Cultivating Mid-Level Donors for Maximum Results

An article from Veritus Group to help you succeed at major gift fundraising.

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Cultivating Mid-Level Donors for Maximum Results

What you will learn

- Why mid-level donors need (and deserve) more attention than entry-level donors
- How to evaluate your need and potential budget for a mid-level program
- Strategies for mid-level that keep donors moving toward higher giving

What keeps development officers up at night? Almost universally, it's the need to develop an effective mid-level donor program.

You know the value of mid-level donors. They give several times what general donors give in the course of a year, but you can’t afford to spend your major gift officers’ time cultivating them.

If you handle them right, enough of them will upgrade to become major donors to keep that high-value program growing and healthy. That’s far easier said than done.

So the question is, What is blocking that pipeline to building and expanding those major gift caseloads?

We wrote this white paper with the hope that you’ll discover what you need to do to improve your donor marketing program and unblock your donor pipeline.

Our program uses mid-level donor representatives to cultivate relationships with donors assigned to them in value-tiered caseloads. Each nonprofit’s strategy is developed after analysis of the donor file to identify challenges and opportunities for growth, including adding more mid-level donors, increased value, and upgrading.

The donor representative communicates with the donor by phone, email, and personal notes to establish the donor’s needs relative to the mission of the organization. Additional “touches,” including personalized reporting and “asks,” create the opportunity to move the donor up the pipeline to major gift status. Regular analysis and reporting allow us to make changes to the strategic plan in order to meet the nonprofit’s growth objectives.
Mind the Gap!

Many organizations have a strong focus on what we’ll call general donors — typically those donors who give below annual cumulative amounts of $100. Many organizations also know how to handle those we would call major donors, or personal-caseload donors who provide annual cumulative gifts of $10,000 or more.

Think of your donor file this way: The role of the general donor program is to attract donors to the cause. The role of major donors is to generate net revenue, which funds mission. This net revenue also fuels acquisition, completing a virtuous cycle of continuous growth.

However, without a healthy mid-level donor program that connects the volume at the base with value at the top, this virtuous cycle is broken. Fundraising suffers and...

- Long-term value drops.
- Lower LTV means you must spend less to acquire a donor (and still have an acceptable net cost per donor acquired).
- The file shrinks.
- The major donor program stagnates, driving LTV lower — which leads to an ultimate downward spiral in overall file health and net revenue generation.

Sadly, this is the situation many organizations face. The way to break out of this downward spiral is to have a game plan for those donors who fall between the upper and lower reaches of each organization’s donor pyramid.

This plan requires more than merely using first-class postage treatments and other more expensive formats for direct mail appeals and reporting vehicles. While this approach typically boosts response at a great ROI, it doesn’t successfully move a lot of donors up the pyramid. To successfully transition donors, you need to build relationships. And you need to invest more than the typical $10 to $18 per year.

Incremental Opportunity Analysis

This plan requires more than merely using first-class postage treatments and other more expensive formats for direct mail appeals and reporting vehicles. While this approach typically boosts response at a great ROI, it doesn’t successfully move a lot of donors up the pyramid. To successfully transition donors, you need to build relationships. And you need to invest more than the typical $10 to $18 per year.
Table 1 indicates mid-level donors by annual cumulative gift amounts in the left column, followed by the number of donors in each group. Next is the average annual value per donor. And the next column sets up the what-if nature of this model. This column shows what the increased annual average value would be if the donors in a particular segment give an additional 10%. The figures in the shaded box indicate the average incremental revenue per donor, followed by the amount that can be invested per donor to achieve either incremental ROIs of 2:1 and 1:1.

With this model, we can see that, for donors in the $250 to $499 segment, we can afford to spend an additional $13.12 per donor to achieve a 10% lift at a 2:1 ROI on the program. We could spend an additional $26.24 per donor if we’re willing to accept a break-even return on the 10% lift. Carrying this further, if we achieved a 2:1 performance, we would receive additional net revenue of $381,712 from those donors — or anywhere between that amount down to break-even, depending on what we could afford to spend.

Going to the high end of Table 1, we see that 9,189 donors are available in the $1,000 to $2,499 annual cumulative giving category. A 10% increase in annual giving through a personalized cultivation strategy with this segment would provide $466,433 in net revenue at the 2:1 cost model.

