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The Bridge Donor Issue

Eventually, everyone has their “moment in the sun”. In the world of fundraising, that “moment” has arrived for the long undervalued, and in most cases ignored, mid-level donor. As you will see in the pages of this edition, the mid-level donor is now getting some well deserved and long overdue attention.

Historically one of the most overlooked areas in fundraising, more and more organizations are building programs to specifically target and grow this level of giving. Smart organizations are beginning to shift their focus to this group of donors...and finding the effort is yielding tremendous results.

At KCI, we have begun to shift our thinking in earnest in the direction of mid-level giving. As we have explored this topic, we have found “bridge building” to be an apt metaphor for the concept embodied by a

mid donor program. For instance, mid donor programs can build a bridge between smaller, annual gifts to the five and six-figure major gift thresholds of most organizations. Or it can also build a bridge between sporadic, transactional-type giving to regularized and increased giving that realizes the potential of donors who will never be major gift prospects. And so, we’ve chosen to refer to our approach to mid-level giving as the KCI Bridge Donor™ Program.

We tend to think of our donors, particularly those who make smaller gifts to us, in terms of dollar amounts and/or by the program through which their gift comes in, a practice that colours the way we manage our relationships with them. By its very nature, a mid-level giving program helps us to stop thinking about our donors transactionally and start thinking of them as dynamic and diverse populations of people who are engaged with our organizations in a variety of ways and for a variety of reasons. By

understanding them and their needs better, we can build deeper, stronger and more long-lasting relationships. Recognizing that it’s not possible to do this with thousands, a mid-level giving program enables us to focus on a manageable number so we can get to know them, and get them to know us, better.

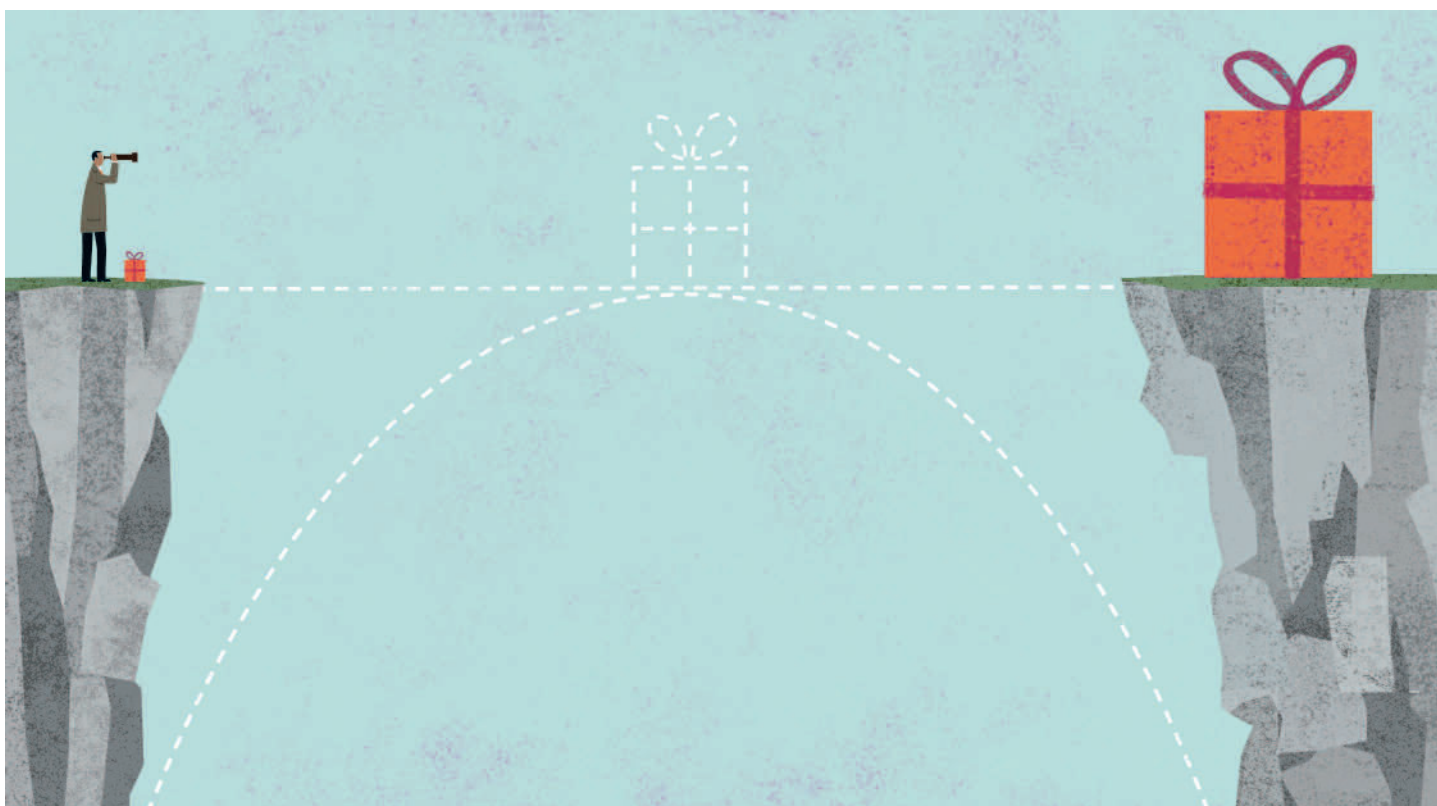
I’m really excited by the possibilities that exist in a focus on mid-level or “bridge giving” and think that it may be the key to unlocking the potential within organizations’ existing databases. I hope after reading this edition of *Philanthropic Trends Quarterly*, you will be too!

