In today’s philanthropic environment, annual giving staff can often feel like they are being pulled in multiple directions. With objectives ranging from increasing the donor base, to increasing unrestricted revenue to bridge the ever-widening funding gap, to building a pipeline for the identification and cultivation of future major gift donors, it can often be an overwhelming burden for annual giving staff to accomplish these incredibly different goals.

Alas, there is no magic bullet that can accomplish all of these diverging objectives. Raising revenue and participation are two very different goals that require custom and individualized strategies. Staff are left to determine—with finite resources available—how they should best allocate human and program budgets to accomplish goals and how to bridge the divide between annual and major gifts. As our friends on the Tube remind us, “Please mind the gap!”

Revitalizing your existing leadership annual giving program or creating a new one can be an incredibly effective way to raise more money, identify and qualify prospects, build a pipeline to major gifts, and bridge the gap between annual and major gift programs.
Understanding the Gap

According to recent research published by the Urban Institute (http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000819-The-Growing-Size-and-Incomes-of-the-Upper-Middle-Class.pdf), the upper middle class has grown from 12.9 percent of the population in 1979 to 29.4 percent in 2014. This growth is good news for leadership annual giving, and more specifically this type of growth is especially conducive for these programs.

In all but the bottom 6 percent of the upper middle class, real growth has occurred through income growth—and income is the resource that is typically used for making annual gifts. Remember that annual gifts, even leadership annual gifts, are emotional decisions made with discretionary income, not assets. This is unlike major gifts where hard assets, such as stocks or real estate, are the typical source used, and income is not considered.
The growth in the upper middle class and above has also supported the explosion of major gift programs and their importance to overall fundraising results. Between 1979 and 2012, the incomes of the top 1 percent have grown 180.9 percent, compared to just 2.6 percent growth in the bottom 99 percent. The CASE 2013 Campaigns Report tells us that in campaigns of $1 billion or more, the top 1 percent of donors contribute 83 percent of campaign dollars on average, and the top 10 percent of donors contribute 96 percent of campaign dollars.

The question that most leaders are asking themselves is where are the next round of campaign donors coming from? With such reliance on just the top 10 percent of the constituents, how can development program staff add more people to the funnel to repopulate the ranks? Thankfully, leadership annual giving programs can act as that funnel and fill that need. Engaging constituents with your leadership annual giving program as they increase their wealth, instead of looking to them once they are the prime target for many organizations, means your institution has created a relationship earlier and is more involved. And along the way, the revenue of those leadership annual gifts bridges the gap in your program needs.

This growing upper middle class segment may be a gap in your organization’s approach. Below we’ll outline five reasons why BWF recommends your organization makes the investment to revitalize your existing annual leadership giving program or create a new one.
#1 Increase Unrestricted Support

While the average state investment in higher education actually increased in 2015 (Inside Higher Ed: https://www.insidehighered.com/news/2016/01/25/state-support-higher-education-rises-41-percent-2016), the longer term trend has been reduced state support. This reduction means increased internal pressure on annual giving staff for unrestricted or budget-relieving dollars. The growth of wealth in the upper middle class presents an opportunity for leadership annual giving programs to capitalize on capturing donations. Reinvesting, expanding, or even creating a basic leadership annual giving program can dramatically increase annual giving revenue. In fact, programs that have frontline annual fund gift officers generate 60 percent more revenue per alumni than those programs without officers, according to the 2014 Annual Giving Network report. Typical clients that raise about $1.5M in annual gift revenue can increase that by $250,000 or more by adding a leadership annual giving program. Targeting a segment that has some consistent giving and rated capacity through individualized direct mail and face-to-face visits brings about remarkable results.

#2 Build the Pipeline

In addition to increased revenue for your institution now, leadership annual giving programs can be a tremendously helpful strategy in building a major gifts pipeline. The progression from first-time gifts, to regular gifts, to leadership annual giving level gifts is a great indicator that a donor has the capacity and affinity to be a major gift prospect in the future. Understanding the messages donors are communicating back to the institution is an important step in this process. If direct marketing is inspiring a segment of your constituents to give and give regularly, then test sending a proposal-style mailer with an upgraded ask to that audience to determine if they are prime candidates for personal visits from a leadership gift officer.

