



2008 Expedition:
Rediscovering & Climbing
The Donor Pyramid

A New Thought Piece From
Tony Elischer

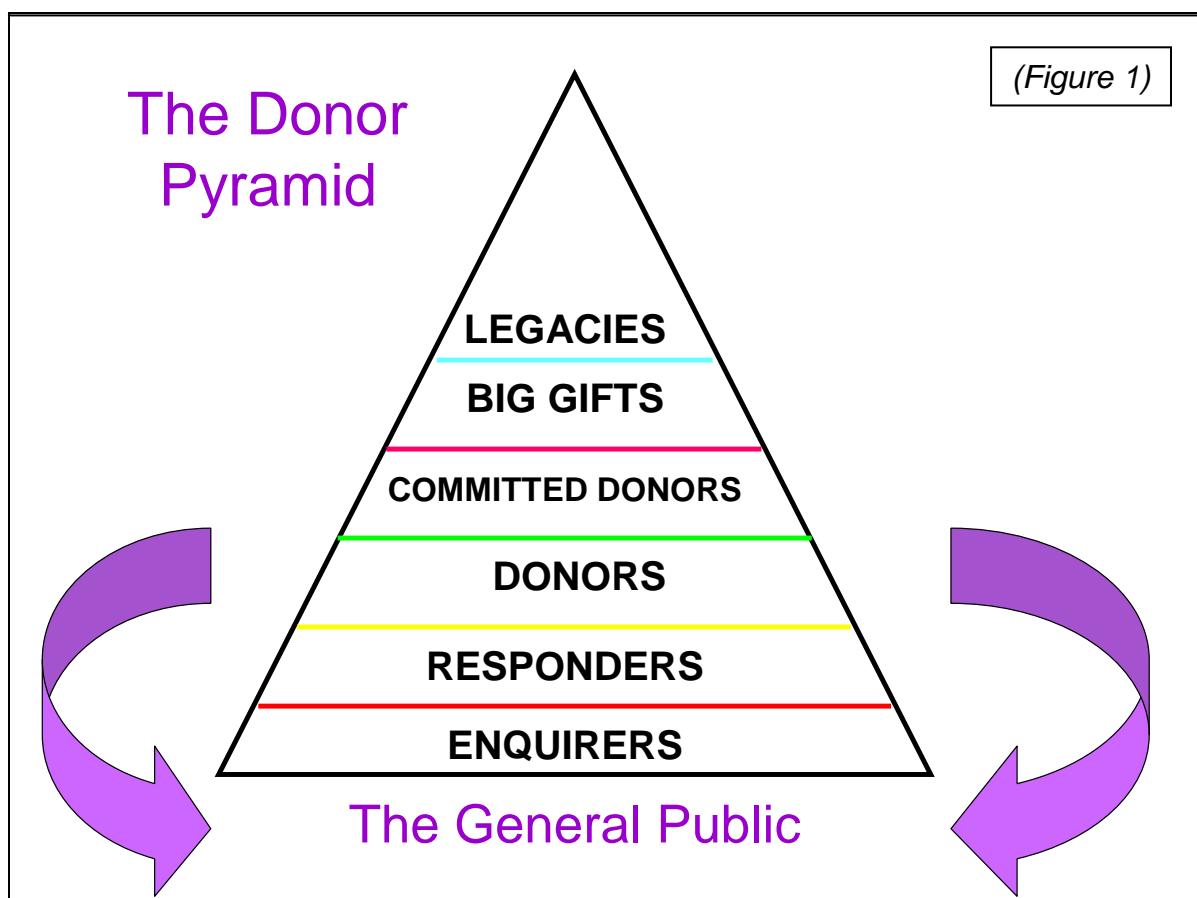
Evolution is a fact of life in everything we do and think, but sometimes I question whether we, as a profession, are too slow, too busy or perhaps too slow to evolve some of the core thinking that underpins our approach to fundraising. It is clear that fundraisers are constantly evolving their programmes and techniques; they have no choice as market forces are creating the pressure and the fact that we live firmly in the middle of the digital age where anything and everything seems possible in terms of connection, information, service and knowledge. Every year we can identify trends of how fundraising is evolving and the new skills mix that is now required for organisations truly to drive forward in this extremely competitive area, but are we investing enough thinking and time in some of the core strategies that we share across the sector, frameworks of thinking that have underpinned and driven our activities for the last thirty or more years.