Have a safe and wonderful summer!

Marnie Spears
President & CEO

KCI >>

FORWARD THINKING



The potential of the “Bridge Donor”

The donor pyramid has long served as the model used to describe how charities should manage their donor pipelines. Illustrating how donors move from small, annual gifts, to making one or more major gifts and finally culminating in a planned gift, the donor pyramid is an important metaphor for understanding fundraising methodology as well as illustrating how donors grow their giving over time. And yet, as we have worked with countless organizations over the years, we have come to discover that there is a small problem with the concept of the donor pyramid...

It doesn't exist in the vast majority of organizations.

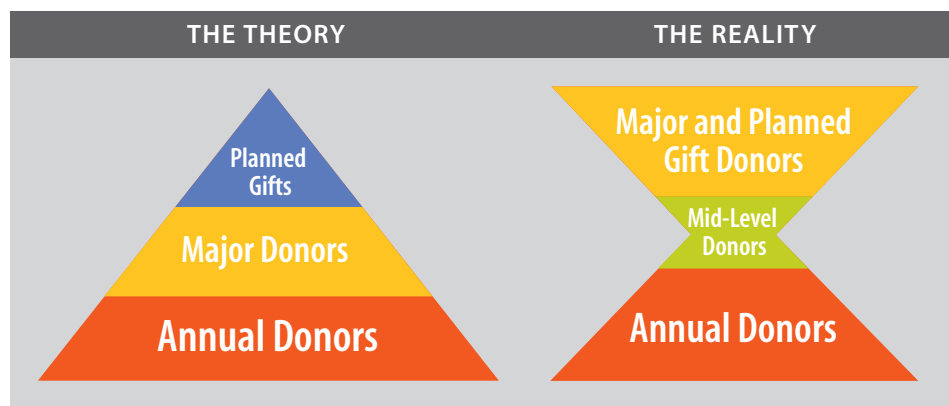
While valid and something to strive towards, the donor pyramid for most charities really looks more like an hourglass. With a large number of donors at the bottom of the pyramid who give through the annual fund and a cadre of donors at the

top who make major gifts, most organizations often have few, if any, donors in between. As a result, smart organizations are turning their attention to this overlooked group, realizing that the next period of time should be the era of the mid-level donor. As a result, many are creating formalized mid-level or bridge donor programs that focus on growing the number of donors in the gift space between annual and major gifts.

The importance of the “bridge donor”

There are a couple of factors driving the increasing emphasis on the mid-level or bridge donor.

