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The Prospect Pipeline Issue

Over the last several years in particular, we at KCI have found ourselves increasingly being asked by our clients to collaborate with them on the building of three, five and even 10 year revenue generation plans for their organizations. These professionals and their volunteers are telling us that while they are encouraged that they have managed to ride out the worst of the recession (hopefully!) by reducing costs and keeping existing donor relationships strong, they now need to focus on how to grow revenues and want to be sure they maximize every opportunity.

Interestingly, as we partner with our clients on this work, we're finding that in the midst of the innovative ideas and strategies for raising funds that are being uncovered, there is one staid, traditional but perhaps most important area that needs time and attention – the prospect pipeline.

This is an area where organizations, regardless of size, struggle. Some achieve tremendous success in major and transformational gifts. Others have truly great annual funds. And some have both. But where we have consistently seen many of our clients challenged is in maintaining a robust pipeline of prospects at all gift levels.

Let's start with a definition – what exactly do we mean when we say prospect pipeline? Simply put, the prospect pipeline places cohorts of prospects at different stages of the development cycle (identification, cultivation, solicitation, stewardship) and then measures their progress as they move from an unqualified lead to a donor.

Unfortunately, what we have observed is that many prospect pipelines have a tendency to 'leak'. While some leakage is unavoidable, too much can threaten the health of the pipeline



and ultimately the success of your fundraising program or campaign.

In this edition of *Philanthropic Trends Quarterly*, we explore the prospect pipeline in depth by examining a variety of questions that we knew would be of interest to the sector: What role does a healthy pipeline play in my overall revenue generation plan? What does a healthy pipeline look like? How will I know if my pipeline is healthy? What can I do to ensure the health of my pipeline? How do I check for leaks? And finally, what can I do once I have found them?

We have endeavoured to answer these questions for you with the help of our Trends Advisory Board and other experts across Canada. You may find that the answers to some of these questions surprise you. And while many of these concepts are presented in

the context of prospective donors, don't forget to think of them through the lens of your volunteer management and recruitment strategies, places where pipeline management are also important.

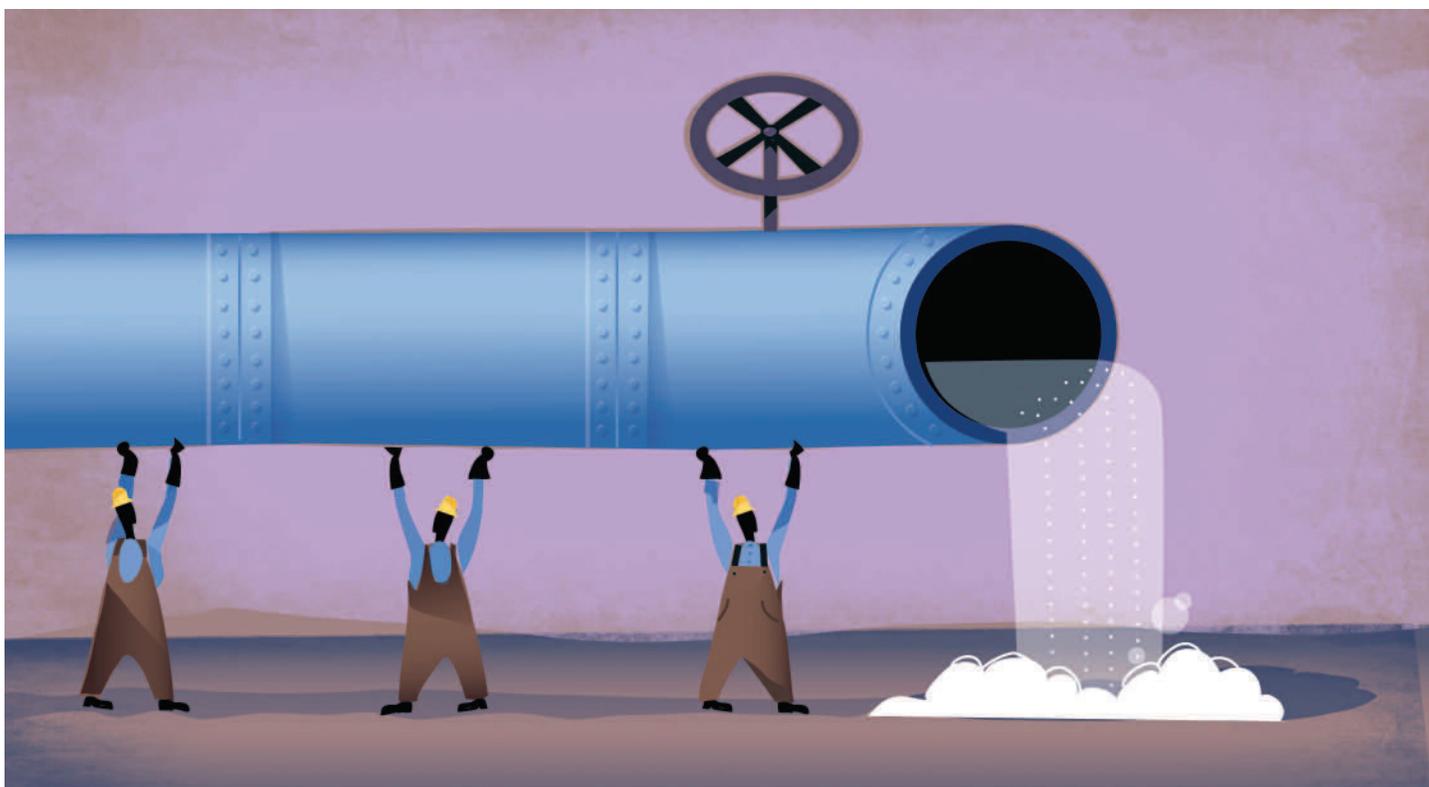
As always, we hope that you find the information in this edition of *Philanthropic Trends Quarterly* useful and interesting. And we also hope that it spurs some thought and discussion around your staff and volunteer tables.