We all know that one of the biggest challenges charities face in developing, implementing and delivering programmes is simply finding the right skills, outlook and sheer talent in the individuals they want to employ. I would go as far as saying that we are in the middle of a talent crisis in this sector, there simply isn't enough of it to go around. Sadly so many young fundraisers now have 'splash careers' where they 'splash' into an organisation, get promoted quickly, evolve their job title to something impressive, thus increasing their 'sector door opening ability' and then 'splash' out into the next organisation within eighteen to twenty four months; usually without achieving very much or leaving much of an impression. So many organisations invest time and resources in defining what they want/need to do and then go into a holding pattern through their lack of ability to attract the right talent to implement their plans; or worse still they have many false starts as they have to go through two or three development professionals before they chance upon one who has the right competency and dedication to stay the course in terms of driving a programme or a campaign.

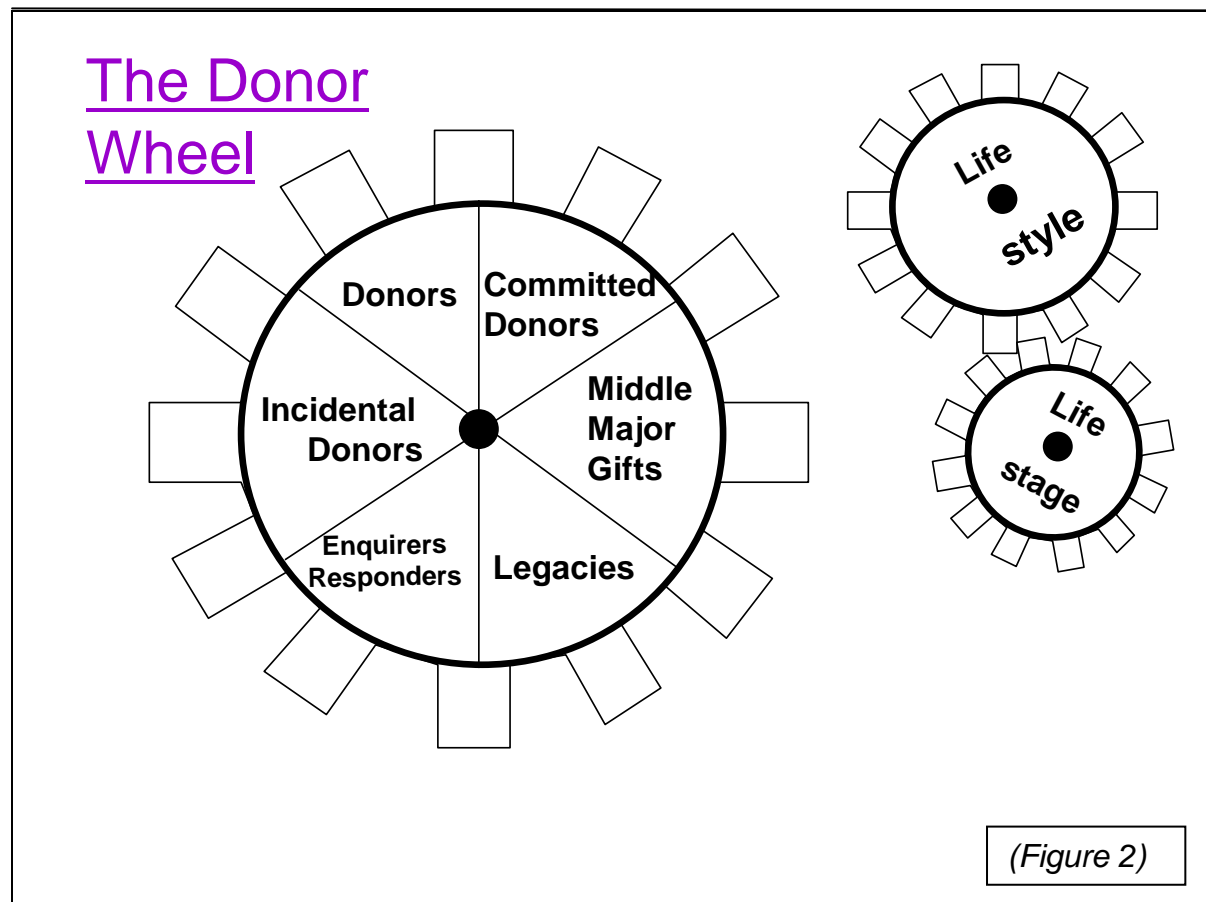
'Splash careers' are changing the balance between strategic thinking/action and tactical thinking/action, with far too much emphasis on the latter. Too many charities now work on the principle of waiting for a programme to begin really to dry up or go wrong before taking alternative or corrective action. We don't think enough in terms of managing a portfolio and constantly trying to achieve a balance of new and old, low versus high risk, younger audiences and older audiences, traditional approaches and digital approaches, etc. So many new fundraisers are thrown into the job without the proper training or orientation. After a while they feel such familiarity with the fundraising programme that they have been assigned to manage that they can't see the value of studying fundraising further, why? Because 'they know it all already!'

