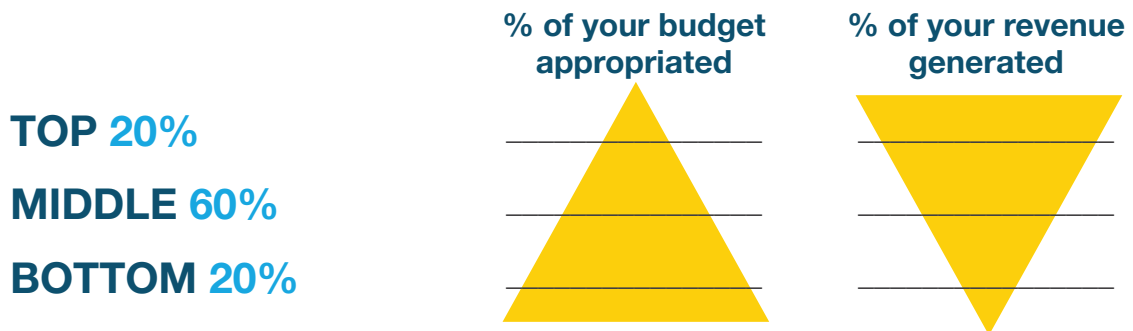


# FOCUS ON RETAINING AND FINDING MORE OF THE **TOP 20%**

Your organization should be spending the bulk of its time and money focused on finding new major donors, finding and upgrading mid-level donors, retaining all of your donors (especially mid-level and major donors), and fostering planned gifts.

**Here's a quick and easy worksheet to help you see  
if your budget is aligned with the 80/20 rule.**

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# WHEN YOU SEARCH FOR NEW DONORS, **GO BIG OR GO HOME!**

## **DON'T GO SMALL**

Traditional orthodoxies suggest you spend tons of money on acquiring new low-dollar donors with the hopes that you might eventually “move them up the pyramid.”

But the data in the nonprofit sector, as well as the Pareto Principle demonstrate that **low-level new donor acquisition only leads to low-level new donor attrition.** Retention rates are abysmal. This kind of strategy is expensive and your new low-level donors are not as sticky as your new major and mid-level donors anyway.

Even if the new low-level donors were to move up to become mid-level or major donors, the revenue gains still would not warrant the level of spending that most nonprofits currently pour into raising funds from that category.



**TIP:** New mid-level, major donors, and planned givers are hiding right in plain sight -- they're your **volunteers!**

# WE'RE NOT SAYING TO **STOP** ALL OF YOUR **ACQUISITION MARKETING**

## **JUST GO BIG INSTEAD**

When searching for new donors, you should examine the **top 20% of your supporters supplying 80% of your revenue**. Then aim to acquire more just like them. Today you can employ inexpensive methods that will inspire your major and mid-level donors to get closer to your mission so **they will invite their friends and families to support your cause too**.

**AND IF IT MAKES YOUR BOSS HAPPY, GO AHEAD AND ROLL YOUR LOW-LEVEL DONORS INTO YOUR FRIEND-TO-FRIEND INVITATION EFFORTS TOO.**

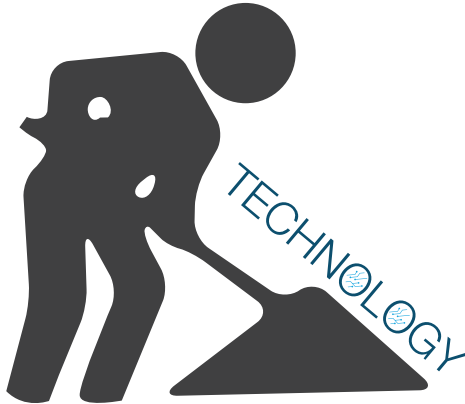
We know this is not how everyone else is doing it—but everyone else's revenue is relatively stagnant. The old rules of fundraising are getting very stale very fast. And, charitable giving has been stuck at 2% for half a century. Why follow the bandwagon into the quicksand? Or worse, into the abyss!