First is that focusing on the bridge donor makes good fundraising sense. Mature fundraising operations with well developed major gift programs need to constantly repopulate their pipeline with donors that



What exactly is a Bridge Donor™ Program

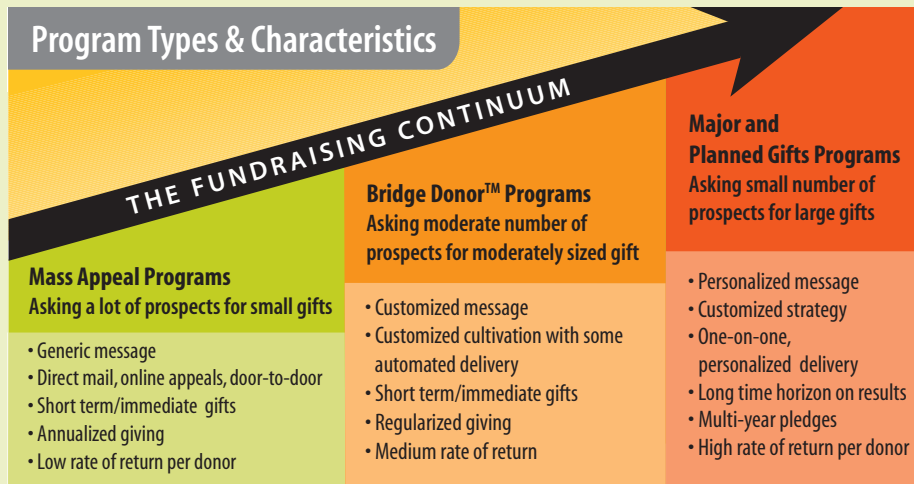
Conceptually, a Bridge Donor™ Program is a program that focuses on donors who give or have the capacity to give, at a level between the donations they make through mass appeals like direct mail and the gift threshold represented by an organization's major gift program. As a result, bridge donors refers to those that fall between

an organization's broad based, mass-appeal solicitation or annual giving program and those whose giving warrants a customized strategy and one-on-one communication with a senior staff person.

A Bridge Donor™ Program blends some of the volume and metric-based compo-

nents of mass appeal fundraising with elements of the high-touch, personalized aspects of major gift work. Finding a blend between the two, this type of program often sees results quickly and organizations can expect a medium rate of return.

A mid-level or bridge donor can mean different things to different organizations. For some organizations, such as large arts groups, universities and research hospitals, bridge donors would probably be classified as those giving somewhere between \$5,000 and \$50,000 to \$100,000. For other organizations that are moving into major gift fundraising, a bridge donor may be someone who could contribute \$250 to \$1,000. To define a mid-level donor for your organizations, analyze your individual gift results over the last several years to help you determine the natural and most appropriate thresholds for you.



have the potential and inclination to make major gifts. And sourcing donors out of the annual fund is often not the most effective strategy, as the space between an annual level gift and a major gift can be a "chasm" for many donors, both financially as well as psychologically. As a result, giving donors the opportunity to make a mid-level gift can help build the bridge to making a major or planned gift down the road. "When we analyzed our donor base, we discovered a pretty big gap between the gift level generated through our annual fund initiatives and our major gifts program, which has a \$10,000 gift threshold," says Rosalie McGovern, Vice President Direct Marketing, Sick Kids Foundation. "It's made us think that perhaps \$10,000 is too big a jump, so we are thinking about how we can engage and approach donors meaningfully and effectively at gift levels in between."

In the case of organizations trying to get into the major gifts game, like many allied

health charities and smaller arts and social service organizations, creating a mid-level giving program is an important intermediate step. These organizations often have very healthy annual funds but limited track records in major gifts. And those that have tried to move directly into the major gifts space have found it a challenge.

The Heart & Stroke Foundation/BC & Yukon is one organization that chose to focus on a mid-level program as a stepping stone to growing its major gift capacity – both that of the organization as well as that of its donors. "About 10 years ago, we began to observe that we had a cadre of donors who were giving around \$1,000 of their own accord," says Sandra Cheung, Manager Annual Giving. "We decided that we wanted to do something special to thank and recognize these folks for their generous contributions, and also began to wonder if we could attract more gifts of this size if we took a more proactive approach. And so

in 2003, we established our **Caring Hearts Circle Program**, which recognizes all donors who give an annual gift to HSF of \$1,000 or more." Since its inception, the Caring Hearts Circle Program has more than quadrupled its revenues and seen a 40% increase in the number of donors.

