

FUNDRAISING CLIMATE CHANGE AND WHAT YOU CAN DO ABOUT IT

How to survive and thrive during the most turbulent yet transformative era ever to face fundraisers.



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FUNDRAISING CLIMATE CHANGE AND WHAT YOU CAN DO ABOUT IT



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Engagement
Fundraising
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CEO & Founder



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info@imarketsmart.com



Introduction

What's in a name?

In my book (titled [*Engagement Fundraising*](#)) I briefly described the changes affecting nonprofits and their fundraising staff. The label I applied to the trend was 'Fundraising Climate Change.'

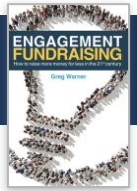
I had been [monitoring the metrics](#) for some time until, finally, I concluded that the climate surrounding our sector's fundraising efforts was changing slowly and most of the people in the sector weren't noticing what was happening.

So I conducted a webinar.

Although I wrote about the clouds gathering on the horizon a while back (on my blog and later in my book), I decided to put my thoughts together and present them in a [webinar titled *Fundraising Climate Change And What You Can Do About It*](#). You can view the recording anytime for free.

This summary report is designed to help you understand what's happening and how you can take action. I hope you find it useful and I welcome your comments anytime.

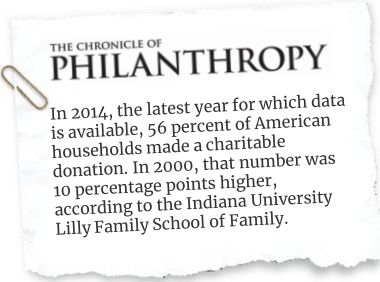
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Proof that it's happening

The number of donors in the U.S. has been shrinking

[Some researchers](#) began studying this phenomenon back in 2003, concluding that nonprofit mergers were partially to blame. However, subsequent studies [and articles](#) have found that people are simply dropping out of giving altogether. The number of donors in the U.S. has fallen yearly by between 1% and 5%, depending on



Donations on the decline

% share of Americans who donated

ALL SOCIO-DEMOGRAPHIC GROUPS

2000 - 66.2%
2018 - 49.6%



$\frac{2}{3}$
 $\frac{1}{2}$

Most occurred
AFTER the
Great Recession
(2007-2009)

Average \$ amount Americans gave

2000 - \$1,790
2018 - \$1,280



-75%

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Donor disappearance isn't the only problem

Donor and revenue retention rates are dropping

According to MarketSmart's [Fundraising Report Card](#), a free application that analyzes over \$104 billion in donation revenues for more than 10,000 nonprofits daily and [provides sector benchmarks](#), both donor and revenue retention rates are on a downward trajectory.

**BENCHMARKS
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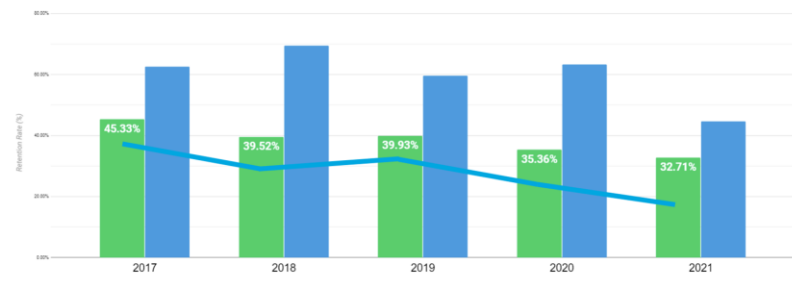
See how your organization compares with others



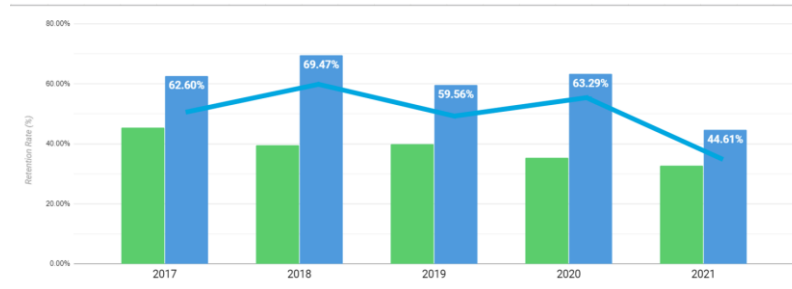
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Donors Retained



Revenue Retained



www.fundraisingreportcard.com/benchmarks

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And there's more...

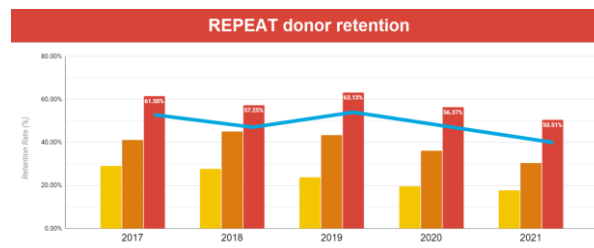
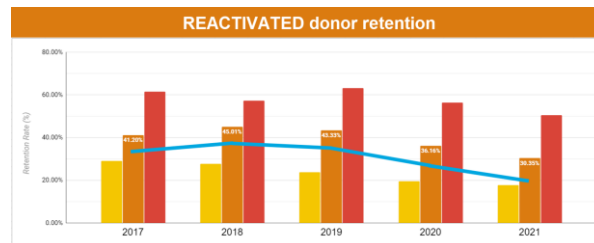
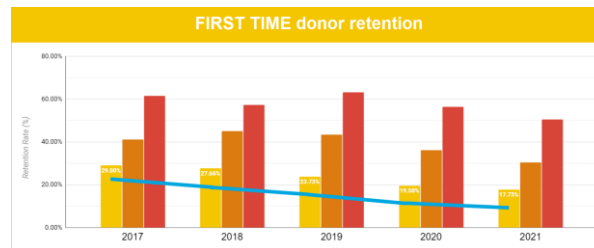
Other metrics are declining too

First time, reactivated and repeat donor retention rates are all edging downward.

NOTE: You can view **your** metrics in seconds using our [Fundraising Report Card](#).

**GRAPHS & CHARTS
FOR YOUR NEXT
BOARD MEETING**
Easy fundraising metrics ready in seconds

TRY IT NOW FREE
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One bright spot

Meanwhile, the average donation amount is growing

MarketSmart's Fundraising Report Card found an increase in the average donation amount by 49% over the past five years.