The recruitment crisis also means that people are being over promoted; often well beyond their competency range, and it is clear this is simply out of desperation from organisations keen to keep or start any level of momentum in vital fundraising programmes to feed the organisation. Let's face it, if we could ever really push some charities to own up to their desperation they would admit that they have settled for mediocrity, which in the cold light of day has to be unacceptable given our status and the missions that we serve.

We have to begin to face up to some of these facts and to address the challenge from several different angles to ensure some level of impact/difference on the situation. One of the core elements has to be reigniting a passion for understanding and studying the basics of fundraising. Those of us who have navigated a lifelong career in fundraising realise how important it is to understand fully the thinking that has got us this far, but to be relevant to a rapidly changing social and economic landscape we must commit to moving the thinking onwards and making it totally relevant to today's fundraisers and the challenges they face. Mention the donor pyramid (*figure 1*) and most people will either smile, as if to say 'that old thing', feign an understanding or engage to see how something that has been around for nearly forty years may still have a relevance today.



Many years ago I remember being outraged at an article in the professional press that declared ‘the donor pyramid is dead’ and went on to say very little under the sensational headline. As this was clearly an attempt from someone with very little passion for the thinking that underpins our profession, I decided to respond by pointing out that the pyramid was never alive! and like many such models is designed to stimulate thinking and provide a frame of reference to develop a strategy that moves donors on. The pyramid is simplicity itself, clear stages that can accommodate donors, fewer donors as the value increase and the ultimate destination, if you can steer donors there, of legacies. To add further to this thinking I defined the donor wheels (*figure 2*) that are now widely used by the sector to show how each programme can connect with donors at the different stages of their life and the associated lifestyle. The donor wheels helped illustrate that a successful programme should define the different stages and have them available for donors to connect to as and when they wanted. They could move in and out of a relationship programme and would rarely follow any logical route between levels of relationship. The other significant reminder of this framework was the two wheels that reflected the donor and their constantly changing view of the world and possible needs in terms of a connection with a cause.



The donor pyramid and the donor wheels are two very strong frameworks that have stood the test of time and they present two alternative views with variations of how to develop a programme for individual donors. But they fail to reflect how the digital decade has changed the way many people want to connect with, interact with and possibly build a relationship with a charitable cause. We need to think through how things now happen in real time, how people can access knowledge to any level they require, how speed of service has changed expectations and how the digital world enables people to try more things before deciding what is right for them.

We need to capture the key challenges that we now face with individual donors, apart from the obvious one that there simply isn't enough of them!