Of course, the 10% increase in giving could be lowered or raised to any amount — whatever we want to use for our testing and selection model — and that will drive the expectations we use in creating test segments for various versions of our strategy.

Chart 1 allows us to visualize the data from the table we’ve been reviewing.

The answer to our question about how much a mid-level donor cultivation program should cost is directly related to our assumptions about increased current year revenue and what we’re willing to spend to achieve it.
The answers to these two questions raise another question: How should we assess the performance of a mid-level program? In other words, is an annual increase in revenue the only measurement we should be using?

Moving more donors up the major donor pipeline (by treating them in more personal ways) may drive down the incremental ROI, but that may be acceptable given the long-term benefit of having more major donors.

**Goals and Objectives for Your Mid-Level Cultivation Program**

There are three primary goals for a mid-level program:

1. **KEEP** — retain donors and decrease attrition
2. **LIFT** — increase the revenue per donor
3. **MOVE** — accelerate the movement and number of mid-level donors to major gift programs

The table below is a summary of our Pipeline Donor Health Index™ that shows how each of these goals is evaluated in objective terms that allow us to analyze the potential for any prospective mid-level program.

<table>
<thead>
<tr>
<th>GOAL</th>
<th>MEASURABLE OBJECTIVES BY YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KEEP</strong>&lt;br&gt;Retention of Donors (Defined as new and existing)</td>
<td>Quantity of available donors within a specific annual gift cumulative range from the previous year that were active.</td>
</tr>
<tr>
<td></td>
<td>Quantity of active donors who gave a gift in the specific annual cumulative range.</td>
</tr>
<tr>
<td></td>
<td>Percentage of donors who are active versus those were available.</td>
</tr>
<tr>
<td><strong>LIFT</strong>&lt;br&gt;Value of Donors (Defined as upgraded to higher value, and downgraded to lower value)</td>
<td>Total quantity of gifts</td>
</tr>
<tr>
<td></td>
<td>Total value of gifts</td>
</tr>
<tr>
<td></td>
<td>Gift frequency</td>
</tr>
<tr>
<td></td>
<td>Average gift</td>
</tr>
<tr>
<td></td>
<td>Amount per active donor</td>
</tr>
<tr>
<td><strong>MOVE</strong>&lt;br&gt;Upgrade</td>
<td>Number of mid-level donors who moved up to major gifts level</td>
</tr>
</tbody>
</table>

While KEEP, LIFT, and MOVE are our primary goals, we always see additional benefits from a mid-level program, such as:

- **DATA HYGIENE,** As mid-level representatives communicate with donors, they get information that allows us to correct errors in their donor records. This alone leads to improved mail and email performance.
• **PERSONAL INTEREST INFORMATION.** This includes adding information to the file that indicates why the donor first gave and what motivates them to continue giving. Other personal information, such as birth date, personal interests, hobbies, and other key life milestones, allows for the development of a relationship characterized by more than transactions.

• **PLANNED GIVING LEADS.** Many donors at this level of giving recognize the need for the cause they care about to continue past their own life, and they may desire a legacy that shows their commitment to the cause.

• **REAL-TIME DONOR FEEDBACK.** The personal communications we have with donors provides the type of feedback about donor satisfaction and understanding of the organization that organizations often hire researchers to pursue through surveys and focus groups.

**How the Mid-Level Program Works**

These are the principles that we’ve learned and put into practice for mid-level donor programs:

• **DIRECT-RESPONSE FOUNDATION:** Part of the standard analysis of a nonprofit’s current program is to understand the strategy that is currently relied upon for mid-level cultivation. By gaining an understanding of what is working (and what is not), we’re able to create a high-touch plan that is integrated with the current donor-marketing plan.

• **DONOR CASELOADS:** Caseloads of approximately 600 donors are the right quantity for proper management and development of personal relationships with mid-level donors. Caseloads are tiered A through D based on donor value.

• **INTRODUCTION STRATEGY:** Three elements are part of the introduction strategy: 1) letter, 2) phone call, and 3) interest survey. These three tactics are used to introduce the donor to the fact that the nonprofit has launched this program to provide them with timely information about how the donor’s gifts are accomplishing the mission, as well as the appreciation that the organization has for the donor’s commitment to giving. They are also used to gather feedback about the donor’s interest in the nonprofit’s mission and their preferences for communications channels.

