

Fundraising Strategies for an Uncertain Economy

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The process of planning for a new fundraising year has never been more complicated. The economy has made it difficult for most institutions to achieve all of their current year development goals and has required many mid-course shifts. The prospects for the new year are uncertain at best.



Source: BigCharts, April 24, 2009

While the economy had already been in a recession for seven months, the Dow Jones Industrial Average stood at 11,226.34 on June 30, 2008. It then fell, reaching 7,392.27 in November and 6,952.06 in February. Since March the market started an upward course with the Dow hovering around 8,000 since the first of April.

Dow Jones Industrial Average

	June 30, 2008	November 21, 2008	February 27, 2009
Closing Price	11,350.01	Closing Price 8,046.42	Closing Price 7,062.93
Open	11,352.21	Open 7,632.89	Open 7,060.46
High	11,504.55	High 8,121.45	High 7,244.61
Low	11,226.34	Low 7,392.27	Low 6,952.06
Volume	265,576,000	Volume 568,794,200	Volume 667,827,800

Source: BigCharts, April 24, 2009

In planning for 2009 and 2010, the economy will remain the key issue. Depending on which economists you follow, there could be two very different scenarios. The recent bump up in the stock market from its winter lows could signal that long-awaited calendar year-end recovery. Others, however, suggest that this great recession will last throughout the next year and beyond.

Get Ready for Good Times Ahead

Mad Money's Jim Cramer isn't the only person claiming that the recession is over. More stock analysts see the roaring March stock market—the greatest percentage gain in the past generation for a single month—as an indication that the market has seen the bottom and is ready for recovery.

They point to four factors:

- Stock market rebounds normally lead the economic turnaround by five or six months. Wall Street has looked ahead to a bright future.
- Very few of the trillion dollar stimulus funds have been spent. In the months ahead, the impact of the federal government's unprecedented efforts will be seen.
- Sure, unemployment will continue to increase for a while, but it is a trailing economic factor. The first phase of economic recovery happens before new jobs appear.
- The markets seem to like the new toxic asset plans and changes in mark-to-market rules. Banks will soon be better.

The Economy May Even Get Worse

The United States has lost over 5 million jobs so far, and most experts believe that unemployment may reach double figures. This is a once in a lifetime economic realignment, so don't look for a quick return to the good old days.

They point to other factors:

- We have already lost over \$20 trillion in wealth. Such losses impact giving.
- This economic meltdown is global. The worst in Europe is yet to come.
- Every segment of the U.S. economy has been impacted.
- The commercial real estate crisis has yet to be hit. Real estate has been the great source of wealth for generations, and this summer a great shakeout is predicted.
- Many experts believe that this recession signals a fundamental shift in the economy and that we face a painful realignment.



	Planning for an Aggressive Year	Planning for Another Difficult Year
	The possibility of a year-end economic recovery suggests that colleges and universities need to plan for strong new development opportunities. Consider the following five strategies.	This long recession may continue and will shape the fundraising strategies for next year. Consider the following five strategies for a sustained economic downturn.
1. Planning	The recession did not eliminate the many important needs in your organization. Now is probably the time to begin campaign planning. Campaigns take serious time to plan and launch with philanthropic agendas to define, case statements to shape, feasibility studies to conduct, leadership to enlist, and key prospects to actively cultivate. Institutions that wait until the next bull market is running for a year or more will find themselves behind their peers.	In planning for the new fundraising year, it will be important to look at goals and strike a balance between stretching everyone to work harder and being realistic about gift potential during this economy. The longer the recession continues, the greater its impact on all gift levels.
2. Major Gifts	If you stayed close to your top prospects over the last two years of the recession, you will be in position to gear up targeted major asks this year and next. Under-investing in your major gift efforts and failing to cultivate your best prospects during these tough times will take years to recover.	A continued difficult economic environment will probably move more major gift prospects to begin discussions with planned gifts. Smart plans will keep the best prospects in focus, develop relationships with them, and make sure they know how your institution is handling these challenging times. Prospect strategies will need to begin with requalification and raising awareness of deferred giving opportunities.
3. Corporate & Foundation Giving	As business picks up, corporate profits will return. The immediate pressures on many companies may be to focus their gift dollars on the visibility of traditional human service agencies, so making your case will be important. While grants and gifts may have declined over the past year, they will pick up during the recovery and those programs failing to pursue a strong strategy will fall behind.	Corporate giving will falter as corporations struggle to remain viable. Foundation giving typically has a three-year lag to the market. Both are challenged to meet existing obligations with their assets under water. Sensitivity to these issues will be important as well as keeping corporate and foundation prospects involved with your campus and informed about your institution. Those with funds or mission mandates may be looking for opportunities to invest in such areas as sustainability, global issues, or specific research. Keeping on top of changing agendas will be important.
4. Annual Giving	While the stock market may rebound and the economy may grow again next year, employment growth is likely to lag. Employment reflects income—the source of annual gifts. Therefore, annual giving efforts need to be carefully crafted.	The key to long-term success is donor retention. Yet the general consensus among economists is that unemployment will continue to rise next year. More of your donors will be out of work; even more will know someone out of work and have a fear for their own job. Therefore, broad-based efforts will be difficult. Annual giving plans need to look very different than the traditional outline of activities.
5. Prospecting	Recovery will not occur evenly across the economy. Certain sectors will improve before others. Not all of your traditional donors will return to their historic wealth levels, while new prospects will emerge as the economy moves into a growth stage. Your prospecting agenda needs to be upgraded to understand the shifts underway.	<p>A tough economy will require shuffling portfolios into new groupings:</p> <ul style="list-style-type: none"> ■ The handful of donors who have not been impacted seriously by the downturn. ■ Those individuals who will be ready once the recession ends. ■ Those individuals who may require several years to recover from the economic and/or psychological challenges. ■ Those individuals who are seriously damaged by the economic shifts who may not recover to their former giving potential and need to be reevaluated. <p>It does not make sense to continue working with pre-recession prospect plans. Even wealth screening data trails the real economic picture by at least 12 to 24 months. Making qualification and requalification calls is a critical strategic step to reassert or restage prospect plans.</p>