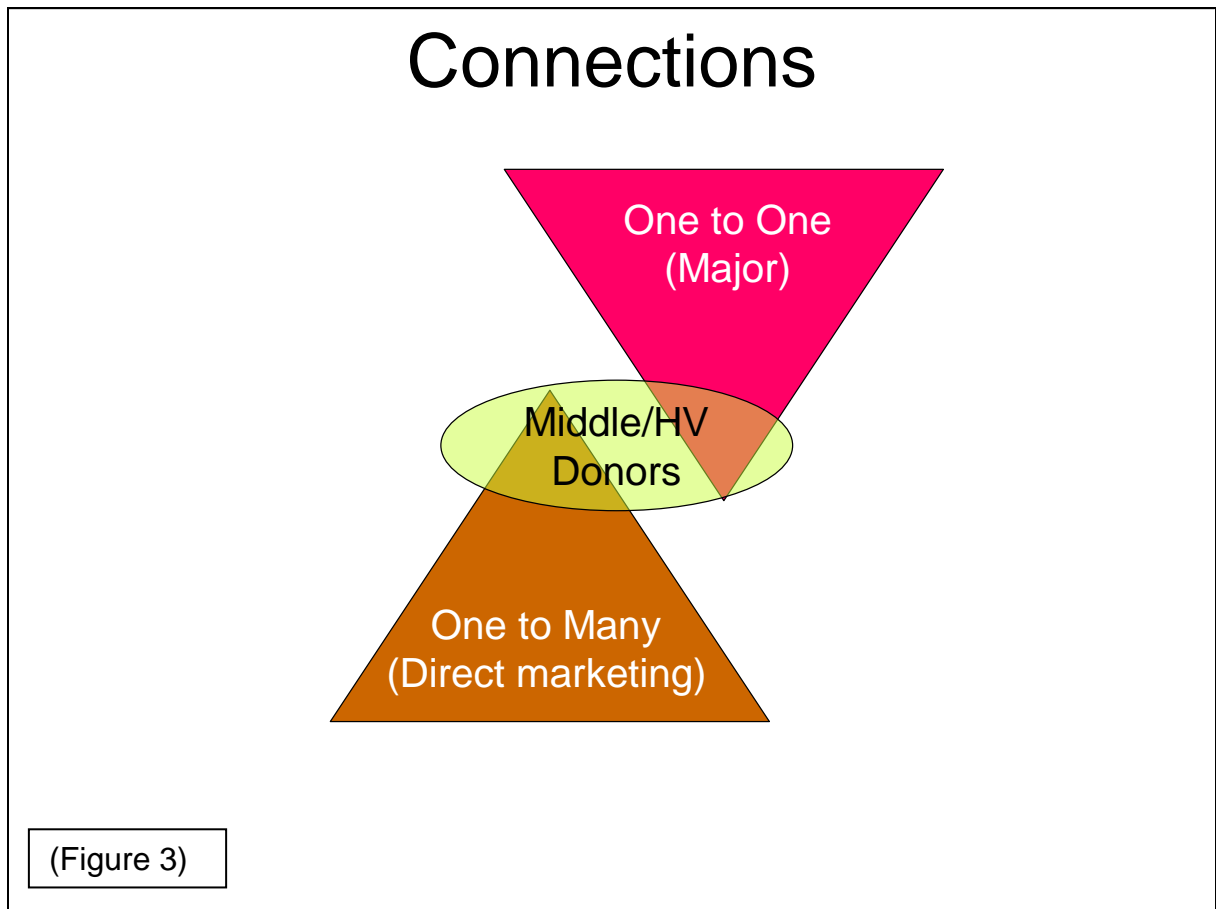
- **Donor share not market share** is now a guiding philosophy for any successful operation. Maximising what you have and balancing the amount of energy invested in donor development with the energy invested in recruitment. Yes, you have to continue to feed the donor pipeline but more budget needs to be invested in donor development, donor care or the increasingly popular umbrella of stewardship.
- The commercial sector has recognised what they call '**trysumers**', the term used for people who are literally trying out a brand and its products before even considering any level of further engagement or loyalty. This is a reaction to mushrooming consumer choice and how digital channels provide infinite choices on products, brands and delivery channels. In our sector we clearly now have a group of '**trydonors**' or '**trysupporters**', people who may respond to a campaign and add their name to a list of people who share your views but without taking a step further and waiting to see if they enjoy the way you respond or if they feel that their initial 'test' has moved anywhere. A whole new section to the bottom of the pyramid.
- Also at the bottom for some time now we have recognised '**incidental donors**' perhaps a category close to 'trydonors', the people who indirectly support our cause by buying tickets to an event, purchasing merchandise or some other activity with an indirect link to the cause. This is often a forgotten source of valuable warm prospects.
- The last ten years has clearly shown that when it comes to regular support there are potentially **two donor audiences**, regular donors and committed donors. All too often these two categories are merged together strategically and once this happens it limits the ability to grow each category of donor in their own right. Let's stop and think about the history of these two techniques and how they have evolved. In the UK, the main vehicle for regular financial

donations used to be covenants, which was the tax efficient method of supporting charities, so people who really thought about their philanthropy would use this method of support and usually at a reasonably high level to make all the paperwork worthwhile. This worked well for the charity knowing that they had a regular source of support and well for the individual in that they could maximise the tax efficiency of their donation.

