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The definitive [4] times per year source of philanthropic trends analysis in Canada



Trends in Fundraising

In many parts of the country, “the winter that never was” gave way to an early spring. And from the themes that emerged through discussions with our clients and other thought leaders from across Canada, it’s evident that climate change pertains not just to the weather, but across our sector as well. Whether discussing big, philosophical issues such as how to advance philanthropy in Canada or more tactical topics like trends in fundraising programs, it’s apparent that it really is a new day for the Canadian charitable sector.

From my conversations with fundraising professionals across the country, I get the sense that if it was ever “easy” to work in philanthropy, it certainly isn’t any more. While

we used to be able to count on increases in fundraising programs year over year, I’m now sensing that we all have to work a little harder. While the ongoing challenges in the global economy are obviously playing a big part, another factor is the increasing scrutiny from all corners – boards, donors, volunteers, government and media. As a result, it feels like there is no tolerance for missteps and that we, as professionals in the sector, have an intensifying need to dedicate ourselves totally each and every day to our work.

On the other hand, it also feels like an exciting time to be working in the world of philanthropy as I sense both a growing awareness of it generally, and a recognition of the role it can play in building our communities.

Our Governor General, His Excellency The Right Honourable David Johnston, has been

asking Canadians to think of what they’re going to do between now and 2017 (our 150th anniversary of Canada) to strengthen their commitment to this country. How can we, collectively and individually, take up this challenge as fundraising professionals to strengthen community philanthropy in all corners of this country in which we work? How can we tell our stories better to create a greater sense of not only how wonderful it is to give, but also how fundamental a responsibility “giving” is, to being Canadian? Perhaps even creating a “culture of expectation around giving” along with a culture of philanthropy? Some food for thought...

Harnessing this interest in philanthropy and creating the right conditions for it to grow require each and every one of us. And to (hopefully!) help you play your part, we have put together a special edition of *Philanthropic Trends Quarterly* that includes not only general trends related to philanthropy in Canada, but also Sector Scans that identify trends specific to some of the sub-sectors. We pulled together this information through the help of thought leaders from across Canada who participated in a series of Roundtables to discuss the “State of Philanthropy”. To access the Sector Scans, please [click here](#).

If all of this sounds a bit like a call to action, that’s because it is. Climate change, at least when it comes to a changing philanthropic climate, can be a good thing!

Have a bright and bustling spring.

Marnie Spears
President and CEO

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FORWARD THINKING



The evolving world of fundraising and philanthropy

In November 2011, Stats Canada released data on the charitable contributions made by Canadians in 2010. The news was good. Giving by Canadians showed a healthy 6.5% increase over the year before, a fact made all the more positive when compared to the declines we saw in both 2008 and 2009 (5.6% and 5.4% respectively).

And this upward trajectory appears to have continued into 2011. The Blackbaud Index of Charitable Giving, a broad-based fundraising index that reports giving trends of more than 1,300 nonprofits in North America, recently reported that giving rose 5.7% during the first six months of 2011 when compared to the same period last year.

While both pieces of news are undeniably positive, it is important to remember that

these numbers reflect giving from 12 to 24 months ago, which, in this time of almost daily changes to the global economic situation, can be a lifetime. And so, to get a sense of the mood of the charitable sector in Canada, we convened Roundtables over the past several months with fundraising professionals from all sub-sectors and from all parts of the country. These Roundtables enabled us to hear directly from thought leaders about the current tenor and tone of Canada's philanthropic environment and also gave us a glimpse into the trends, as well as the challenges, of fundraising in Canada today.

Our discussions demonstrated that while each sector has its unique challenges and opportunities, it is also abundantly clear that we have a great deal in common as evidenced by the following overarching themes that emerged.