• **MONTHLY TOUCHES:** Based on tier level, each donor will receive various personal communications, or “touches,” via phone, email, handwritten cards, and personalized reports. Based on donor gift files that are received daily, the mid-level representatives will make thank-you calls or write personalized thank-you notes to donors within days after the gift has been received. “You made a difference” reports are personalized to the donor and can be based on the type of offers the donor responds to. Updates on the overall program are sent by email, phone, or in personalized mail packages. Invitations to special donor events, such as open houses, or other non-giving opportunities, are
also extended. The emphasis in all communications is on serving the donor and the need they have to be appreciated and to know that their gift is being wisely invested.

- **ANALYSIS AND EVALUATION:** The Pipeline Donor Health Index analysis informs decisions about program effectiveness, whether changes are required, and to make decisions about individual donors in the program. Top-value donors are evaluated for handoff to major gifts on a scheduled basis.

## MID-LEVEL COMMUNICATIONS STRATEGY

The plan is multichannel and integrated to build strong donor relationships and produce new major donors.

### Case Study #1: Launching a New Program

A large national environmental organization came to us with a challenge: Implement a personal mid-level program. Quickly. They had nothing like it in place and wanted to test the impact of a program of the type we’ve presented in this paper.

Six months ago, we started a test: one caseload of 668 donors in our mid-level program to be measured against an identical panel of donors that received only the ongoing direct-response program. The three goals of retention, value, and upgrade to major donor caseload and objectives for measurement were agreed to.

After only six months, we’re seeing the following:

- Test caseload donors have 6% overall higher revenue compared with the control caseload donors.
- Test caseload donors have 3% better year-over-year revenue retention than control donors.

But beyond the improvement in revenue generation were the number of comments made during initial calls with six donors regarding planned gift opportunities. The following are comments in reports from the mid-level donor representative:

- Donor wants to set up trust to benefit client after they are gone
- Donor wants to include client to receive stock in her will
• Donor wants information about legacy gift to client
• Donor wants to discuss legacy gift to client
• Donor wants to include client in estate plan (call back at end of summer)
• I walked donor through client website about how to leave client 25% of $3.8 million estate

CONCLUSION
While this organization’s donors regularly receive planned giving communications, it took the power of the human dynamic through the phone to uncover these very personal and very important gift opportunities.

Case Study #2: Unblock the Pipeline!

A social services nonprofit needed to move more donors into major gift caseloads.

In the past, donors who moved up the donor pyramid did so of their own volition. Many donors were “stuck” in the $250–$2,500 annual cumulative gift range. The nonprofit needed a strategy to proactively move these donors into a major gift program.

We started a test program with 10,000 donors. By the end of the test period we moved 510 donors into major donor caseloads. That was 364% more than those donors not in our program. This demonstrated effectiveness has led this nonprofit to increase the number of mid-level caseloads assigned to us from 20 to 50.

Takeaways

Cultivate Mid-Level Donors for Growth

An effective mid-level donor program is one of the most important elements of current donor marketing. But most organizations need a model to help them think about what that solution looks like.

• The model we use recognizes three key goals: KEEP—retaining donors and decreasing attrition; LIFT — increasing the revenue per donor; MOVE — accelerating the movement and number of mid-level donors to major gifts programs.

• The content for all mid-level donor marketing communications is similar to that of major and general donors: thanking and affirming donors for their gifts and reporting on how their gifts are making a difference in meeting the needs that the donor cares so much about.

• It is possible to establish a target budget for a mid-level program based on anticipated outcomes from the program. This incremental ROI analysis is informed by the organization’s experience and by our best practice experience with mid-level donors.
• We use the Pipeline Donor Health Index to analyze the past and to quantify performance against agreed upon strategic goals for all mid-level programs. All programs are designed to improve KEEP, LIFT, and MOVE.

• The program we develop for all clients is individualized for each nonprofit based on its current donor marketing program, including offer, channels, and tactics.

A robust mid-level program is one of the most important programs for nonprofits to get started today in order to meet the growth needs of tomorrow.

Veritus Group is a full-service mid and major gift consulting agency serving non-profits all over the world. We help create, build and manage major gift and mid-level giving programs by combining donor-centered strategy with solid management that is focused on accountability.

You can reach us on the Web at www.veritusgroup.com or by contacting Amy Chapman at (215) 514-0600 or achapman@veritusgroup.com.

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