As taxation changed committed giving emerged as the main way of targeting donors for regular support, and the ultimate 'product' was always child sponsorship and by the very nature of the proposition it was at a reasonable financial level (circa £18 a month). At the beginning of the nineties Oxfam developed a £2 a month ask (a low monthly ask) which immediately transformed regular giving for charities, but it was regular giving not committed giving. £2 seemed such great value to 'teach a man to fish' that it was hard to think of a reason why not if you were charity minded/inclined. This is where the confusion began and continued in that fundraisers simply called everything committed giving, rather than thinking that regular giving was about getting people into the habit of giving every month, whereas committed giving was at a more significant level and the donor would more likely be committed to the cause or the 'product' being offered.

Committed giving is now a very mature technique in the market place and it is increasingly difficult to build a reasonable sized support base, so it is interesting to see a greater emphasis on regular giving again with price points varying between £2 and £5; clearly as at the outset of low monthly ask programmes the key to success is the upgrade programme.

So with this clear learning from the past and the present we need to recognise two distinct layers in the donor pyramid, not just a single area called committed giving. If you think this is just related to a framework for thinking, think again and think about the structure of direct marketing team in medium and large charities where members of staff are dedicated to a broad area called committed giving!

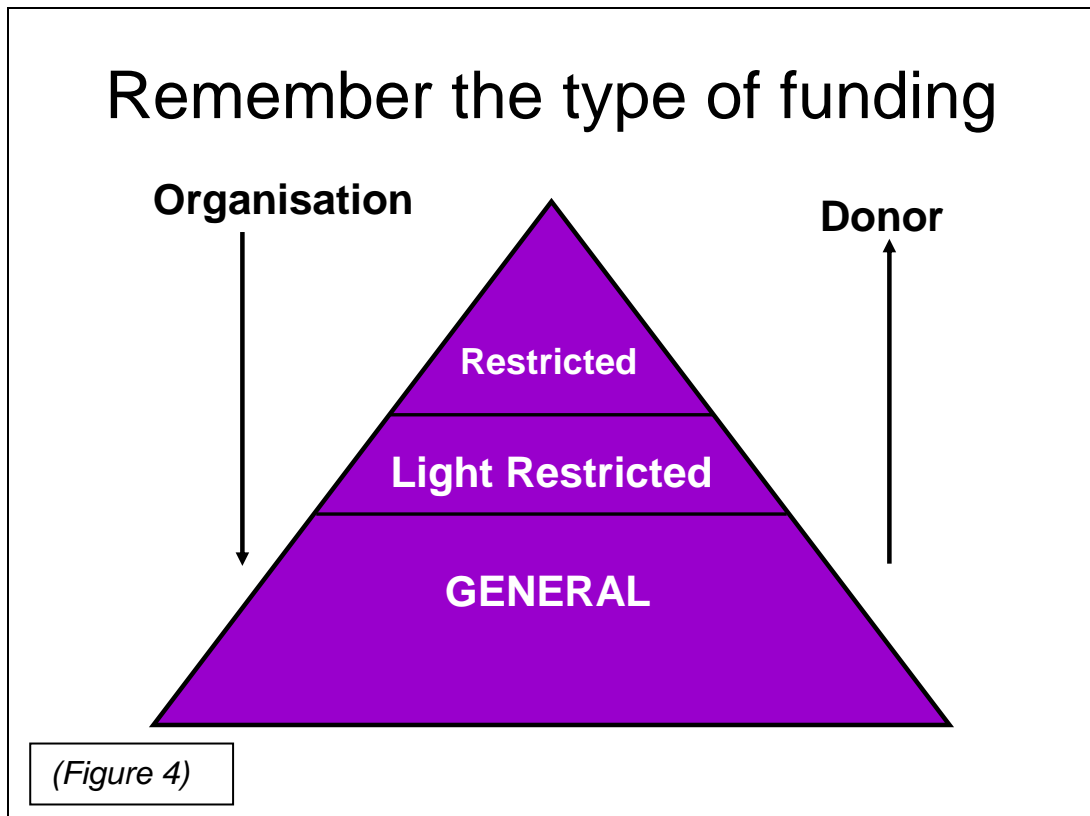


- Figure 3 shows the bridge between committed giving and the two initial levels of programme we are going to outline to begin the process of targeting high net worth individuals. It clearly shows the space that exists in most organisation's strategy to broaden the higher value programmes that are offered.
- Further up the pyramid for too long we have stuck with **major donors** as a broad category encompassing individuals who can give at a higher level and are generally considered to be wealthy in their own right. Time has well and truly caught up with this category definition and has demanded that it be split down further to develop a range of strategic fundraising programmes that maximise people of 'wealth'. Over the last fifteen years the polarisation of wealth in society has increased but it is clear that the number of people with higher levels of disposable income has grown dramatically. Against this background, the biggest area of activity in the sector at the moment is undoubtedly major gift work and you only have to look at the job pages to see

the demand for experienced staff in this area of work.

So where should we be thinking strategically? I don't think it is going too far to think in terms of three separate programmes that are all interlinked but have their distinct approaches and levels of stewardship. It is clear that the next five years will be critical for charities wanting to carve out a reasonable share of the high net worth individuals (HNWI) market place so thinking strategically before engaging could build significant market advantage and accommodate a larger pool of suspects, prospects and donors. For me this is also the break point where the charity has to begin to allow the donor higher levels of say on where the donation is going. Charities rightly focus on trying to make as many programmes as possible serve their general funds needs, but this has to be the departure point where the donor is allowed more discretion and control. Remember that smart charities negotiate a system internally that recognises and accounts for three kinds of funding (*figure 4*):