1) The Canadian fundraising and philanthropic environment best described as "cautiously optimistic"

At the risk of employing the somewhat overused term "cautious optimism," it really is the best way to describe the tone and tenor with which fundraising and philanthropy is being viewed by development professionals right now. The optimism reflected in the numbers described above was most certainly echoed by participants in our Roundtables. And while important to remember that fundraisers generally tend to be a pretty optimistic bunch, it is great to feel a sense of hope and enthusiasm for what lies ahead.

This optimism is tempered, however, by the recognition that we are most definitely navigating a period of "business as

unusual! The “rules” and commonly held beliefs about how economies, markets, consumers and donors will behave seem to be changing. We find ourselves living in a time where information is literally available 24/7 and where there is a tendency on the part of those sharing that information to be fixated on the short term ups and downs of the markets, resulting in Canadians becoming more cautious when it comes to their finances. Keeping in mind that the recent recession taught us that charitable giving is strongly linked to the health of our personal finances, there is a strong sense that a tone of cautious optimism will accompany fundraising and philanthropy for the foreseeable future.

What this means for charities and the professionals who raise money for them is that nothing can be taken for granted. “I believe that it will be crucial for all charities to work even harder over the next

“It will be crucial for all charities to work even harder over the next while to ensure that relationships with our donors are sound and that we are able to continue to attract philanthropic support.”

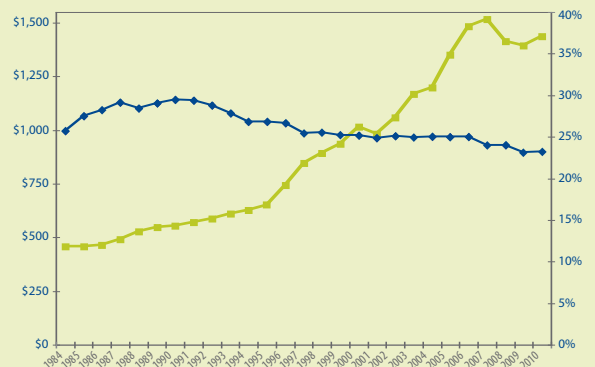
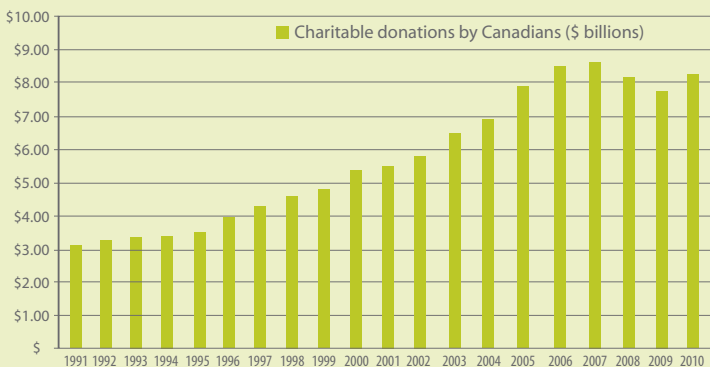
while to ensure that relationships with our donors are sound and that we are able to continue to attract philanthropic support,” says Ken Mayhew, President and CEO of the William Osler Health System Foundation and former Chief Development Officer, the MS Society. “It really feels like this is a time where we can’t take anything for granted.”

2) Philanthropy is increasingly becoming a “core” source of funding for charitable organizations.

As our economy continues to transition, the roles played by government, the private sector and individual Canadians are changing, with the balance shifting all the time towards more private support of the social sector. So, while recognizing that philanthropy has always been an important source of funding for charities, we are hearing from development professionals that it is increasingly becoming a “core” source of revenue.

This change is manifesting in several ways. Perhaps most importantly, the organizational priorities that philanthropy are expected to fund are increasingly becoming “core” to the organization’s operations – whether that be providing patient care in a hospital, “keeping the lights on” at an arts organization or funding delivery of education in educational institutions. As a result, the case to attract philanthropic gifts is changing, as is the messaging to donors. “No longer is the

Giving by Canadians



Tax receipted giving by individual Canadians totaled \$8.25 billion in 2010. After two years of decline, this level of giving represented 6.5% growth over 2009. The percent of tax filers who made a charitable contribution in 2010 was 23.4%. This percentage has been on a slow decline for the past two decades from a high of 30% in 1990. And while the average gift has been

showing a steady increase over that period, peaking at about \$1,500 in 2008, the median gift has remained stubbornly steady at around \$250.