With longer days and warmer weather across the country, I want to wish you all a Happy Spring!

Marnie Spears
President and CEO

KCI >>

FORWARD THINKING



Building a healthy pipeline of prospects

Ask any good fundraiser why it is important for an organization to maintain a healthy pipeline of prospects and they will basically give you the same answer. While the words may be different, the key theme is that as a fundraising operation, your pipeline is your lifeblood. It, along with your case for support, is the foundation upon which the success of your fundraising operation is built.

When thinking of the prospect pipeline, prospect identification is often the first thing that comes to mind. Without a doubt, the identification of new prospects is critical to having a healthy pipeline. And for many organizations, particularly those that are just starting to fundraise or that are trying to grow their fundraising revenues, it can be difficult to find prospects to populate it.

This was the case for Ronald McDonald Houses in Calgary and Edmonton. Several

years ago, both houses needed to significantly increase funds raised in order to support capital expansion projects. And in both cases, they were starting from scratch when it came to their prospective donor bases. "In Calgary, we started with the names of 400 individuals and companies that had given in the past 20 years," says Larry Mathieson, Executive Director at both Houses "while in Edmonton we had 2,000. So we knew that we had to undertake a variety of activities in order to make people more aware of the Houses and our need for philanthropic support."

To do that, Mathieson and his team created a variety of mechanisms to try to build the databases. Every interaction became an opportunity to gather names...of event participants, of people involved in the Dinner at Home Program (where companies and their employees cook dinner for the residents) and of people taking part in third party events, which

have grown in Calgary from six events a year to more than 200 in large part by talking about them in their newsletters and other publications.

Another strategy took form. Taking a concept from the for profit world, it looked to expand into a 'new market,' which in this case, was families that had stayed at the Houses. "Until the capital campaign forced us to expand our fundraising, we had never asked families that had stayed at the Houses to support us financially," Mathieson says. "In fact, we had never even told the families what our fundraising needs were." He notes that this was a conscious decision on the part of the boards and that the decision to approach families for support was not taken lightly. "We debated the pros and cons of asking this group for support and ultimately decided that, as a starting point, we would let them know what our needs were, accompanied by a very soft

ask.” The strategy was a success. Not only did more and more families become donors, Mathieson and his team discovered that families were flattered to be asked and involved.

And if you’re wondering about the success of these initiatives? The Calgary database has grown from its original 400 names to over 17,000, while Edmonton’s has grown from 2,000 to 11,000!

It’s a matter of ‘culture’...