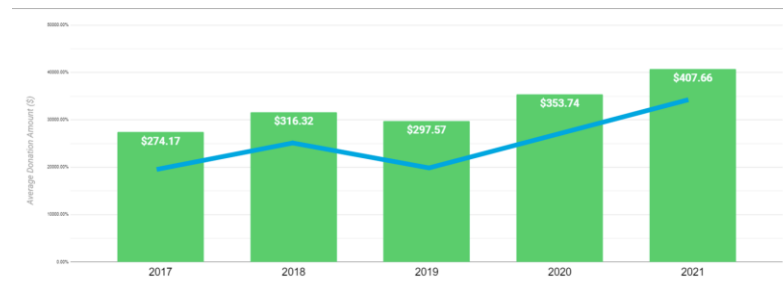
Note that the Blackbaud Institute's research concluded that the average donation reached \$737 in 2020 (although their data likely reflects data found in their




reports which leaves out many smaller

<https://institute.blackbaud.com/charitable-giving-report/overall-giving-trends/>

Average donation amounts are increasing



www.fundraisingreportcard.com/benchmarks

FUNDRAISING REPORT CARD  Daily analysis of \$104 billion in charitable giving using data from 10,000+ organizations

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Average lifetime value among low dollar donors in all sectors is only \$44.75

A terrible return on your fundraising investment

Although most fundraising shops spend the majority of their marketing dollars on generating low dollar (under \$100) donations, the lifetime value (LTV) of those donors is meager — especially when compared with the LTV of over \$5,000 donors.

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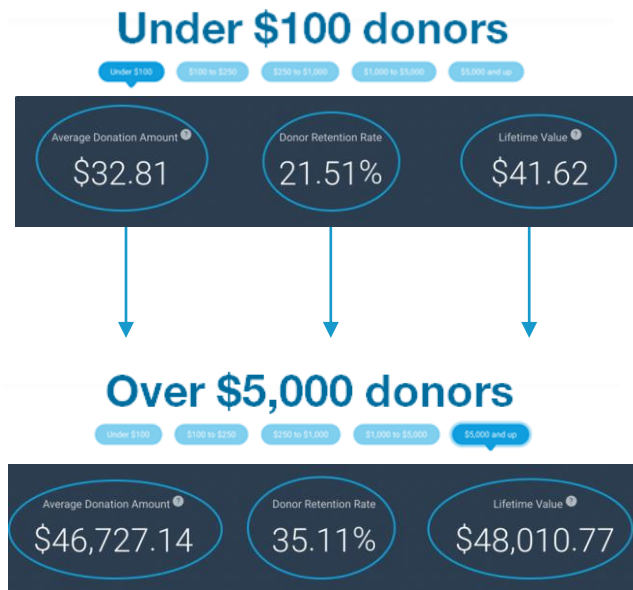
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HUMAN SERVICES SECTOR lifetime value among low dollar donors is only \$32.81

This is based on \$7,728,710,140.37 analyzed.



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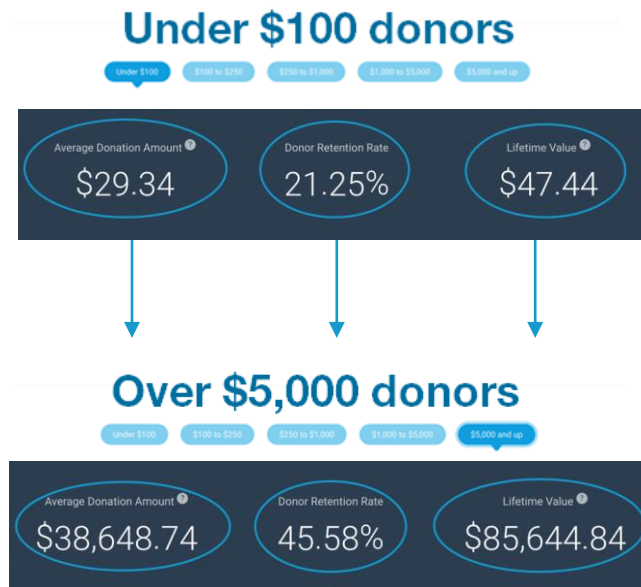
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RELIGION SECTOR lifetime value among low dollar donors is only \$29.34

This is based on **\$8,350,755,244.62** analyzed.



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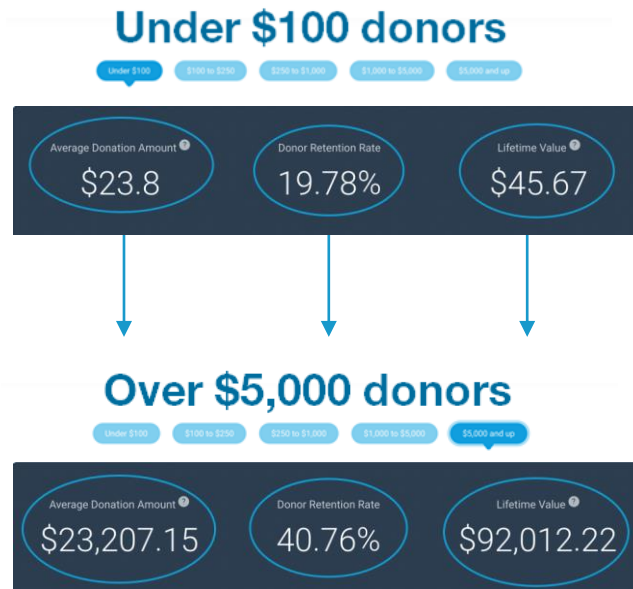
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ENVIRONMENT & ANIMALS SECTOR lifetime value among low dollar donors is only \$23.80

This is based on **\$7,412,077,542.88** analyzed.



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HEALTH SECTOR lifetime value among low dollar donors is only \$24.70

This is based on **\$5,591,449,716.07** analyzed.



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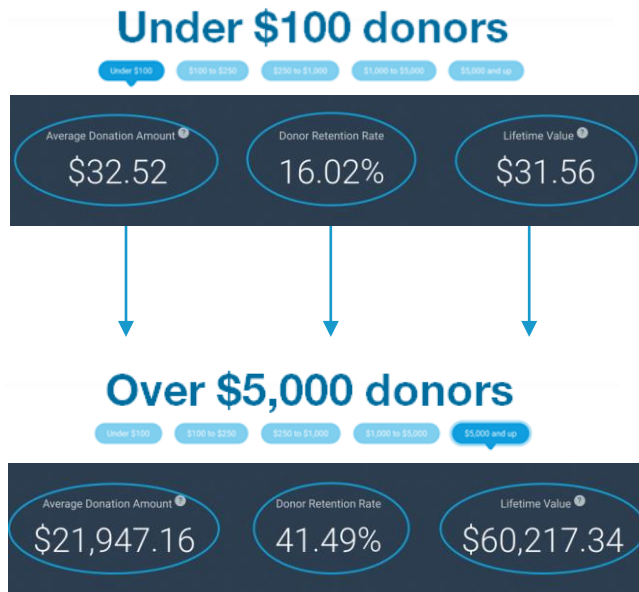
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PUBLIC & SOCIETY BENEFIT SECTOR lifetime value among low dollar donors is only \$35.52

This is based on **\$1,877,381,107.19** analyzed.