When non tax receipted giving is taken into account, the picture changes somewhat. Statistics Canada recently shared the initial results from its 2010 Canada Survey or Giving, Volunteering and

Participating, a survey it conducts every three years. The results show that in 2010, 84% of Canadians aged 15 and over (equivalent to 23.8 million Canadians) donated to charitable and nonprofit organizations. When these self-reported, non tax receipted gifts are taken into account, the CSGVP estimates that total giving by individual Canadians was \$10.6 billion and the average gift is \$446.

case one of 'value add/excellence', as it has been historically, but rather one that describes the key role that philanthropy and donors play in delivering the organization's mission," notes Martha Drake, Executive Director Advancement, University of Toronto Schools.

Secondly, as philanthropy increasingly

becomes a "core" source of revenue, fundraising must be viewed as a "core" function of the organization. No longer can organizations view philanthropy as a sidebar activity that is taken care of by the fundraising team. It must have a "seat at the table" and accorded a high level of priority on the part of Boards and senior management.

Mike House, Assistant Dean/Development, Alberta School of Business at the University of Alberta sees this shift manifesting even more broadly to encompass the role that philanthropy is playing in society. "Non-profits are playing a 'leading' role rather than the more traditional 'follower' role, whereby plans are developed and philanthropy simply slots in as a revenue line," notes House. "As philanthropy increasingly becomes part of the 'funding formula' on projects, we have an opportunity to play a more significant role in providing leadership that establishes vision and project parameters." Describing this as "having a seat at the adult table", House sees non-profit organizations increasingly taking their rightful position as key partners in the planning and visioning process. For instance, he references the revitalization of Edmonton's downtown core, noting that it isn't just business driving the discussion. Housing, community involvement, the arts, and sports are all shaping what Edmonton will look like.

3) The need for strong "peripheral vision" on the part of organizational leadership and fundraisers.

As Charles Darwin said, "It's not the strongest of the species who survive, nor the most intelligent, but the ones most responsive to change." And as we've already discussed, the "rules of the game" are changing significantly in the world of fundraising and philanthropy. As a result, the status quo is no longer sufficient and those organizations that will thrive in this ever changing environment will need strong peripheral vision.

What does having strong peripheral vision look like in the context of fundraising? Note that we don't just allocate responsibility for this trend to fundraising professionals, as the need for peripheral vision extends beyond the fundraising staff to include senior management and

Trends in funding operations and fundraising

The cost of fundraising continues to be an issue of importance for staff and volunteer leadership in organizations across the country, regardless of the size of the charity or the sector it is in. A top of mind issue, charities are putting thought into how best to manage their costs as well as how best to communicate them with their stakeholders. Some of the ideas uncovered through our roundtables and research include:

1) Two categories of donor - Some organizations are choosing to approach small group of significant donors to fund the charity's operations. A unique and innovate funding model, it enables the charity to be able to share a "100% of funds to programs and services" message to donors who aren't as close to the charity and who aren't necessarily as well versed in the need for operating funding. Consider the example of charity:water, a US based non profit that brings clean and safe drinking water to developing nations. In establishing the charity, it created a category of "private" donors (individuals, corporations and foundations) that cover all operating costs from staff salaries to office space and supplies, thereby enabling the gifts from its "public" donors (the majority who raise funds on behalf of the organization or how make smaller level gifts) to be 100% allocated to water project costs. A recent survey by Ipsos Reid confirms that there are donors that would be happy to support the operating costs as 22% of

respondents indicated that they would support the idea of having their donation used to attract and retain experienced management to lead the organizations effectively.