Sylvie Madely, Director of the National Gallery of Canada Foundation and formerly Vice President, Financial Development and Communications with the

“...as a fundraising operation, your pipeline is your life-blood. It, along with your case for support, is the foundation upon which the success of your fundraising operation is built.”

YMCA-YWCA National Capital Region in Ottawa, also reminds us not to forget about one of the most simple, but incredibly effective, means of finding new prospects – ask for names from those closest to you. “During the Strengthening

the Heart of our Community Campaign, we created as many opportunities as we could to engage volunteers,” Madely says. “We invited people to participate in sub-committees or even just found ways to ask for their advice and guidance on the campaign, all of which gave us the chance to ask them for names of people who might be interested in supporting the YMCA-YWCA. We also weren’t shy about asking new donors as they made their gifts and became more engaged with the organization for their thoughts about who might be a good potential donor.”

Shawn St. Michael, Executive Director of Development at the Art Gallery of Ontario (AGO) believes the concept of ‘ask those

Characteristics of a healthy prospect pipeline

How can I know if my pipeline is healthy?

In exploring this question with our experts across the country and considering it here among our staff at KCI, we have identified certain core characteristics of a healthy prospect pipeline.

1) Active prospects at all gift levels. A healthy pipeline is one that has a good mix of prospects at all gift levels, from annual fund to mid level gifts to the top level of your giving pyramid. It is important for organizations to examine their pipelines on a regular basis to ensure that there are prospects that match all gift levels. One tool that can be helpful in this analysis is a gift chart of standards. While commonly associated with campaigns, they can also be created to support annual fundraising targets by setting out the number and size of gifts required to meet your financial goal. Comparing your pipeline against a chart of standards gives you the opportunity to know where your gaps are and can therefore provide focus to your identification activities.

2) Active prospects at all stages of the

development cycle. Another key indicator of a healthy prospect pipeline is having prospects in each stage of the development cycle – identification, cultivation, solicitation and stewardship. There are two ways that KCI proposes to assess your pipeline’s health on this metric – number of prospects and prospective revenue represented by these prospects. While the percentages can (and should) change depending on where you are in the development of your fundraising programs as well as where you are in a campaign cycle, it is important to keep a watchful eye in this area.

3) Mechanisms to feed new prospects into the pipeline. This is your prospect identification strategy. In order to maintain a healthy pipeline, new prospects must be constantly being fed into it. There are a variety of methods available to organizations, including tools like data mining and screening, as well as the ‘old fashioned’ way of having staff and volunteers bring forward names.

4) Means for measuring progress. Another key to a healthy pipeline is movement of

the prospects through the different stages of the development cycle. All too often, we see organizations with a large number of prospects that get ‘stuck’ in the identification/qualification stage. While there are a variety of reasons for this phenomenon, many of which are solvable, if you can’t track whether your prospects are moving, you can’t address the problem. As a result it is crucial to create reports that enable fundraising staff and management to monitor prospects to see if they are moving through the cycle.