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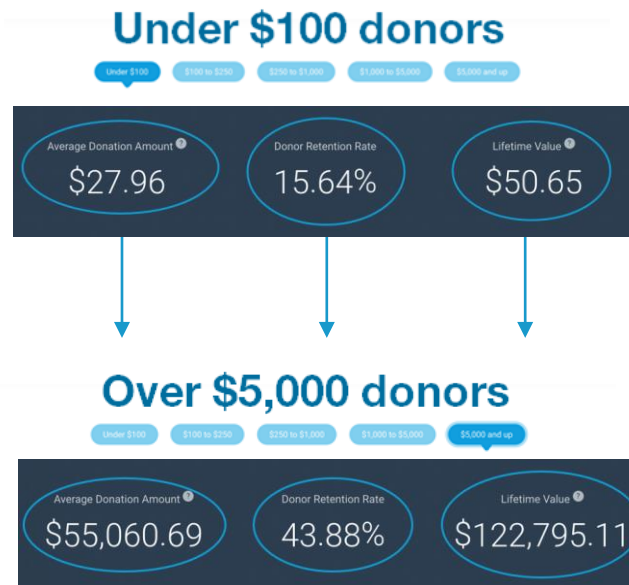
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EDUCATION SECTOR lifetime value among low dollar donors is only \$27.96

This is based on **\$9,438,566,812.84** analyzed.



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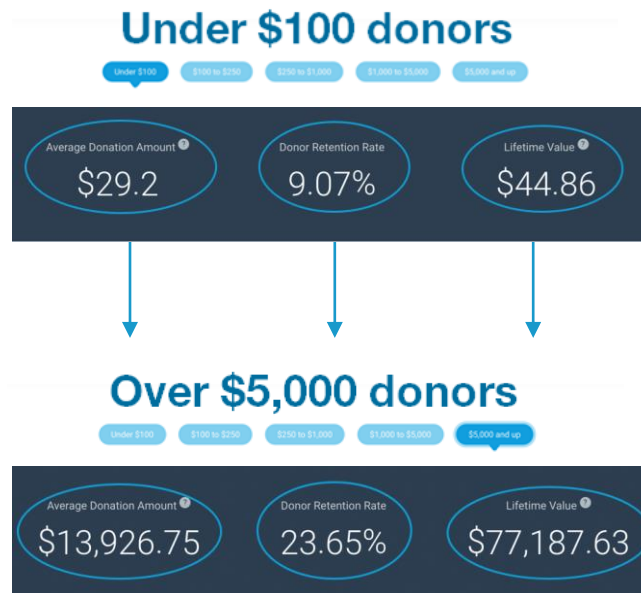
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INTERNATIONAL SECTOR lifetime value among low dollar donors is only \$29.20

This is based on **\$2,474,254,128.53** analyzed.



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ARTS, CULTURE & HUMANITIES SECTOR lifetime value among low dollar donors is only \$28.42

This is based on **\$1,401,561,077.05** analyzed.

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Under \$100 donors

Under \$100 \$100 to \$250 \$250 to \$1,000 \$1,000 to \$5,000 \$5,000 and up



Over \$5,000 donors

Under \$100 \$100 to \$250 \$250 to \$1,000 \$1,000 to \$5,000 \$5,000 and up



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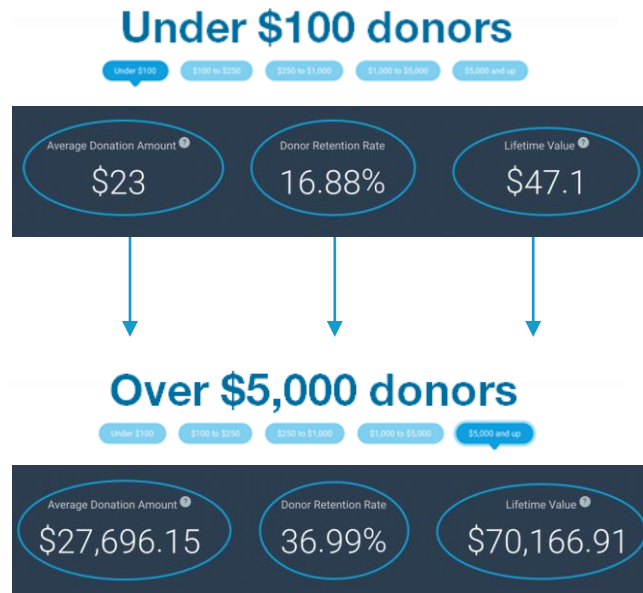
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OTHER SECTOR lifetime value among low dollar donors is only \$23.00

This is based on **\$25,552,444,839.40** analyzed.



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The 80/20 Rule is dead

Fewer donors are supplying most of the revenue

Many in the sector used to say they would expect 80% of an organization's revenue to come from 20% of its donors. But now it's more like **76%/ .74%**.



Donors giving over \$5,000


= **.74%** of an org's donor base
but make up **76.38% (3/4)** of all
donation revenue

Donors giving under \$100

= **77.16%** of an org's donor base
but make up only **4.96%** of all
donation revenue

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www.fundraisingreportcard.com/benchmarks

FUNDRAISING REPORT CARD  Daily analysis of \$104 billion in charitable giving using data from 10,000+ organizations

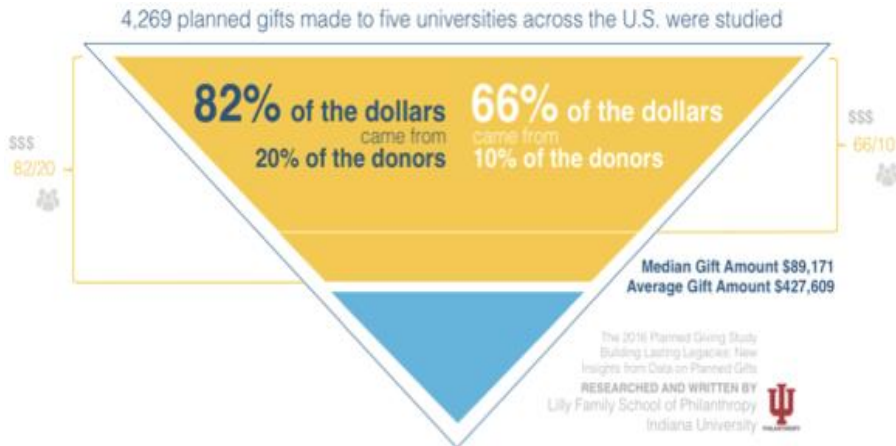
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Yet the 80/20 Rule still exists for planned gifts

82% of legacy gift dollars come from 20% of the donors according to a 2016 study

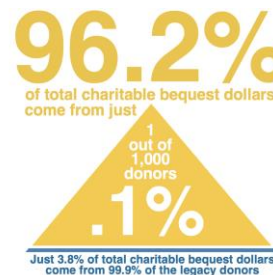
Additionally, the same study found that just 10% of the donors provide for 66% of the planned gift dollars.