- General funds, which are at the total discretion of the charity in terms of how they are used and are in effect the life blood of the charity serving to pay salaries, overheads and often less popular parts of programmes that will not secure earmarked donations.
- Light restricted (or as the Americans would say 'lite' restricted!) funds, which is the new emerging category allowing fundraisers to present theme area of programmes, geographic areas of work or other broad segmentations of the cause . This allows a degree of connection with a project, but is nowhere near as restrictive as the next traditional category of income.
- Restricted income: is exactly 'what it says on the tin', restricted to a specific project or programme of work. Dearly loved by donors for obvious reasons but increasingly not so popular with charities again for obvious reasons in restricting operations and putting pressure on funding general overheads and operations from elsewhere.



Moving from committed givers the first level of HNWI programmes should be '**middle donors**' people giving at the higher level in their existing programme, perhaps with one-off gifts in addition to their regular donations and people generally capable of giving a more significant amount, placing them at the beginnings of the top 5% of a charity's donors, depending on the size of the charity and its donor base. This programme would offer highly personalised direct marketing techniques to cultivate and service the donors.

As some people respond well to the middle donor programme the space to move them to has to be a '**high value programme**' where the charity begins a process of trying to make greater contact, perhaps in small groups, so the donor can literally get closer to the cause, the charity and the brand. This segment is pushing well into the top 5% of the donor base, but again all based on the size and maturity of the database.

Finally our donor segments reach the well known **major donor** segment, however with the other two programmes leading up to this, it is likely to be a much smaller group where higher levels of stewardship can be offered to ensure loyalty and ultimately maximum level donations. The distinguishing feature of this programme is the one to one, face to face nature of the

programme. We all know that this is the ultimate form of individual fundraising, but extremely labour and resource intensive. In most charities this is likely to be the top 2% of donors, so truly the individuals at the core of giving to the charity.

The other shift over the last few years has been the realisation that programmes for HNWI no longer have to revolve around a capital project or bricks and mortar. Instead of working from the programme out, many charities now work from the donor in, concentrating on understanding their needs and potential, thus being able to link them to a much wider portfolio of projects. We now have enough experience and case studies truly to say that major donor programmes are for every charity; I guess this realisation is what is feeding the staff demand in the area.