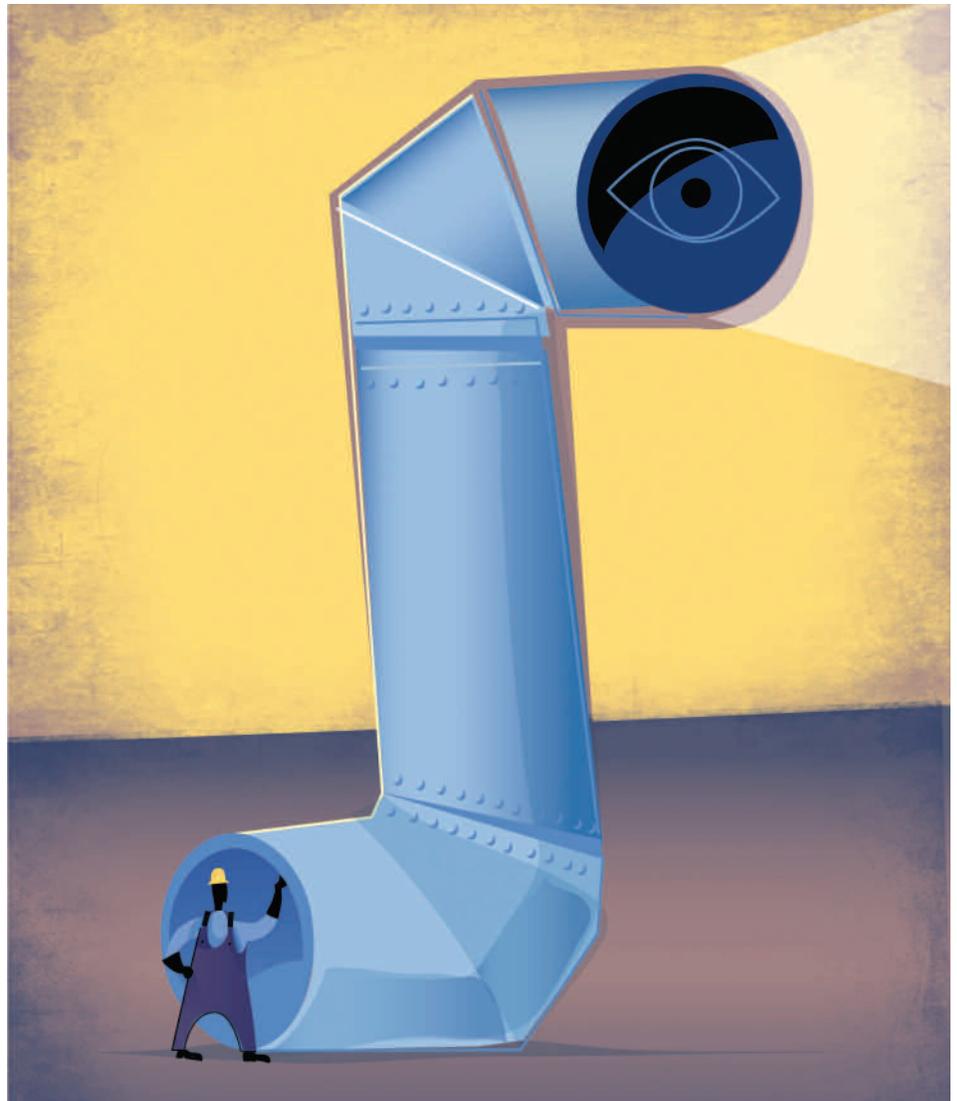
5) Access to good data – The health of your pipeline is only as good as your ability to analyze it. And your ability to analyze will only be as good as the quality of your data as well as your ability to access it. It is critical that fundraising staff be encouraged to keep information about their progress with prospects up to date. And getting it into the system is only step one. You also have to have the means to pull it out in a way that will provide useful information. Key here is determining what you want to know and working with your IT or database professional to create reports that will pull it out.

closest to you' should also extend to staff within the organization. "From a staff point of view, prospect identification is not the sole responsibility of the fundraising research department," comments St. Michael. "At the AGO, we have successfully instilled and nurtured a 'culture of inquiry' wherein all staff are encouraged to help to identify new prospects."

Coupled with the culture of inquiry, St. Michael has also successfully created a culture of 'relationship building' that pervades the entire Gallery, most notably related to how the membership program is managed. "Members are an important source of potential new donors for us," notes St. Michael, "and as a result, we don't look at our membership program as transactional. Rather, we view it as an important vehicle by which we can build relationships with those who have already signalled their interest in us."

Building this kind of culture doesn't just happen on its own. It requires focus and the development of specific strategies on the part of the senior fundraising team. Performance management can be an important strategy when creating this culture within the department of development or advancement by establishing performance metrics that measure the contribution each staff member makes to identifying new prospects.

Creating a culture that permeates the entire organization can be bit more daunting, as key to its success is an element that takes time to build – trust. It is crucial that staff within other departments in the organization, particularly those who would be passing along names of people and companies with whom they have relationships, feel comfortable and secure that the fund development team will enhance and grow the relationship in a positive and sustaining manner. To do that, it's important to regularly involve them in the work of your



department as well as your engagement of the specific prospect.

Role of Analytics

We would be remiss if we didn't explore one of the new and emerging ways that development operations are identifying new prospects – the growing field of data analytics.

"Data analytics can be any number of statistical tools and techniques (including data mining, predictive modeling, database screening) that are used to analyze constituencies and build models to predict behaviour," says Celeste Bannon

Waterman, Senior Consultant Systems and Analytics at KCI. "Analytics can be used in many ways, the identification of new major and planned giving prospects being one of the most popular."