The success of the **Caring Hearts Circle Program** illustrates not only that mid-level programs can be helpful to "build the bridge" between annual size gifts and major gifts, they can also provide a mechanism to optimize the value of all donors. "Rarely is the first gift made by an individual the biggest gift they could make to the organization," notes Susan Storey, KCI Vice President and architect of our Bridge Donor™ Program. "With the right strategy and approach, they can and will give more. As a result, another benefit of this Program is that it helps to optimize the giving potential of each and every donor."

And finally, a focus on the mid-level donor can generate considerable revenues in the immediate and short terms, which is another reason for their increasing popularity. The example below illustrates the potential of moving 1,000 donors from an annual gift of \$75 (total revenue \$75,000) through to a gift of \$200 a year pledged for five years (total revenue \$1 million), an increase of \$925,000. While the individual gift level continues to be modest, the bottom line consequences become significant when we factor in the number of donors making gifts of this size. As a result, the revenue generating power comes from the combination of an increased, but still modest, level of gift made by a large, but still manageable, number of donors.

We have the technology...

The advent of new technology is also mak-

ing the development and execution of successful bridge donor programs possible. As a result, another reason that mid level giving is getting so much attention of late is because we now have the technology and tools to support it – both to identify donors who have mid-level gift potential as well as to execute on some of the cultivation and engagement activities needed to bring these donors closer to the organization.

When it comes to identification, we've hit two important tipping points with respect to data that make bridge donor programs possible. The first is its availability. The amount and type of data that we can now collect and store in our databases enables us to have far greater insight into our donors than ever before. And the second is that thanks to analytics tools, we now can do something with that data. The data, and the tools

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that help us mine it, make it feasible to do more nuanced segmentation of our donors.

Technology is also enabling us to build closer relationships with our donors, which is a key component of a successful mid donor program. Howard Jang, Executive Director of Arts Club Theatre Company in Vancouver, says that the organization's investment in a proper database was a game changer. "We invested in a database that enabled us to integrate donor information into our ticketing system," explains Jang, saying that once that was in place, it created a domino effect that enabled Arts Club to really start to invite people "into the family": "When a donor calls to buy a ticket to a performance, the person taking the order is alerted that they are speaking to someone who has made a gift by a message on their computer



Is our case unintentionally excluding mid donors?

Building a successful bridge donor program is not just about identifying the donors and creating the mechanisms to bring them closer to the organization. An organization's case for support has a critical role to play as well.

"Generally, organizations tend to think of their case offerings at only two levels," notes KCI Vice President Susan Storey. "To support annual fund appeals, the case offering is 'support the cause/organization in general'. And to support the major gifts program, there are specific projects and priorities with big price tags." By not having case elements that are at invest-

ment levels available to mid donors, organizations ostensibly remove themselves from the mid donor marketplace.

Part of developing case offerings of interest to mid-level donors is the creation of appropriate giving vehicles. Some examples of good vehicles include Giving Circles and Venture Philanthropy, both of which give donors the chance to pool their giving and select the project(s) within the organization that they wish to support. Another simple example, particularly for donors at the lower end of the mid-level gift spectrum, is monthly giving. The key with monthly giving is to equate the

donor's gift to specific case offerings that are fully funded by the donor's monthly gift. Good examples of this are the child sponsorship programs of a number of international aid organizations.

And so, as organizations build their mid-level programs, they need to examine their case for support to ensure there are opportunities available at the bridge donor level. And as with all other parts of this program, what constitutes a good mid-level case offering is dependent upon how the organization defines their mid donor.

screen, prompting them to thank the donor. As a result, something that used to be purely a business transaction has now become a stewardship opportunity.”