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Outliers: According to Dr. James, 96.2% of the dollars come from .1% of the donors

However, research from Dr. Russell James found that outliers matter even more than once thought. In his book released in 2021, *The Epic Fundraiser*, he laid out his research findings concluding that 99.9% of legacy donors generate only 3.8% of total charitable bequest dollars while just 1 out of 1,000 donors (.1%) make up 96.2% of charitable bequest dollars.



<https://imarketsmart.com/donorstory/>

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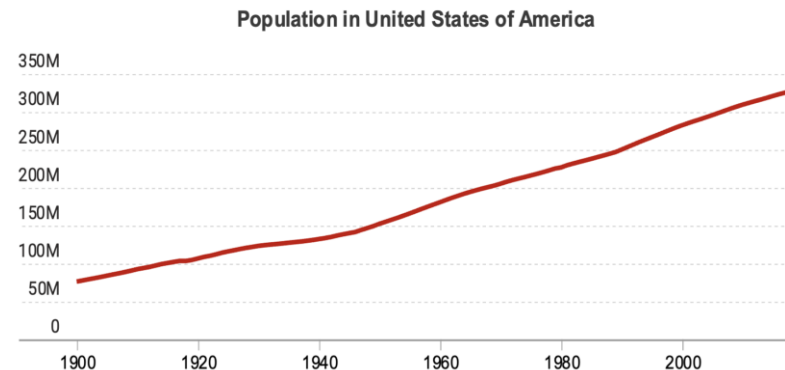


Back to the disappearing donors

Something is out of whack!

One might wonder, “How can donors be ‘disappearing’ when the population in the U.S. continues to increase by .6% to 1% each year?”

Population increasing +.6% to 1% per year



Data from census.gov via Data Commons

https://datacommons.org/place/country/USA?utm_medium=explore&mprop=count&popt=Person&hl=en



It's not that older donors are passing away

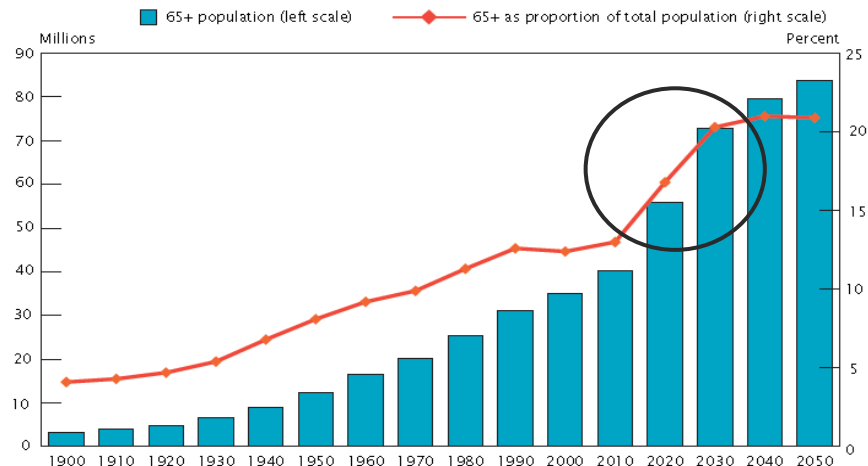
More people are moving into the prime giving ages

The number of people at or above age 65 is expected to jump quickly from 60 million to around 75 million in 2030, growing from approximately 15% of the U.S. population to 20% (and again to about 85 million or 23% of the U.S. population by 2050).

65+ population expected to continue climbing

Population Aged 65 and Over: 1900 to 2050

(For information on confidentiality protection, nonsampling error, and definitions, see www.census.gov/prod/cen2010/doc/sf1.pdf)



Sources: 1900 to 1940, and 1960 to 1980, U.S. Bureau of the Census, 1983; 1950, U.S. Bureau of the Census, 1953; 1990, U.S. Bureau of the Census, 1992; 2000, U.S. Census Bureau, 2001; 2010, U.S. Census Bureau, 2011; 2020 to 2050, U.S. Census Bureau, 2012a; 1900 to 2010, decennial census; 2020 to 2050, 2012 National Population Projections, Middle series.

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Even when the economy was booming, donors disappeared

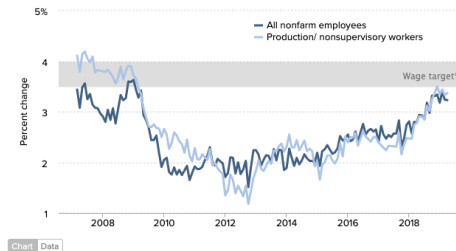
Prior to the Covid-19 pandemic, just about every economic indicator was showing signs of improvement or stability. However, even though more people were employed, their wages were increasing, and their confidence in the economy was growing (all while inflation remained in-check), donors were still disappearing.

Unemployment was declining



Wages were increasing

Year-over-year change in private-sector nominal average hourly earnings, 2007–2019

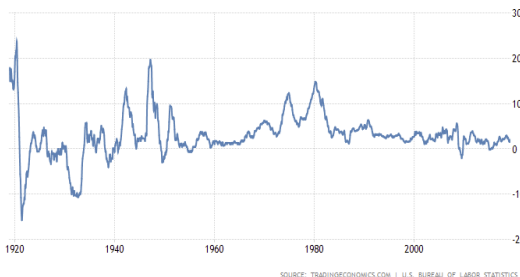


* Nominal wage growth consistent with the Federal Reserve Board's 2 percent inflation target, 1.5 percent productivity growth, and a stable labor share of income

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

Economic Policy Institute

Inflation is still moderate



Consumer confidence was increasing



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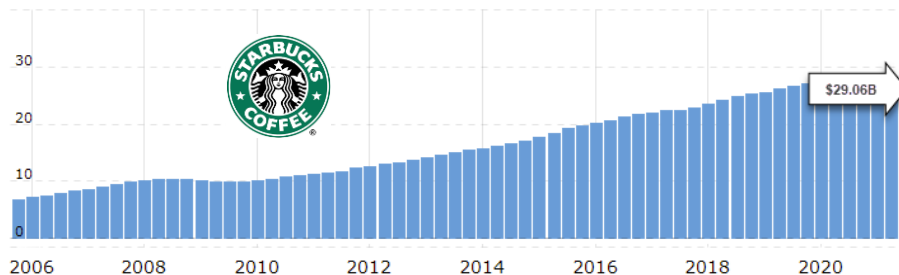
People were spending money

But they weren't making donations

More and more it seemed like they were spending their hard-earned dollars on products like coffee instead.