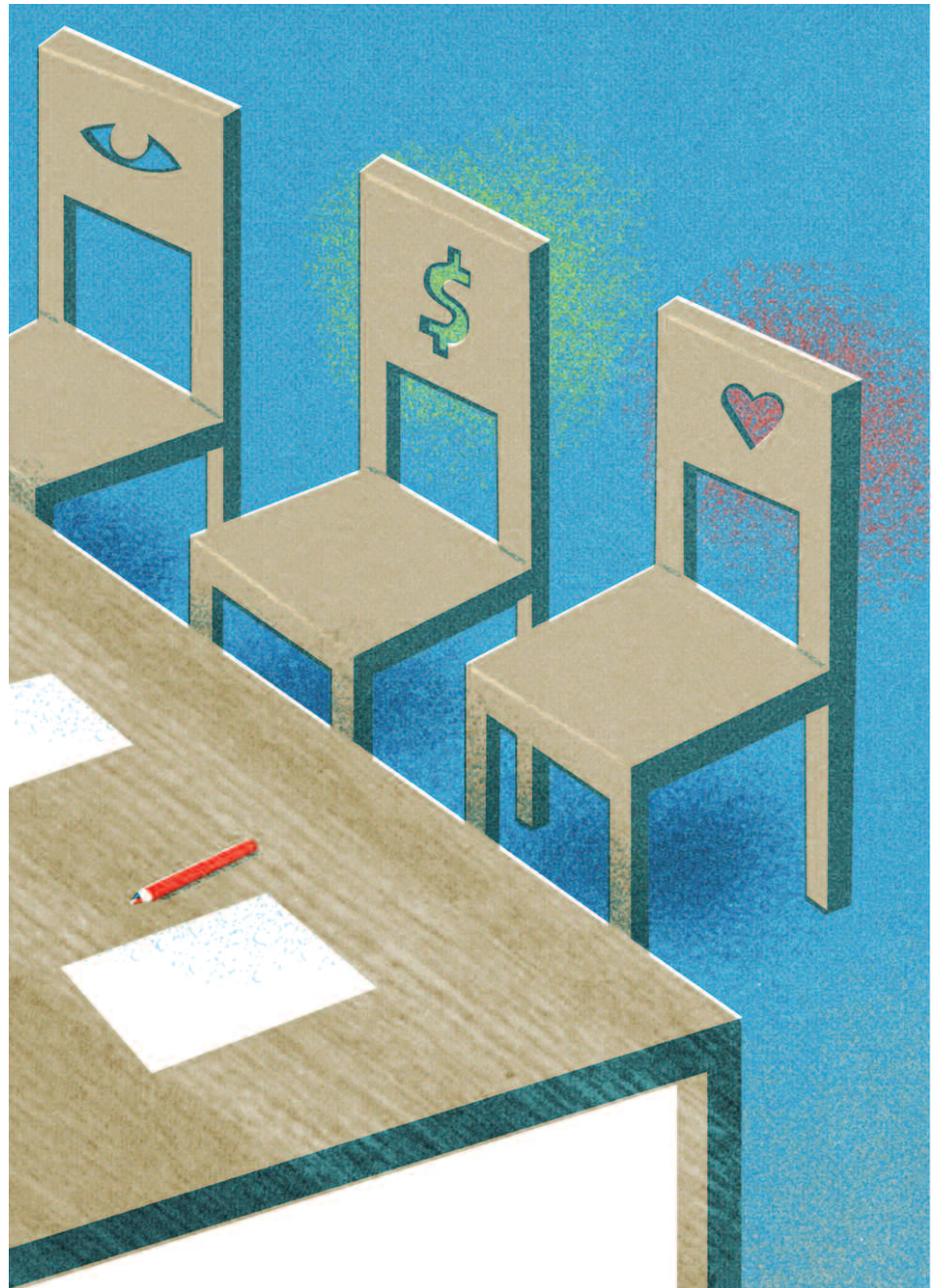
2) Commercial revenue to cover fundraising and admin costs - Some organizations using commercial activities to cover the costs of fundraising and administration. While this has been a common strategy in certain sectors for some time, it is becoming a practice in some less likely organizations like hospital foundations. For example, La Fondation du Centre de santé et de service sociaux de Gatineau in Gatineau, QC took over management of several of the hospital's commercial activities (including the parking lot and several snack/souvenir shops as well as a depanneur). Revenues from these activities cover the admin and fundraising costs of the foundation, thereby enabling 100% of fundraising revenue to be allocated to hospital priorities.