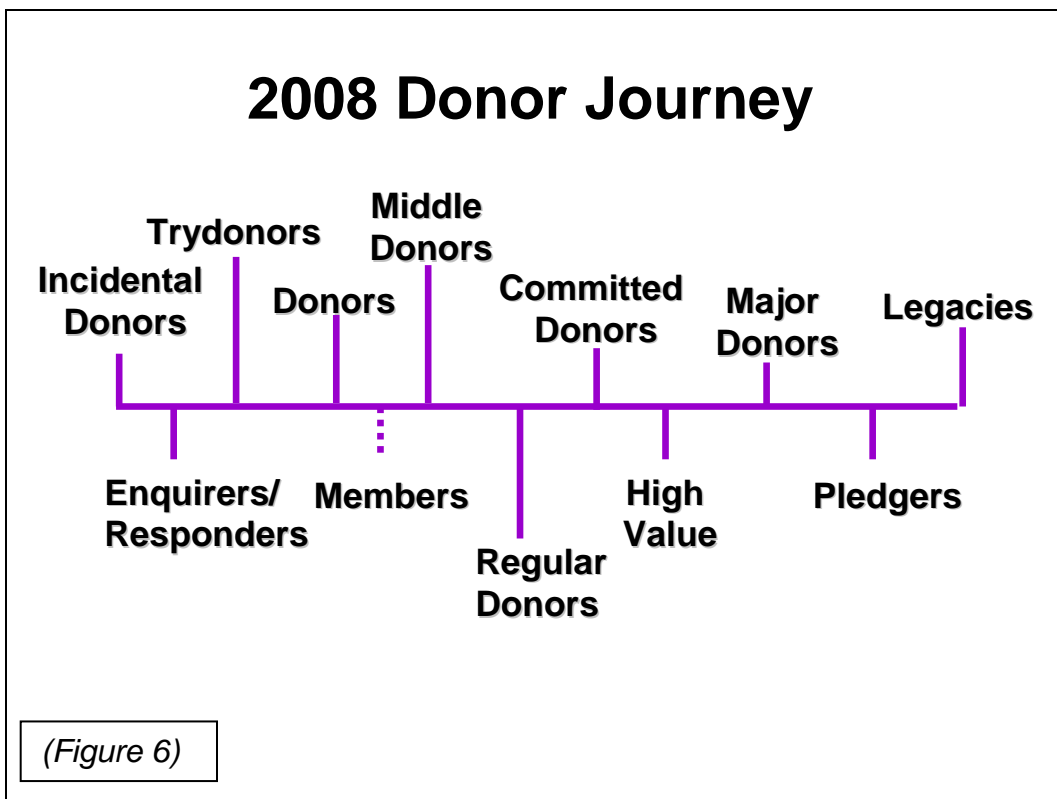
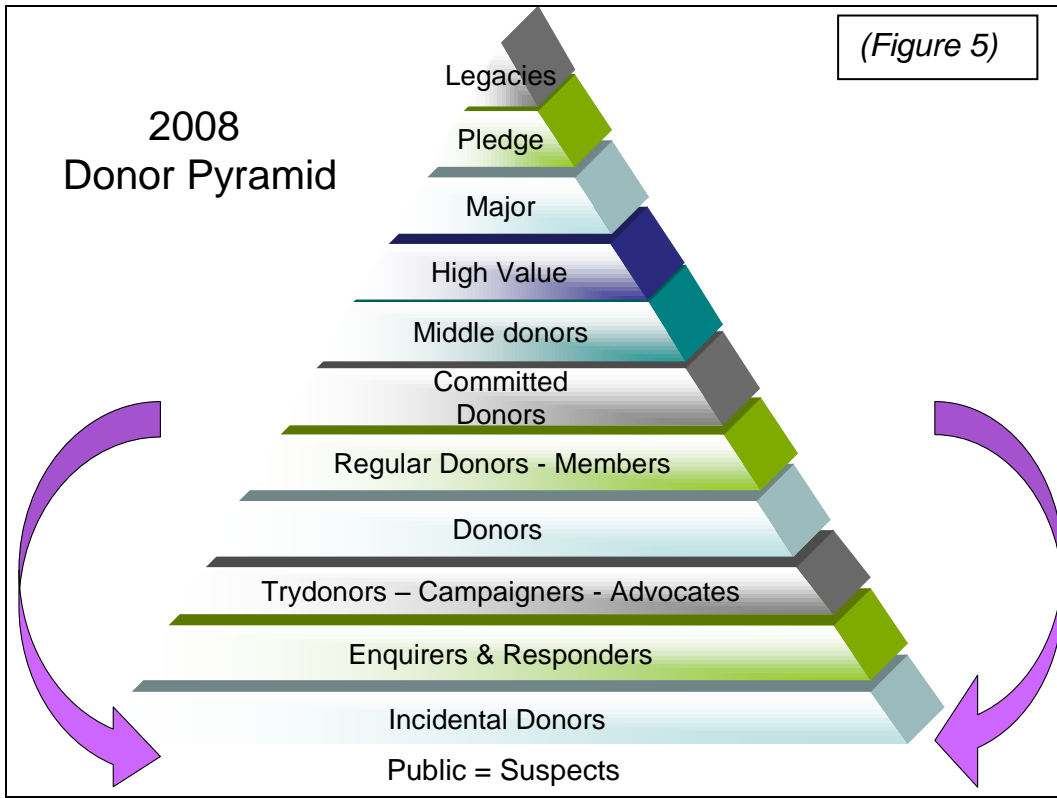
The other key strategic factor to having three levels for HNWIs is the fact that the charity has greater control on the cultivation and development process and can cope with far greater numbers of prospects and donors. Once behaviour and research indicates their potential to move between programmes, different approaches and propositions can be tested with the ability to move people back into other programmes. All of which should be seamless to the donor but critical in maximising resources for the charity. In dedicated major donor programmes people talk about the prospect or donor pipeline, an analogy used to remind people of the need to keep identifying people to test within a programme, by defining three levels of programme for HNWIs these pipelines automatically exist and in time can be extremely streamlined and efficient.