Starbucks' revenues continue to climb



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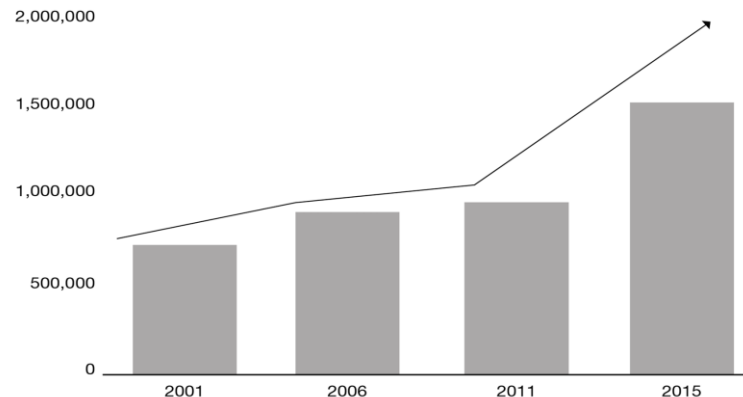


All the while, competition for donations is growing

The number of charities in the U.S. continues to rise

You are not only competing with businesses like Starbucks for your donors' (consumers') share-of-wallet. Charities can be launched almost instantly from anyone's kitchen table. As a result, the number of charities in the U.S. doubled from 2001 – 2015 and it is likely that the figure will only continue to grow.

of U.S. public charities 501(c)(3)



Source: National Philanthropic Trust

721,456

1.56 million

<https://nccs.urban.org/publication/nonprofit-sector-brief-2018#the-nonprofit-sector-in-brief-2018-public-charities-giving-and-volunteering>

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And here's the most perplexing data point

The total amount given continues to grow each year

Even though the number of people making charitable gifts continues to decline, the total amount of money collected by organizations in the U.S. continues to increase.

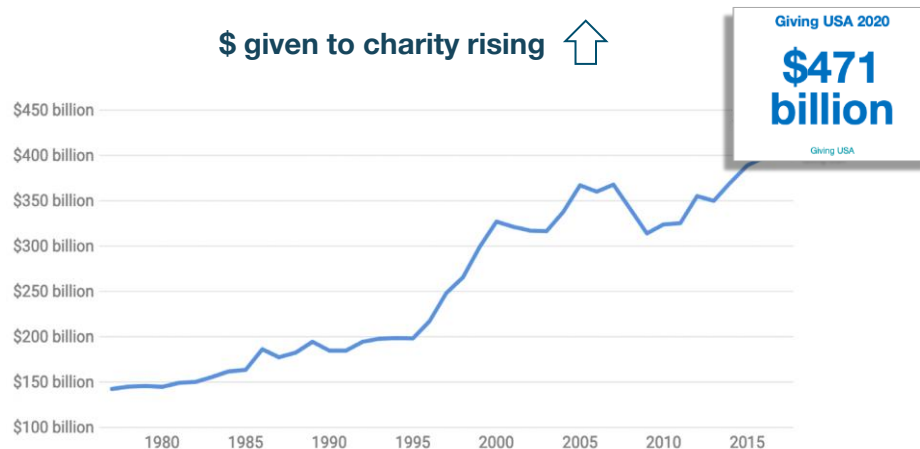
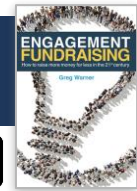


Chart: The Conversation, CC-BY-ND • Source: Giving USA Foundation/Indiana University Lilly Family School of Philanthropy •

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What's going on?

“Giving is increasing because of **larger gifts from richer donors**. Smaller and mid-level donors are slowly but surely **disappearing** — across the board among all organizations.”



**Giving
USA**
A public corporation
of the National Center

Elizabeth Boris
Chair of the Growth
In Giving Initiative

“Nonprofit organizations in the United States are now being **challenged** by major political, demographic, economic, and technological factors outside of their control, and most organizations find themselves flat-footed, unable to easily adapt.”

Network  **for Good.**

Brian Lauterbach,
ACFRE
Vice President of
Programs & Collective
Impact

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Reason 1: Why donors are disappearing

Interest in and devotion to religion is declining— fast

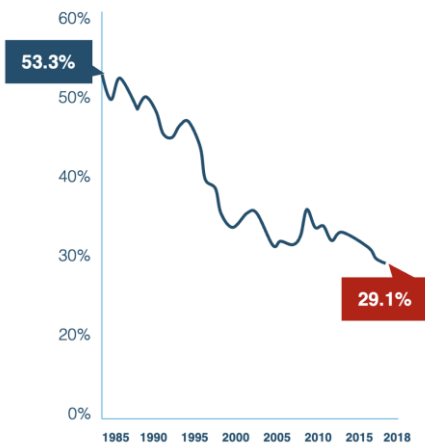
Many studies (including the one below) have found that religion is among the top influencers that inspire charitable giving. Yet our society is becoming more secular. As a result, less people are giving.



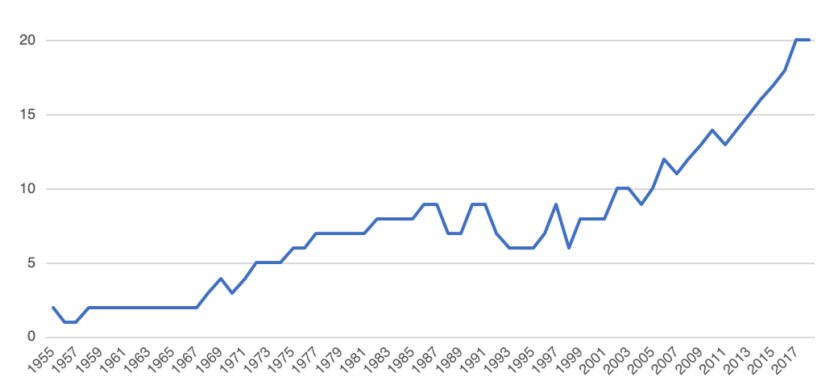
The Connected to Give Report Series: A National Study of American Religious Giving

<http://jumpstartlabs.org/offering/research-reports/connected-to-give/>
www.imarketsmart

Giving to Religion as a Share of Total Giving



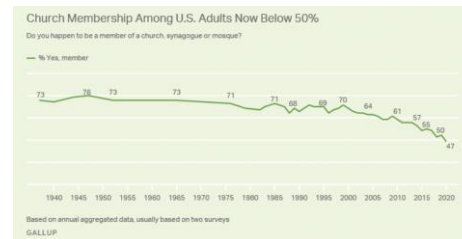
Percent in U.S. stating they have no religion by year



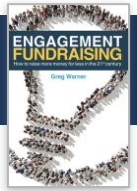
https://news.gallup.com/poll/1690/Religion.aspx?q_source=link_news9&q_campaign=item_248837&q_medium=copy

<https://news.gallup.com/poll/341963/church-membership-falls-below-majority-first-time.aspx>

GALLUP



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Reason 2: Why donors are disappearing

Acceptance of socialism is budding

Our society is becoming more interested in adopting socialism which leads citizens to look to the government (and taxes) to solve society's problems, not charities.