The technology also enables ticket takers at the door to know if the person entering the theatre is a donor, and staff members are all trained to say thank you. Jang finally notes that while the technology has been critical, successful use of the tools involved a change in culture. “It required a shift in mindset on the part of the box office and front of house staff from one of ‘ticket and order taker’ to one that embraced the role they play in developing relationships with our donors and subscribers.”

What do they look like?

As already discussed, your database and the analytics tools that enable its mining are key to identifying prospective bridge donors. But what are the characteristics of a good mid-level prospect? When looking for major gift prospects, we assess potential using the LAI model – Linkage, Ability, Interest. When looking for bridge donors, it’s the GHAB Model – Giving History, Address and Behaviour.

Celeste Bannon Waterman, KCI’s Senior Consultant, Research and Analytics, explains why these three factors are the best predictors of mid-level gift potential. “Address, which really serves as a stand in for contact information, is obvious,” she says. “You can’t interact with your donor unless you can reach them, so an address and phone number are minimum requirements.”

Financial commitment to your organization is also an important qualifier, hence the need to look at the donor’s Giving History. “When it comes to mid-level gift potential, we have found that a giving history of increasing gift amounts and/or a consistent pattern of giving, which we call giving velocity, are good predictors.”

But, Behaviour, notes Bannon Waterman, may be the most important predictor of all. “Research tells us that the most likely mid-



level donor is someone who is significantly engaged in the organization and its mission, which can be evidenced most strongly by how much and how often they interact with you outside of their giving.” She goes on to say that when we talk about behaviour, we’re looking at the donor’s interactions with the organization both online and offline. Online behaviour could include opening email and signing up for newsletters, while offline behaviour can include things like event attendance and ticket or membership purchases.

Linda Netherton, Director of Personal Gifts at Heart & Stroke Foundation/BC & Yukon confirms that in their experience, using a mixture of criteria really is the best way to identify mid-level gift potential. “When we first started identifying prospects for our Caring Hearts Circle Program, we looked only at their past giving history,” says Netherton. “We quickly came to realize that

while giving history was important, it wasn’t the sole, or necessarily the best, predictor of potential. As a result, we now use a model that considers giving history and behaviour with our organization combined with some external data like gifts the donors have made elsewhere.” Netherton goes on to say that they undertake their analytics activities regularly, looking for mid-level gift potential on at least an annual basis from the new donors that they acquire through a variety of channels.

And it is important to consider all fundraising channels or “donor entry points” when sourcing for new mid-level donors. Rosalie McGovern of Sick Kids Foundation believes sourcing of mid-level donors should not be just from the annual fund, recognizing that there may be opportunities from all kinds of places, including donors who support the organization indirectly through vehicles like third party events.

Of final note regarding good qualifiers of mid-level gift potential, research shows that other triggers to watch out for when identifying bridge donor prospects are an age range of 40 to 55, donors for whom you have lots of contact information on file and those that are employed at a matching gift company.

Cultivating mid-level gifts

If interest in the mission is a predictor of potential, key to cultivating a mid-level gift is finding ways to further connect these donors to the mission. And so, one of the objectives of a mid-level gifts program is to develop strategies that will bring this group of donors closer to the organization, making them feel like “insiders” with access to people and information not available to all. The two main components in this strategy relate to content and delivery – content being what you say and delivery being how you say it.

Donors in these programs should notice a difference in the way they are treated by

“Donors in a bridge donor program should notice a difference in the way they are treated by your organization when compared to their relationship with other charities.”

your organization when compared to their relationship with other charities. They should receive personalized attention, have access to a staff person who they know by name and the material you send to them should stand out. Sometimes it’s a matter of taking some of the high touch cultivation techniques from major gifts and finding ways to automate them. “Automated cultivation” looks to a donor like a personal touch from an individual staff person or volunteer, but are things that can be produced on a larger scale. Common techniques include handwritten letters and envelopes, using a better stock of paper or using first class live postage.