So how exactly can it do that? According to Bannon Waterman, the key is in understanding the characteristics of your current donors. "By understanding your current top donors, you can identify others in your database that share those characteristics," says Bannon Waterman. "Most powerful is when you can rate prospects against three factors: their past giving history, characteristics they share with your current top donors and an assessment of

capacity from external reference data. Top priority would be those who score well in all three areas, followed by those scoring well in two, with those scoring well in one as your third priority group.”

Analytics techniques can be useful to organizations that have mature major gift programs and that need to find new prospects to feed the pipeline as well as those looking to build a program from scratch. The experience of Cystic Fibrosis Canada (CFC) illustrates the power of data analytics in identifying prospects

in an environment looking to ramp up its major gifts program. “We undertook a data screening exercise with the support of KCI to help us identify prospects from our database who might be good candidates to cultivate for a major gift,” says Julie Cookson, Chief Operating Officer of Cystic Fibrosis Canada. “The exercise yielded 88 new names for us, which is a great start and gives us a group of people on which to focus.” These are people who already give through CFC’s annual program and who, based on their philanthropic involvement at other organiza-

tions, may have the capacity to make larger gifts to CFC.

You know who they are. Now what?

As mentioned earlier, prospect identification is the starting point for most organizations when thinking of their pipeline. Unfortunately, it’s also often the place they stop. The cultivation of prospects is rarely associated with how to build and maintain a healthy pipeline. And we at KCI think that’s a mistake, as it is the cultivation stage that tends to be the source

Analytics tools and how to use them

Often, when fundraisers talk of analytics, they use the word “data mining” as the catch-all term to describe this activity. But, data mining is only one of several techniques available. Here is a list of the most common analytics tools, with a brief description of what they are and some guidance on how and when they are best used.

Technique	Definition	When to Use	Requirements or Limitations
Data Mining	Looking for trends or indications of giving potential within a database and scoring or rating prospects accordingly – e.g. rating based on repeat giving, premium memberships, etc.	Ideal as a starting point for all, and particularly useful when broad trends are applied, such as sorting planned gift prospects by age.	Can range from simple to complex depending on degree of analysis and variables involved.
Predictive Modelling	Examining characteristics of top donors, and then using statistical techniques to build a ‘model’ that scores prospects based on the relative degree of influence of factors e.g. repeat giving may be more of a giving predictor of major giving than membership.	When a more nuanced approach is sought, and there is constituent data beyond names and addresses to work with and model.	Sufficient ‘ideal cases’ needed to be able to study and build the model, and some kind of data beyond giving history. Also requires understanding of the approach, and possibly statistical software.
Prospect Screening	Gaining additional information about prospects by matching data against an information source e.g. postal codes for geodemographic data, or names against a vendor database.	Particularly helpful in prioritizing prospects about whom little is known. Specific donor screening can provide individual giving history on matched prospects, very useful for immediately building the pipeline.	Important to understand how specific the results will be, and where the source data is drawn from.
Combination Approaches	Using two or more of the techniques above in conjunction e.g. using data mining to identify individuals for screening, or using screening data to augment a predictive model.	Data analysis techniques coupled with screening can provide a very thorough and accurate assessment of an entire database; highly recommended as part of campaign preparation.	The appropriate mix of techniques should be carefully considered, and usually requires a high degree of expertise to manage the process.

of the greatest amount of leakage. The question is why?

The first reason appears to be related to the notion of accessibility. If you find that you are losing an inordinate number of prospects at the cultivation stage, the first conversation to have is with your fundraising staff. At KCI, we often find that prospects are identified, assigned to development staff...and then nothing happens. In our experience, one of the main reasons is that fundraisers often can't (or don't know how to) 'get in the door'. If this is happening in your organization, it's best to bring the challenge out in the open as fundraisers often won't bring it up themselves because they worry it will reflect badly on their performance. Yet it can be a very valid explanation, as fundraisers often are simply not given the right tools to be able to effectively cultivate prospects. A simple fix can be providing them with more

“Often, fundraisers simply are not given the right tools to be able to effectively cultivate donors. A simple fix can be providing them with more training and better coaching.”

training and better coaching on how to engage people with the organization.