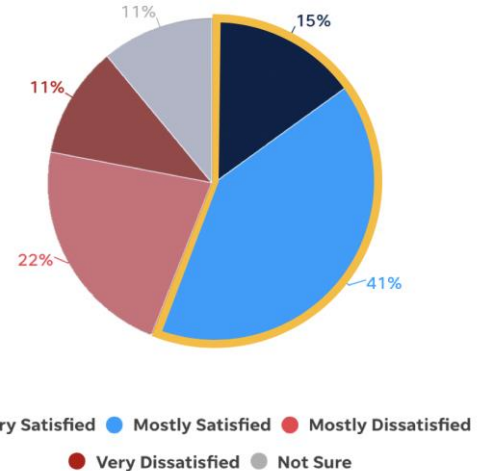
Des Moines Register
PART OF THE USA TODAY NETWORK

56% of likely Democratic caucusgoers

“Would be satisfied with a nominee who thinks the U.S. should be more socialist.”

March 3 - 6, 2019

Iowa likely Democratic caucusgoers were asked: “Would you be very satisfied, mostly satisfied, mostly dissatisfied or very dissatisfied if the Democratic Party nominated someone who thinks the country should be more socialist?”



SOURCE Iowa Poll of 401 likely Democratic caucusgoers, Mar. 3-6. Margin of error: plus or minus 4.9 percentage points.



Reason 3: Why donors are disappearing

Favorability of capitalism is declining

Some research has found that favorability of capitalism has fallen over the past 3 years in every age category. Apparently the drop is more pronounced among younger adults. This is especially concerning because entrepreneurs give 50% more than non-entrepreneurs and 69% have a desire to incorporate philanthropy in their exit plans (according to [this study by Fidelity Investments](#)).

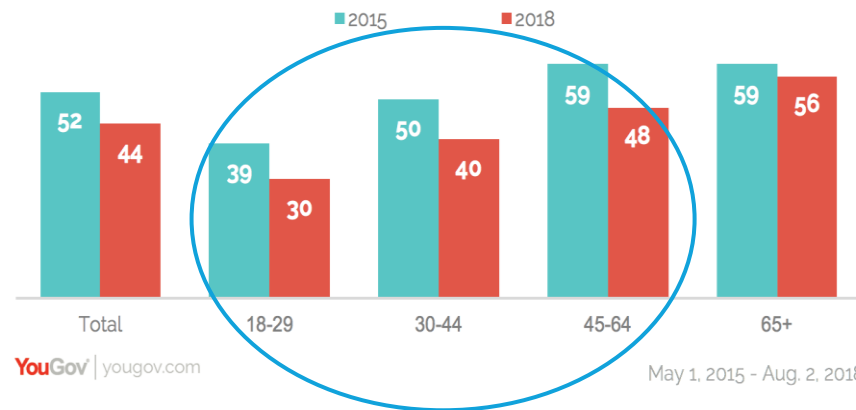


<https://www.fidelitycharitable.org/docs/entrepreneurs-as-philanthropists.pdf>

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Favorability of capitalism has fallen across all age groups since 2015

% of US adults who have a "very favorable" or "somewhat favorable" opinion of capitalism



<https://today.yougov.com/topics/politics/articles-reports/2018/08/07/socialism-capitalism-popular-baby-boomers>

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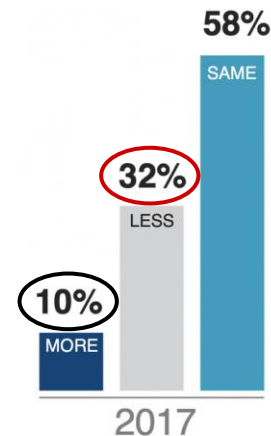


Reason 4: Why donors are disappearing

Worst of all, trust in nonprofits is sinking

The Better Giving Alliance and the Council of Better Business Bureaus found that 32% of people trust charities less than they did 5 years ago and only 10% are optimistic in their trust improving over time. Furthermore, the Edelman Trust Barometer found that trust in non-government organizations dropped by 9% in the U.S. in 2018 with a more pronounced decrease (-18%) among the 'informed public' which is more likely to be highly educated and, in turn, more philanthropic.

Do you **trust charities** today **more**, **less** or **the same** as you did 5 years ago?



The Council of Better Business Bureaus and the Better Giving Alliance

<https://www.give.org/donortrust>



Non-Government Organizations

<https://www.edelman.com/trust-barometer>

-9%
drop
in trust
in 2018
in the USA

-18%
drop
in trust among
'informed public'
in the USA

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Without trust, nothing is possible

Sadly, beginning in 2018, nonprofits were found to be trusted less than private sector businesses by the ‘informed public’ (which includes highly educated people— a demographic that tends to be more philanthropic).

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Plus, add this to the mix of challenges

Communication channels have been fragmenting

Of course, your supporters want their beloved nonprofits to communicate with them. However, communication requires money. And these days, as the number of channels keep multiplying, nonprofits are struggling to communicate with their supporters through the ever growing number of channels they use.

Old channels



New channels



<https://docs.google.com/spreadsheets/d/1z6gOxoDjesZX0KURKizuVNZGSGDQagHTZYPFOyo104/edit#gid=0>

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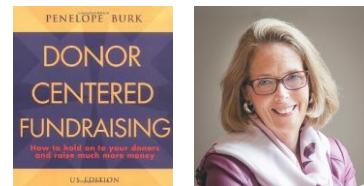
People are preferring autonomous decision-making

Donors have become much more resourceful and self-reliant

Penelope Burk, author of Donor Centered Fundraising, explained how donors are changing in an article in the Association of Fundraising Professionals flagship magazine ([Advancing Philanthropy, April 2019](#)) wherein she stated that only 18% of bequest donors had a gift officer. And, among those donors, the majority hinted that they didn't need much help from them.



<https://afpglobal.org/news/interview-penelope-burk-how-are-major-donors-changing-today>



Surveyed 3,000
bequest donors

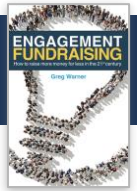


“Do you have a
planned-gift officer?”