So the sixty four million dollar question at this point is, what are the financial giving levels between these different programmes? and the frustrating answer is 'that depends!' But it is true, it is fatal to simply copy others in setting financial bars between different programmes and to complicate this challenge further once financial levels are set they should remain flexible and are likely to change each year for the first few years of growing these programmes. For some people middle donors start at £300, for others £500. To some charities a major donor is £5000 to other £25,000 so much depends on where you are in your programme and your cause and evolution to date. Charities in the heritage and education field increasingly set their levels much higher than mainstream charities by the nature of their supporters and the projects they are seeking support for. Careful data analysis and research are the tools that will give you the clue to these questions and the conclusions need to be set against the resources you have available.

It is worth mentioning that for international charities there is even a fourth category for HNWI's, that of '**mega donors**' or more accurately **global citizens/philanthropists**. This elite, but growing group of people tend to be the target area for central office operations, allowing them to use global leadership and global projects to target a group of donors without treading into the territory of individual countries and their HNWI operations.

- With the increasing pressures on legacies I still remain a fan of promoting **pledge programmes**, whereby loyal supporters, in particular, are targeted to seek their agreement to leave a legacy and to declare the fact to the charity so that it can thank the donor and realise that at some point in the future it has a significant donation it can bank on. I realise that some charities and practitioners do not believe in these programmes, but I have seen sufficient positive results to ensure that I would always build this programme into a strategic donor journey. The key is not to over invest in the area either financially or in terms of expectations. Another important aspect in this part of the twenty first century donor pyramid is to link **in memoriam** giving with pledge programmes; when older people want to mark the passing of their friends it is a natural time to link to a future approach for a legacy pledge from their own estate, future being the key word. In memoriam has been a vastly under invested area and has often not had a logical home within internal departments. Traditionally this rested with a community or regional team, but increasingly I think this area merits a special cross departmental task force team, bringing together the best thinking from community fundraising, direct marketing and perhaps corporate fundraising. Many of the larger charities are reaping good rewards from investing in such programmes, but for obvious reasons are not keen to promote their success as the field is clearly limited.

So against the background of all the new developments, environmental challenges and most importantly changing donor needs we need a **new donor pyramid and donor journey** (*figure 5 & 6*) for the remaining part of this decade; why such a short length of time? Because we need to encourage every practitioner to want to invest time in thinking how to move the thinking on and to make frameworks that serve fundraising, dynamic forces that engages people and equip them with the latest thinking that will challenge the way they develop programmes. Plus the incredibly exciting fact that digital tools and channels will ensure that the way we can and do engage with people will be constantly evolving and no one can afford to sit back and wait to follow, we all have to take a degree of leadership in our portfolio of programmes. In the digital world of fundraising it is the leaders who reap the rewards, rarely the followers.



So our expedition to rediscover and climb the donor pyramid hopefully sets out a new framework for new and more rigorous thinking around the area of maximising the potential of private individuals and their support for our cause, after all globally individuals still represent the largest and most valuable source of voluntary income for our sector.

The other key challenge still remains, will this new thinking, connect to a new generation of fundraisers who want to commit, invest time and above all stay the course to implement programmes and deliver vital targets for the thousands of different causes that need their loyalty?

Tony Elischer

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