Volunteers can also be a great fix for the problem of accessibility as they can be incredibly useful in opening doors to prospects. What we often observe happening, however, is that volunteer relationships are coveted and tend to be 'owned' by senior fundraising leadership who are reluctant, for a variety of reasons, to give more junior fundraising staff access to them. We encourage organiza-

tions to explore how they are involving volunteers to support the work of their fundraising staff and either provide all fundraisers with better access or recruit different volunteers to work with your more junior staff.

Secondly, 'getting in the door' doesn't just mean not being able to get in for a visit and can be a euphemism for a lack of engagement opportunities. A visit may not be the right first step, and as fundraisers, we need more in our arsenal than events and visits, which can often be the only tools in our engagement tool kit. This is where creative thinking comes in. See the sidebar entitled *Ideas to engage prospects* for a sampling of what different organizations have been doing.

As with identifying prospects, good data and its analysis can also be helpful in the context of successfully engaging prospects with your organization. It's impor-



tant to remember that past and current donors are your most likely future donors and data about your donors can be helpful in determining how to engage them further.

The Robert-Giffard Foundation in Quebec City, which raises funds for the Institut universitaire en santé mentale de Québec, is an example of an organization that uses its database to help it in its ongoing engagement activities with donors. “To help us better understand and qualify our donors, we analyze the way donors first made their gifts to our organization,” says Maryse Beaulieu, Executive Director of the Foundation. “Did the donation come from a special event and if so, who solicited it? Does the donation come from a patient or a patient’s family? This analysis helps us to develop strategies to continue to build relationships with the donor.”

And finally, to properly support the engagement of prospects, (and in fact often cited as an engagement strategy itself), almost everyone we interviewed spoke of the importance of communication – whether it be to introduce new prospects to the organization or to build the relationship of donors already familiar with it. At the IWK Health Centre Foundation in Halifax, Brad Jacobs, Vice President of Development, and his fundraising team use communications activities very strategically as a way to deepen the Foundation’s relationships with its donors. “We create customized communications plans for each of our top donors,” says Jacobs. “Each plan has a minimum number of touch points that we make sure include a mix of face to face communications, invitations to participate in events and a mailing that includes an accountability report.”

Importance of the case and its positioning

Solicitation is often the second major source of a leaky pipeline. You have done all this work to identify and cultivate

Ideas to engage prospects

Providing prospects with a wide variety of engagement opportunities is critical to stemming leaks once they reach the cultivation stage of the development cycle. Here is a summary of some broad themes as well as some concrete examples of engagement strategies that many of our interviewees have used in the past.

1. Calling donors just to say thanks. A very simple concept but a great way to engage donors as well as the volunteers who do the calling. Cystic Fibrosis Canada has staff and volunteers call higher-level donors simply to say thank you for their gift. And The YMCA-YWCA National Capital Region holds an annual ‘Thank-a-thon’ to do the same thing.

2. Creating opportunities for people to volunteer at the organization. Finding ways for people to involve themselves with the work and mission of your organization is a great engagement tool. For instance, the Ronald McDonald Houses’ Dinner at Home program, which gives companies or other groups the chance to cook dinner for House residents. Another example is York University’s innovative Ready...Set...Mentor! program. Inspired by the speed dating concept, this program involves 50 of York’s most recognized alumni providing five-minute one-on-one ‘speed mentoring’ sessions to current students.

3. Holding special events. Creating a variety of events, big or small, fundraising or otherwise that can help people better get to know you, your organization and those involved with it, is a popular engagement mechanism. The key with events is to not do so many that it overwhelms either your staff or the people you are inviting and to create a variety of different kinds with appeal to different segments of your prospect pool.

4. Developing tools to regularly communicate with prospects. Letting people

know what is going on with your organization is crucial to engaging them with you and shouldn’t be ad hoc. Every organization we spoke to has a variety of vehicles, from newsletters to annual reports, that let donors and prospects know what is going on.

5. Making those who already support you feel special. Creating events or programs for those who are already close to you is a great way to further develop your relationship with them. For example, the AGO has created the Curators’ Circle Program, which has a variety of components. One is a regular invitation to pre-opening receptions and viewings for exhibitions and special presentations.