# LEVERAGE TECHNOLOGY

## WHILE MAINTAINING FOCUS ON THE 80/20

Top-performing companies show greater mastery in how they leverage digital technologies to plan, innovate, measure results, interact with customers, and create value.

- *Raising Your Digital IQ* by Pricewaterhouse Coopers and Oracle



### LEVERAGE TECHNOLOGY TO:

- ✓ Reduce costs
- ✓ Generate sustainable, predictable growth
- ✓ Automate mundane tasks
- ✓ Develop a competitive advantage
- ✓ Drive results

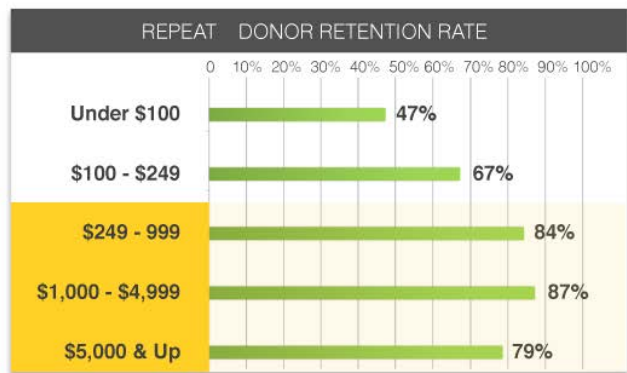
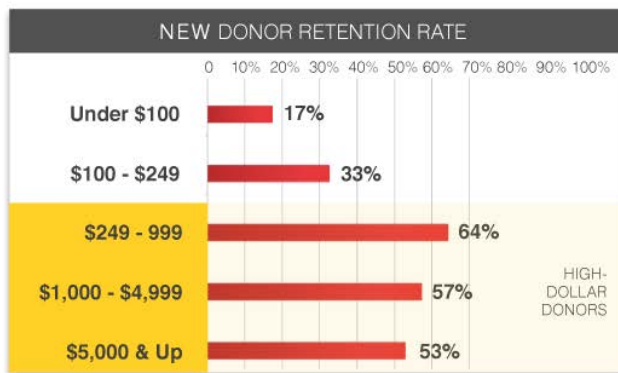
# PLACE A HEAVY FOCUS ON RETENTION STRATEGIES

**Especially those aimed at major and mid-level donors**

We all know that it usually costs less to retain and motivate an existing donor than to attract a new one. So take positive steps to reduce donor losses (especially among your major and mid-level giving categories). Doing so will be your best strategy to increase net fundraising gains at the lowest costs.

## REMEMBER:

- ✓ Major donors are more loyal
- ✓ Mid-level donors are very sticky too (much stickier than low-level donors)
- ✓ Volunteers and legacy society members deserve to be invited to participate in outstanding stewardship activities



**Source: Fundraising Effectiveness Project**  
Examination of anonymous data from 3,590 organizations thanks to their partnerships with many of the best-known software (CRM) providers. These charts represent the loyalty of donors among the top 20% fastest growing organizations in this group in 2013.

**Formula:** Total dollars raised in 2013 minus total dollars raised in 2010 as a percentage of total dollars raised in 2010. The AFP sponsored FEP statistics are the best available fundraising statistics for the sector. [www.afpfp.org](http://www.afpfp.org)

## EMPLOY

# “ENGAGEMENT FUNDRAISING!”

In 2013 MarketSmart’s CEO coined the phrase “Engagement Fundraising.” His mission was simple: To exponentially increase revenues for nonprofits while dramatically reducing their costs.