Only 18% said, “YES”

The majority said,
“They give me
everything I need,
but I don't need
much from them.”

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And the biggest challenge of all

People are becoming less accepting of interruptive tactics

Most supporters don't like getting overwhelmed by solicitations in their mailboxes. Many get annoyed by telemarketing when they are sitting down for dinner with their families. And spam is universally detested. Yet fundraisers continue to use those unwelcome tactics.

NOTE: Just because nonprofits were excluded from the CAN-SPAM ACT (signed into law in 2004) doesn't mean that it's ok to send email to people who haven't opted-in for it.

JUNK MAIL



TELEMARKETING



SPAM





So what should you do?

Doing more of everything isn't the answer

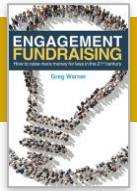
The climate for fundraising has changed so doing more of the same old, interruptive communications efforts won't solve your revenue problems. In fact these days, doing more is likely to drive donors away.

MORE?



“Hounding a donor for attention or action before they’re **ready** will only annoy them and burn your bridges.”

Greg Warner
CEO & Founder
MarketSmart



Instead, try this!

Support your supporters — deliver value!

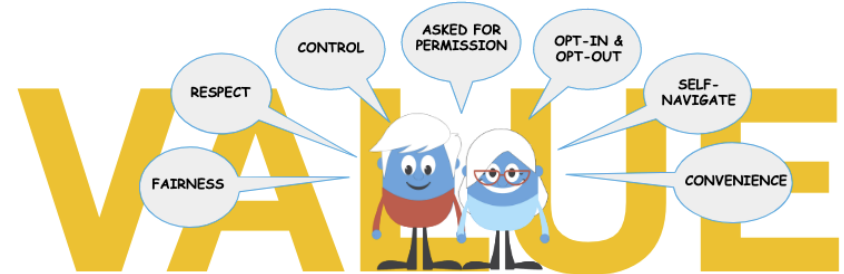
Stop spraying and praying; start providing value instead—especially when communicating with high capacity, philanthropic-minded supporters and donor prospects. Believe it or not, the more you give, the more you'll get! So develop a giving mindset. Be fair and respectful. Give your donors control over whether or not they receive messages from your organization by asking them to grant you permission to opt-them-in to communications. Then deliver non-solicitous opportunities for them to engage with your cause and self-navigate the education, involvement and gift consideration stages conveniently on their own with no pressure. If you do, they'll reward your organization with larger donations, greater loyalty and even legacy giving.

www.imarketsmart.com

Give...



...and you
will receive





How to give to your supporters

First, uncover *their* interests and needs

Stop worrying so much about your needs and case for support. Instead, consider discovering each of your supporters' cases for giving. Uncover why they care along with their interests, desires, wants and needs. Then, ask them in which stage of the consideration process (for giving) they reside. All of this (and more) can be uncovered with a [donor survey](#). Believe it or not, the demand for this kind of outreach among your supporters is pent-up. They're tired of being asked for money and they'd be thrilled if you'd ask them about *them*!

NOTE: MarketSmart developed the most powerful donor survey platform ever created and hundreds of organizations like yours use it to help their supporters self-qualify and, later, self-navigate the decision-making process after they've opted-in to automated cultivation communications. To learn more about how it works and how you can benefit, just go to www.imarketsmart.com or email us at info@imarketsmart.com.

www.imarketsmart.com

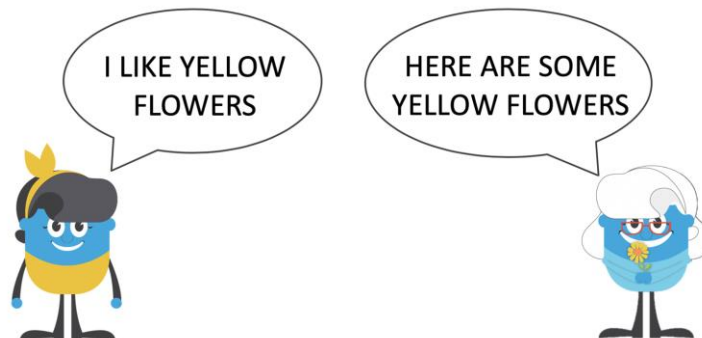
If you want advice,
ask for money.
If you want **money**,
ask for advice.

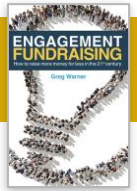


Next, deliver value in line with what they told you

Show 'em that you know 'em

Everyone likes to feel that they've been heard. Yet, unfortunately, most organizations only engage in one-way communications with their supporters — solicitations! When you send highly relevant, hyper-personalized, timely messages that provide value in line with each donor's wants, needs, passions and interests (along with special attention paid to where each donor resides in the consideration continuum), donors engage and results skyrocket.

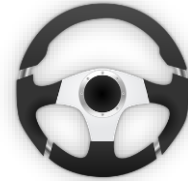




Then let them take the wheel

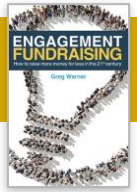
Give them control over the decision-making process

Your supporters will feel respected and secure when you give them the opportunity to take command of the decision-making process. That's why it's important for you ask for permission and allow them to opt-in before you engage with them on a deeper level. Then, once they've opted-in, make information accessible so they can educate and immerse themselves in the value you can provide to them (in the way of good feelings and fulfilment they aim to derive from their involvement with your cause). And don't forget to make it easy for them to opt-out too. That's the fair way to treat people.



The *'four selfs'*

- Self-qualify** Allow opt-in / ask for permission
- Self-educate** Make information accessible
- Self-involve** Enable immersive engagement
- Self-solicit** Support self-actuation / fulfillment



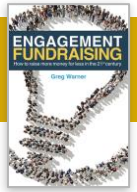
Automate and scale one-to-one cultivation

Leverage technology to make your supporters feel good

Marketing automation (also known as automated cultivation and stewardship) is a relatively new way to leverage technology to deliver 1-to-1, hyper-personalized, highly relevant communications to supporters. It's a game-changer for overworked fundraisers because it lets technology do what's time-consuming and tedious (researching donor interests, writing communications, and disseminating cultivation and stewardship messages) so fundraisers can do what they do best— build relationships with hi-value supporters and help them make navigate their individual decision-making processes. It's powerful and the organizations using it properly are already lowering costs and riding the wave to success. They are sidestepping fundraising climate change and delivering value in line with interests at scale.