6. Asking for advice and guidance. Asking people for their advice and counsel can be a simple but very effective way to engage them in the organization. Whether that advice be related to your organizational priorities or fundraising strategies, this approach can go a long way to introducing your organization to someone new or making an existing relationship closer. YMCA-YWCA National Capital Region used this strategy by inviting people of interest to share their thoughts, advice and guidance about their campaign.

7. Asking for help. Similar to the concept of asking for advice and guidance, involving current donors and volunteers in your relationship building work can be incredibly powerful. The AGO often asks their volunteers to act as ‘hosts’ at special events, giving them a purposeful role at the event. They encourage those closest to the Gallery to bring someone new to an event and introduce them to the AGO.

OTHER? We want your help in adding to this list! Please [click here](#) and share with us your best idea for a prospect engagement strategy. And check back to see what has been posted by others!

prospects only to get to the solicitation phase and find that you are unable to close a gift at all or a gift of the size the prospect is capable of making. Again, the skill set of your fundraising staff may be contributing to this situation, so it is important to look at this as a factor if you find leaks here. Similar to addressing this issue in the cultivation stage, training and coaching can go a long way to tackling this problem.

Often, though, the challenge doesn't lie in your staff, but rather in your case for support. The presentation of a compelling vision is critical to attracting support at all levels, so that should be the first test of your case's ability to attract financial support.

For some organizations, however, it's not the overall positioning of the case, but rather its components that are the key stumbling blocks. There simply are not compelling priorities at all gift levels. Commonly, we find there are attractive opportunities at the top end of the gift chart, or good opportunities near the bottom. But in order to have success at soliciting gifts at all levels, you must have compelling and attractive funding priorities at a variety of gift levels.

For purposes of illustration, let's consider the experience of many universities, which often have great success at the top end of the giving spectrum as well as robust annual funds. Their cases provide a number of very attractive giving opportunities for large donors, in the form of Chairs, Professorships and naming of programs. At the annual fund level, they are often able to interest donors with an

appeal to support the prospective donor's faculty. But the mid level, which for many universities is between \$10,000 and \$250,000, is an area where many institutions struggle and is often a gap in their case. The default opportunities tend to be creating a scholarship or bursary, or naming a space in a building. And if these aren't of appeal, development staff are often forced to go back to academic staff to 'build' something from scratch, the results of which can lack urgency or feel to the donor like a 'nice to have' instead of a 'need to have' for the institution. This issue needs to be remedied through close collaboration with the faculties and the development team.

Even when the case has priorities with interest at all levels, it is also critical to package them in a way so as to appeal across the giving spectrum. Bundling and unbundling of priorities can be one good way to provide maximum flexibility.

Larry Mathieson and the Ronald McDonald Houses in Calgary and Edmonton have learned to bundle priorities in order to attract larger gifts. "Rather than approaching a donor and asking them to support our arts and crafts program, we package the program and ask them to fund it in its entirety and to 'own' the program," says Mathieson. "We have seen great success with this approach, particularly with corporate donors. And even in cases where the answer is no, we find that often they still are willing to give us some level of financial support."

Here at KCI, we're not surprised that this happens. We know that major gift prospects and donors are more apt to

support organizations that present well considered priorities and demonstrate impact. Undoubtedly, by undertaking the exercise to come up with a package to take to prospective donors, Ronald McDonald House is able to present a compelling case that inspires confidence, thereby proving that the organization is a good investment.

Monitoring the pipeline

Our exploration on how to maintain a healthy prospect pipeline would not be complete without one final piece of advice, brought forward by Paul Marcus, President and CEO, York University Foundation. And that is that ongoing monitoring and analysis is critical. "If you are not regularly looking at your pipeline to assess its health, which includes its percentage breakdown by stage and whether potential supporters are engaged at each stage, there is no way to know whether your pipeline is healthy enough to support your goals and objectives," Marcus says. Regularly analyzing your pipeline to understand where it is leaking and address the reasons why, is a valuable and important undertaking.

And one that will pay for itself over and over through improved fundraising results.

> Next issue:

Watch for our next edition in June 2011 that will focus on how globalization and diversity are impacting philanthropy in Canada.

Marnie A. Spears
President and CEO

Nicole Nakoneshny
Senior Consultant & Editor,
Philanthropic Trends Quarterly

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