The Next Three Months

The next three months will need to focus on developing multiple scenarios for the next fundraising year. There will be many variables to evaluate including budgeting, goal setting, and staffing assignments. So what steps should development offices undertake?

Communicate Multiple Scenarios to Key Decision Makers. Now is the time to outline multiple scenarios and share your planning assumptions with your board, institutional leaders, and key volunteers. Let them understand that you are not just continuing business as usual, but are prepared for a long, tough recession and have outlined steps for the recovery when it occurs.

Monitor Economic Trends and Focus on More Likely Scenarios. Don't just read the headlines about the economy. The news may stay negative longer because unemployment—what most people think of as the core of the economy—is one of the last items to recover. Watch the markets and GDP growth to build your scenarios for conversations with serious donors.

Prepare for the Worst Case Scenario; Outline for Growth. It will be important to understand the underlying budget and planning assumptions for your institution. Are they projecting another full year of difficulties or expecting a rebound in the spring of 2010? Your first draft of the plan needs to prepare for difficult times and take into account anticipated challenges in achieving fundraising goals as well as alternatives for cost control. It will also be important to prepare a second draft that identifies program responses and potential outcomes should the economy recover and confidence in the future be restored.

Re-evaluate Prospect Scenarios and Assignments Every 90 Days. Unlike most years in which you plan for the year and then work that plan, it will be important to stop quarterly to make sure you are on the right path. In the coming months, some donor prospects will suffer even more than they have to date, while others will be started on the path to recovery; a handful of donors will emerge from this economic crisis with greater wealth than ever before.

Work with Your Bentz Whaley Flessner Partners in Outlining Plans for 2009 and 2010. While we work with our clients on a regular basis on planning and executing those strategies, this spring is the most important time to seek outside perspective and expertise.

Partnering with Bentz Whaley Flessner

This spring will be the most challenging ever for development leaders as you create plans—and contingency plans—for the coming year. The past two years have seen the economy move into a recession that was much deeper than any expert anticipated. While it is always difficult to predict the future of the economy, this year it presents more significant challenges than in years past. And your institutions will be relying on your annual giving, especially budget relieving funds, more than ever.

Recognize that today's economic news impacts your development program, so right now you need to create a plan for next year that focuses on:

- **Goal Setting.** You need to set goals based on accurate information, not hearsay, desires, or past formulas. These goals should press for aggressive returns but not create unrealistic expectations.
- **Budgets.** Most have faced significant budget cuts this past year with more projected for the coming year. Remember, there are no sacred cows. Look at each program and determine its return on the investment being made, both long-term and short-term. Consider ways to consolidate or centralize for cost savings without negatively affecting programs.
- **Staffing.** Now is the time to evaluate each position and its role within your program. Use metrics to set measurements to identify those who are hitting objectives and advancing their part of your program.
- **Strategies.** Revisit strategic plans, especially timelines for campaigns and prospects.
- **Prospects.** The economy has placed uncertainties about the future on everyone's shoulders. Your prospects need to hear from you, both about the institution and about their important role in keeping your institution a top priority for support.

This may be the most challenging time in your career to plan for a new year. As you face this challenge, Bentz Whaley Flessner offers the expertise and perspective to help you set your annual plans and, as appropriate, revisit your campaign plans.

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you through tough economic times.