Additionally, engaging donors at the leadership annual giving level allows your organization to begin to understand donors’ motivators and behaviors, which can be valuable information down the line. Tracking the appeals that the donors are giving to can provide insight into where their program interests are even before a gift officer sees them in person.
#3 Attract and Retain Staff

Attracting and retaining talent is an increasing concern for all programs, as the need for successful fundraisers becomes more pressing. Annual giving seems to be the location within the development team that has the shortest tenures. Staff leave to develop the additional skills they believe they need to move up the ranks. Leadership annual giving programs can be a retention tool to develop experience among less experienced staff members. While annual giving was once the entry point for nearly all development professionals, today we understand that the skills it takes to do direct marketing well are entirely different than those necessary to build relationships in face-to-face meetings. A leadership annual giving component to the program means that staff with both analytical and interpersonal skills can gain valuable experience. Adding the position provides another path for advancement in an otherwise flat environment. Leadership annual giving officers who spend time out on the road conducting visits develop the skills to be major gift officers, and the program gets additional qualification visits accomplished at the same time.

#4 Engage Recent Graduates

While your GOLD (graduates of the last decade) alumni may not typically be in a position to make multi-year major gift pledges, many are ready to give at levels higher than entry-level annual gifts, and many more would consider joining a leadership annual gift society than you might expect. Consider a tiered approach for recent graduates during their first 10 years out. If your leadership level is $1,000, then $100 for every year past graduation is a perfect fit. Add to this a recurring gift program at $8.33 a month their first year and increasing each year after until they are 10 years out. (See graphic on Page 6.)

Building the relationship with recent grads via leadership annual giving educates donors early in their giving lifecycle and starts them building the habit of giving. As you envision a leadership giving society, remember the goal of the society is to reinforce a particular behavior. Since donors give for a range of reasons, the messaging should take that into consideration. Thinking about the society membership from the perspective of the donor and what is in it for them, will guide the benefits selection process to those that are most meaningful.

(continued)
Providing networking opportunities and access to institutional leadership are good places to start. For recent grads, being part of a leadership society means they can interact with alumni outside of their normal group, while also interacting with leadership. The messaging in the appeals, in the face-to-face solicitations, and reinforced at networking events suggests the importance of regular support in sustaining signature programs in addition to the everyday operations of the organization. It is that understanding of the impact and difference being made for the organization that makes continued annual support much more likely.

The more personal the impact stories, the better donors see how their donations are not just sought for the institution alone, but for the mission the institution accomplishes. And once donors buy in, literally, to what the organization does, the ongoing leadership annual gifts will come in while potentially making major gift commitments in the future.
#5 Discover and Qualify Prospects

As all aspects of development have professionalized, each area has focused on its own metrics. For prospect research offices, it has often meant an increase in the number of prospects identified with a rating and score. But depending on where your organization is relative to a campaign, and what staffing levels are like, major gift officers may have full portfolios. So what to do with all of the wonderful work that the prospect researchers have done? Leadership annual giving to the rescue!

Leadership annual giving officers attempt to see discovery-level prospects to invite them to support the mission at a modest level. With the right training, the officers can perform the interview function of a discovery visit and help qualify more prospects. Some of these prospects may appropriately stay with the leadership annual giving officer in his or her portfolio, but others might move into a major gift officer portfolio.

The great part about investing in leadership annual giving is the opportunity for near-term return on that investment. Leadership annual giving officers should be soliciting at every one of their appointments. They won’t close 100 percent of those gifts, and they won’t always get leadership-level support. Analytics can be used to identify the best prospects, like consistent annual donors who have increased their gift size over time. Existing direct marketing program staff can implement a segment to target leadership annual giving prospects. Activation rates will not be as high as face-to-face solicitations, but they will generate additional revenue.

Partnering to Make the Case

If you have interest in launching a leadership annual giving program but are not sure where to start, Bentz Whaley Flessner can help. We have partnered with institutions to start new programs, expand existing programs, and everything in between. A fresh set of eyes, a new approach, and our experience with many programs is just what you need.
INSIDE:
Making the Case for Leadership Annual Giving