



# Consuming Philanthropy

## How Principal, Major, Mid-Level, and Base Donors Give Differently

by Josh Birkholz, Chief Executive Officer

The most productive and sustainable philanthropy programs maintain distinct yet deeply strategic approaches to fundraising by gift levels. Although level breakdowns vary by institution, the most common bands (using U.S. Dollars for the example) in mature program include:

**Principal Gifts.** Typically, mid seven-figure and higher, multi-asset commitments.

**Major Gifts.** Six-figure to low seven-figure outright, deferred, or blended commitments.

**Mid-Level Gifts.** Upper four-figure and five figure gifts or pledges.

**Base Gifts.** Entry-level or participation-level gifts.

As consultants specializing in high-touch philanthropy, my team is frequently asked about the most effective approaches for each band. Over the years, I've come to see a strong alignment of gift level to the sales marketplace. I hope this stratified analogy proves helpful as programs build their structure.

When consumers are looking to buy low-dollar products such as books, music, socks, or the latest Star Wars action figure, they tend to just go to Amazon and make the order. The expectation is that Amazon will have the product they seek, the transaction will be easy, the delivery will be predictable, and the experience comfortable. Consumers develop loyalty with companies. In Amazon's case, they even pay for their own loyalty in the Prime program. It is rare, however, that the consumer will need to speak with a salesperson before making a purchase. The trust that is necessary is with the company and the process.

As purchase levels increase, behaviors start to change. Around the \$1,000 level, consumers feel the need to talk to a human being before making a purchase. Therefore, cell phone stores such as Verizon or T-mobile have in-person, bricks-and-mortar locations. At this price point, it is more comfortable to ask questions and be sure the purchase is the right one. However, there is little to no need for the consumer to build a relationship with the salesperson. This preference can be seen in car sales as well. Although frequent purchasers may build a relationship with the salesperson, the interaction is mainly limited to the transaction.

In home sales, the relationship with the salesperson begins to expand. The purchaser hopes the real estate agent understands her/his unique preferences and shows examples of houses with aligning criteria. After finding a close fit, the agent will ask if the purchaser would like to make an offer and then guides the transaction process. This relationship requires multiple interactions, but it is very much driven by the outcome of buying a house.

Very few of us will make purchases of multiple millions of dollars. One area that comes to mind at this level is mergers and acquisitions. When a company seeks to acquire another company, a deep understanding of the benefits and likely return are necessary. In M&A, the acquiring company will need to see the books, understand where this company is going, meet the leadership, and evaluate the benefits of the transaction. What is important here is access and investor confidence.

Perhaps the analogy has already explained itself. But, to make the principles practical, let's breakdown the learnings by each level.

## **Base Giving**

The key principles of base giving include being available to the donor where and how they want to give. These donors respond well to donor experience management and loyalty programs. It is not necessary to use staff resources for solicitation, but they should be available if there are challenges. The goal is to become a destination for regular, philanthropic support.

## **Mid-Level Giving**

The middle of the pyramid is the most often ignored segment in philanthropy. However, it is a wonderful segment for deepening the pipeline, sourcing future high-dollar donors, and providing the first high-touch experiences for donors. For these programs to be successful, they must provide personal interaction at the point of the gift, whether in-person, online, by phone, or by another channel. At this dollar level, it is an inefficient use of budget to build deep relationships with each donor outside of the gift. Although we may wish to cultivate the relationship, it is a better use of budget to leverage organizational warming and experience management.

## **Major Giving**

As our previous research has shown, major giving is the level where donors shift from income-based gifts to asset-based gifts. Committing assets is a less common activity requiring a deeper alignment of donor interest and organizational interest. For these donors, the officers will need to be purposeful in cultivation as a means to find the best-fit gift. The relationship must lead to the proposal. And, the officers will need to be well-versed in methods of executing the transaction. Although the organization can and should assist with identifying, warming, and stewarding the donors, the cultivation through solicitation stages will flow out of a personal relationship.

## **Principal Giving**

Similar to the M&A example, to secure truly transformational commitments, the nonprofit will have to pull back the curtain. Principal gift donors are investors in significance. To determine if their investment will bring this desired return, they will need access to the leadership, a clear picture of the organization's vision, and confidence their gift will provide direct transformation. These donors need to feel like insiders. Unlike M&A, most principal gift donors have not made multiple principal gifts (some certainly have). For most principal gift donors, the fundraiser will need skilled understanding of gift construction, complex assets, giving vehicles, and deferred and corporate blending.

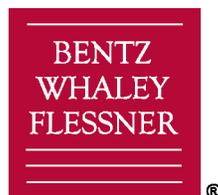
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