One of the most important differences that they should notice is that they receive personalized attention and have access to a staff person who they know, and who knows them, by name. Take the example of Catholic Relief Services (CRS), an international development and relief organization headquartered in Baltimore, Maryland. The organization initiated a mid-level giving program in 2003 as a means to cultivate closer relationships with higher end annual giving donors. As the program has matured over the years and the strategy associated with it has evolved, one thing has stayed the same. “One of the keys to what has made this program work is the team of Development Associates who are assigned to work with these donors,” notes Donna Adair, Senior Development Officer responsible for the program. “In our program, the Development Associates generally don’t meet with the donors face-to-face, but they do make personal connections through phone and email in order to build a closer relationship. We find that just with this type of connection, donors begin to feel closer and more engaged with us, like they are a member of our CRS family.” And with this as one of the foundations of their strategy, the mid-level donor program has grown from representing 8.1% of the total annual giving program revenue to 11.2% of that revenue.

Providing “inside information” and having access to leadership of the organization is also important for this group of donors. Invitations to special “behind the scenes” events, conference calls with the CEO and/or key institutional staff (academic, research, curatorial) should be built into cultivation and stewardship strategies. Some organizations create a landing page on their web sites with the recording of the conference call so that donors who could not participate in the call can listen at a later date. This activity can be very effective and, depending on how many mid-level donors you have, the cost per contact doesn’t have to be high.

A major gifts approach that assigns a portfolio of prospects to a development staff member is another common strategy. A key



The 5 and 6-figure mid donor program

For organizations that regularly attract seven and eight-figure gifts, most notably very large academic institutions, mid-level giving is really their major gifts programs. The pipelines for these organizations are so expansive, ranging from annual level gifts all the way to multi-million dollar prospects. As a result, gifts between \$10,000 and upwards of \$250,000, which would be the upper echelon of the giving pyramid in most charities, is basically how mid-level giving is defined in these institutions. And while there are similarities to traditional mid-level gift programs, there are some unique elements as well.

One of the similarities is the need to identify mid-level prospects through mining the database. "At McGill, we have been giving more attention to the development of our pipeline and have begun examining it on a regular basis, looking for new prospective major gift donors with whom we can start to build relationships," says Marc Weinstein, Vice Principal, Development and Alumni Relations at McGill University. "We are firm believers in the benefits of this work, as we have countless examples of where our largest benefactors began their giving relationship with McGill through small and medium sized gifts."

In fact, analytics tools like data mining and donor screening lend themselves to the identification of mid-level gift prospects. "It's actually quite rare that we find new million dollar gifts for this type of organization," notes Celeste Bannon Waterman, KCI's Senior Consultant Research and Analytics. "The vast majority of the time, these organizations already know who their transformational level prospects are, or have other ways of identifying them. So, what we've come to discover is that identifying mid-level gift potential is where analytics can have a real impact for these types of organizations."

A challenge for organizations of this magnitude is finding ways for donors at this level to have a meaningful experience with the institution. "The reality is that for many donors, a gift of this size is an incredibly significant and generous donation, and may, in fact, be the largest gift they ever make to us or any charity," notes Gillian Morrison, Assistant Vice President, Divisional Relations and Campaigns at the University of Toronto. "As a result, we work very hard to find ways to honour the magnitude of their gift by matching it with giving opportunities that both resonate with them and have an impact on the institution."

One of the ways U of T has done that is by examining its case, looking for mid-tier giving opportunities that make the institution's vision accessible to mid-level donors. While named spaces in new capital projects continue to be good opportunities, they have discovered that the "U of T student" provides some of the most powerful and impactful case offerings. "Not only can we create meaningful opportunities related to our students at gift levels accessible to donors at this gift level, we find that these types of opportunities tend to be of interest to these donors." Examples include providing students with international experiences and scholarships.

And while scholarships are a standard philanthropic opportunity at almost every post-secondary institution, U of T has taken its thinking one-step further by creating a scholarship program that ties directly into its \$2 billion campaign and the institutional vision it will support. Building on *Boundless*, the campaign tagline, U of T has created the Boundless Promise Program. "We have pledged that no qualified undergraduate will have to decline admission or leave their studies at U of T because of financial constraints," says Morrison. "And in order to keep that commitment, we need help from our donors." This program is one of the ways that U of T



has created urgent, meaningful ways for mid-level donors to not only engage in the Boundless Campaign, but also in the achievement of U of T's vision to be an institution of excellence bar none.