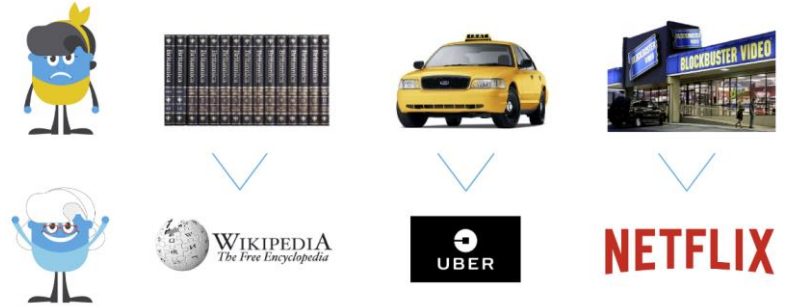
Now one fundraiser can perform like nine.

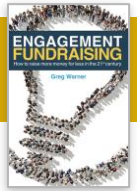


The decision is yours

Make no mistake, there *will* be winners and losers

Amidst this turbulent and transformational era of fundraising climate change, now is the time! Will you leverage technology to increase revenues as you lower costs? Or, like encyclopedias, taxi cabs, and video stores, will you ignore it and put your organization in peril?





You can be a winner

You can be the fundraiser you always wanted to be

You *can* make your board, your leadership, and your donors happy. You *can* put aside the time-consuming and tedious tasks associated with major and legacy gift donor qualification, cultivation, and prioritization and, instead, focus on what you do best — building personal relationships with high-value donors, facilitating their giving experiences and ultimately helping them find meaning in their lives.





Three strategies for success

1. Focus on the 80/20 (or, what is now the 76.38/.74)

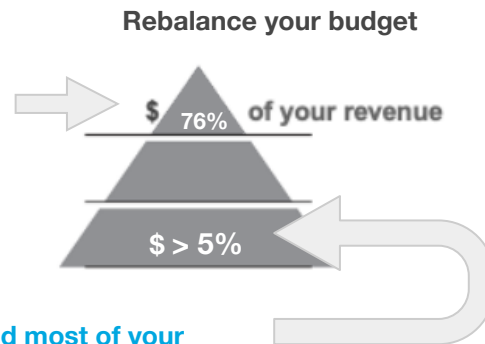
Too often, nonprofits spend most of their fundraising budget on efforts focused on acquiring low dollar donors (77.16% of an organization's list). Yet they only make up 4.96% of all their donation revenue year after year. Meanwhile, 76.38% of their revenue (on average) comes from just .74% of their donor base. We realize that organizations need to acquire new donors. But a bottom-heavy budgetary arrangement leaves big dollar opportunities neglected. That's why we recommend rebalancing your budget with a focus on the 76.38/.74 to yield exponentially greater returns on your investment dollars. And don't forget, high dollar donors retain at a much higher rate compared to low dollar donors (35.73% vs. 16.35%) and their lifetime value is over \$75,000 (vs. \$45).

If 76% of your
revenue comes
from here

.74% of an organization's
donor base makes up 76.38%
of all donation revenue

why would you spend most of your
fundraising budget here?

Spending most of your budget on the people that make up just
4.96% of your organization's revenue and retain at half the rate
(35.73% vs. 16.35%) with a lifetime value of just \$44.75.



Rebalance your budget

WE CAN HELP

Need help developing a plan for a
budget focused on the 76/.74?

imarketsmart.com

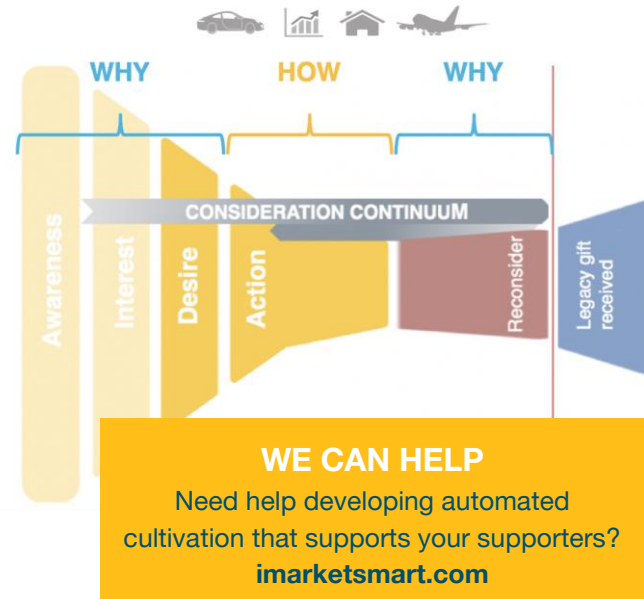


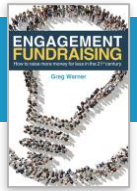
Three strategies for success

2. Support your supporters

Keep in mind that marketing aimed at low dollar donors is different because those decisions are more transactional. They happen fast — impulsively. Alternatively, high dollar decisions are highly considered. They require immense amounts of trust built over time thanks to non-solicitous messages that focus on *why* a donor would want to give (to benefit them!), not so much on *how* to give. *Why* always comes before *how*. Therefore, your *how* messages should only be sent at the right time, when a supporter is in the “Action” stage of the consideration continuum. Support your donors as they self-navigate the decision-making journey and you’ll surely close more major and legacy gifts to support your organization’s mission for years to come.

HIGHLY-CONSIDERED DECISION NOT A TRANSACTIONAL OR IMPULSIVE DECISION





Three strategies for success

3. Give to your givers

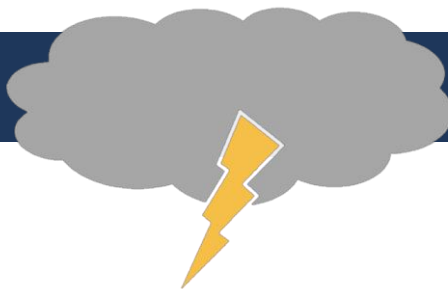
The law of reciprocity is a powerful influencer, especially when it comes to highly-considered decisions (such as major gift and legacy gift decisions). This social convention makes supporters feel strongly that they have an obligation to repay when something is given to them first. Therefore, it is essential that you provide value to your supporters and major gift prospects over time, knowing that your gifts will be likely to inspire them to want to return the favor in the future.

So stop soliciting before your prospects are ready to be asked. Instead, be nice and find highly relevant, personalized, value-oriented ways to give to them. Seriously, it works!



WE CAN HELP

Need help determining how to give to your supporters so they'll give to you?
imarketsmart.com



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 and institutions around the world.

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.**

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 in donations at lower costs and more efficiently than ever before.**



“**\$60 returned for every \$1 invested and we haven't really scratched the surface yet.**”



Jonelle Beck
Executive Director, Office of Estate & Gift Planning
Assistant General Counsel for Trusts & Estates
University of the Pacific

NO RISK OFFER



Get 10:1 ROI*
guaranteed or your money back

*For qualified organizations only. Terms & conditions apply.

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