- **Start with honesty and transparency**
- **Develop a solid welcome series**
- **Use the 3-to-1 fundraising process**
  - Thank
  - Report results
  - Provide engagement opportunities
  - Then you can ask again
- **Aim smart fundraising and retention tactics toward mid-level and major donors**
- **Build awareness for planned giving, generate legacy giving leads, then cultivate them forever**
- **Steward your legacy society members and volunteers like crazy**
- **Engage with your supporters more often by leveraging new technologies that provide scale in a cost-effective manner**
  - Windows into your organization (webinars & conference calls)
  - Relevance and donor-centricity (not spam or one-size-fits-all)
    - Engagement monitoring/tracking
    - Engagement scoring
    - Progressive profiling/modeling
    - Personalization/relevance
    - Feedback surveys Custom gift opportunities
  - Engagement offers
    - Videos
    - Social media
    - Widgets
    - Games
    - Workbooks
    - Calculators
    - Etc

# PROVIDE YOUR SUPPORTERS **VALUABLE OFFERS FOR** **ENGAGEMENT &** **INVOLVEMENT**

Use this checklist to determine whether or not your offers are worthwhile.

- Is it fun?
- Is it fair?
- Are you being honest and transparent?
- Will it educate or inform them?
- Is it sharable?
- Does it evoke emotion?
- Does it release dopamine and/or oxytocin (make them feel good)?
- Does it help them feel like they are the hero in their own life story (provide feelings of autobiographical heroism)?
- Does it give them a sense that they can live forever in the minds of others (provide feelings of symbolic immortality)?
- Does it enable them to give back or pay it forward to others?
- Does it allow them to feel that they are being altruistic?
- Does it provide a sense of community (a connection with others)?
- Does it give them notoriety and/or praise?
- Does it enable them to right some wrongs they want to change in our society?
- Does it give them a feeling that they are being religious or that they may be able to satisfy their religious dictates?

**If your offer for engagement doesn't provide value to your donor, don't use it!**

# LAST THING **STOP CHASING SHINY OBJECTS** THAT DON'T PRODUCE RESULTS!

There are lots of fun, shiny objects out there. New wiz-bang technologies that promise to make your job easier while increasing your revenues. Don't chase them!

**THERE ARE NO SILVER BULLETS. CHASING SHINY OBJECTS WILL USUALLY ONLY FURTHER DEGRADE REVENUES AND PROFITS.**

Here's a short list of the kinds of shiny objects you should avoid until you have mastered your new donor acquisition efforts, as well as, your stewardship and retention tactics aimed at legacy society members, major and mid-level donors first:

- **Money-losing events, galas and golf tournaments**
- **Tricks to grow your Facebook "likes" without knowing what to do with those "likes"**
- **Massive investments in technology with no serious plan to use the technology in a way that will generate massive revenue gains**
- **Search engine optimization**
- **Rebranding**

“Life is really simple but we insist on making it complicated.”

- CONFUCIUS

# ABOUT MARKETSMART

[MarketSmart](#) is a revolutionary marketing software and services firm that helps fundraisers **raise more money more efficiently and be the best they can be.**

Customers include hundreds of large and mid-sized nonprofits around the world including the Smithsonian, Food for the Poor, City of Hope Cancer Research Center, The Navy-Marine Corps Relief Society, Human Rights Campaign, The San Francisco Opera, Ocean Conservancy, The United States Holocaust Museum, many colleges and universities along with other leading organizations in every sector.

MarketSmart's unique suite of solutions **help fundraisers zero-in on the donors most likely and ready to make mid-level, major or legacy gifts.** These game-changing Internet tracking technologies score each prospect's level of engagement online in order to help fundraisers prioritize who should be contacted most urgently. Additionally, our other products include:

- The [Fundraising Report Card](#) which helps nonprofits visualize their metrics while providing valuable benchmarks by sector (free for organizations with 5,000 or fewer donors);
- And the [DAFwidget](#) (BETA) which helps nonprofits generate more revenue from donor advised funds at no cost (free for all nonprofits).

Organizations implementing MarketSmart's systems and strategies have been able to revamp their approaches to mid-level, major gift and legacy gift marketing to **raise millions of dollars.**