The mid-level or major gift program at these types of organizations can also be a great spot for volunteer involvement. For gifts of this level, volunteers can not only play an important role in opening doors, they can also be comfortable cultivating and soliciting donations. But in order for their involvement to be effective, Marc Weinstein believes that it is critical for institutions like universities to adequately train staff who manage and work with volunteers, something that historically has not been seen as a priority. From Development Officers to the President, he believes that understanding how to work with volunteers is critical to being able to maximize their involvement.

Of final note, many organizations have found that providing matching funds continues to be an important incentive to mid-level donors. Some institutions are choosing to allocate internal funds to match gifts outright or to match the income on endowed gifts, thereby effectively doubling the capacity and impact of the gift.

difference is the size of portfolio, which in a Bridge Donor™ Program can be upwards of 400 to 500 prospects. The management of the portfolio and the activities associated with it are similar to major gift methodology, however with much shorter cultivation periods. For those organizations taking a face-to-face approach, asks should be made on the first or second visit with the prospect. And this type of position really does lend itself to the “road warrior” type of development professional, as getting out and meeting with donors is critical to success.

In order to properly execute a bridge donor program, further segmentation of your pool of mid-level gift prospects may be necessary if the pool of prospects is too big. Some organizations apply a “tiering” system and develop specific strategies for the various levels. For the “bottom half” of a portfolio, the approach may use more automated cultivation techniques, while the “top half” may make use of more high-touch strategies.

Investing in your mid donors

A focused mid donor approach is not something that happens on the side of someone’s desk, and in order to see results from a bridge donor program, organizations must be prepared to invest. Strategies need to be well thought out and resourced, and often require at least one staff person to get the program off the ground with more added as the program matures and develops. In addition to the staff person leading the program, organizations need to be prepared to augment communications, stewardship and other donor service activities to adequately support this group of donors. So, investment will be required. And when there’s investment, there is often the need for board approval.



The business case to request approval doesn’t have to be complicated and often the most compelling rationale is found right within your database. Dig into your database and analyse your revenues for the past two or three years. We expect that you will find plenty of opportunity in the giving space between your annual fund and major gift programs.

Consider the example of the following actual client data. In this case, major gifts (defined as gifts of \$10,000 and up) came from 675 donors, totalled \$23 million and accounted for 64% of revenue. The annual fund (gifts under \$2,000) had thousands of donors and generated \$9.7 million, or 27% of total revenue. And gifts between \$2,000 and \$9,999.

843 gifts, totalling \$3.2 million, which was just 9% of revenue.

This example demonstrates the potential that exists in the mid-level gift range in two ways. First is the small number of donors giving at this level. And second is that the average gift of the mid-level donor is \$3,800. This is still a significant gift and represents an enormous financial opportunity if even a small subset of donors from the annual fund move up to the level. If the organization were able to double its number of mid-level donors, it could generate an additional \$3.2 million a year.

And so the other component of the business case should be a high level strategy and pro forma that illustrates not only how you propose to tap into this market, but the potential financial impact if you do. When doing this pro forma, it is important to pull out of the annual fund the value of the donors that you promote to the mid-level gift program. While still the right strategy in the long term, it will have an impact on annual fund revenue and this fact should be highlighted for the board.

As with any program, particularly those requiring new investment, regular measurement is key. So think about the metrics and milestones that will assess performance of your bridge donor program in both the short and long terms. Some of the metrics that should be considered are total dollars raised, number of donors who upgrade to mid-level giving and return on investment. As the program matures, other important measures include how many viable prospects are bumped up to the major and planned giving program as well as the aggregate increase in giving by this group of donors over time. And be aware that this program should be more expensive per effort than major gifts, so don’t apologize for that.

Bridge donor programs have a multitude of benefits. Increasing donor loyalty, maximizing the giving potential of each donor and creating a stepping stone to major and planned gifts to name but a few. Another consequence is uncovering new volunteers and board members. Finally, and perhaps most importantly of all, a Bridge Donor™ Program enables us to get to know our donors better, find ways to make them feel invested in our missions and deepen our relationships with them.

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FORWARD THINKING