3) Co-branding with partners - The practice of co-branding certain activities, particularly like marketing and promotions, with for profit partners is becoming prevalent. In a recent advertising campaign, Sick Kids Foundation managed to keep its costs minimal by co-branding with CTV, Bell Media and BMO. While recognizing that not all organizations have the same brand value of Sick Kids, exploring the potential of co-branding with partners is a smart undertaking for organizations.

“No longer can organizations view philanthropy as a sidebar activity that is taken care of by the fundraising team. It must have a “seat at the table” and accorded a high level of priority on the part of Boards and senior management.”

the Board as well. Strong peripheral vision means questioning assumptions, being open to and curious about doing things differently, and taking a longer term view of planning. That might be a hospital foundation and allied health charity pitching a joint project to a single donor. Or one social organization partnering with another agency to deliver a program that would be beneficial to its clients. Or even two or more cultural organizations coming together to jointly mark a special occasion like the UN Decade of biodiversity. Strong peripheral vision requires leadership to go beyond the myopic view of the organization as a single entity to one that explores new ways to deliver on its mission and ensure relevance among funders.

Another manifestation of peripheral vision is recognizing that when it comes to raising money, it's more than just about programs like major gifts, annual fund and special events, the bread and butter of generating philanthropic support. Increasingly to be successful in fundraising, it is crucial for organizations to see that activities like government relations are important for success. Tied perhaps to the idea that philanthropy is becoming a core source of funding, more and more development departments and foundations are incorporating government relations into their activities. “Government funding and philanthropy are becoming more and more closely tied,” notes Ron Dumouchelle, President



and CEO, VGH and UBC Hospital Foundation. “In fact, the non-profit sector is increasingly finding itself in the role of joint funder with governments on projects. This evolution toward “partnership” status gives organizations in the sector the chance to engage with government differently than in the past.”

4) Big donors continuing to give... and in a big way.

Notwithstanding the uncertainty related to our economy, we have continued to see very large gifts being made by individual philanthropists and corporate donors in Canada. In fact, 2012 has been a banner year so far on a couple of fronts. Firstly, there have been a number of gifts made in the last several months that carry with them some pretty landmark descriptions – “the largest private gift made to a Canadian pediatric hospital”



(Peter Gilgan's \$40 million gift to Sick Kids Foundation); "the largest private donation ever to a hospital for mental health and addiction research in Canada" (the Campbell Family's \$30 million gift to CAMH Foundation), "the most important gift ever made to an art gallery in Quebec" (Michal et Renata Hornstein's \$75 million gift to Le Musée des beaux-arts de Montréal). These major investments demonstrate that the appetite to make significant gifts to charities, which waned only slightly during the recession, continues to be strong. And this appetite to give is confirmed by the fact that in the first three months of 2012, there have been at least 43 gifts of more than \$1 million made to Canadian charities by individuals, corporations and foundations, totaling \$275 million.

While this information illustrates that major giving continues to be alive and well in Canada, our Roundtable participants noted there are definitely some changes in the way large donors are approaching their giving.

Trends in mass appeal and special event fundraising

1) Segment, segment, segment – While the concept of segmenting donors may not be new, the advent of analytics tools is making segmentation an increasingly powerful strategy. By providing the ability to analyze large numbers of donors and slice and dice them in a variety of ways, analytics is enabling organizations to be more and more targeted in their communication and solicitations

2) Creating Mid Donor Programs – Many organizations are looking to develop formal mid-donor programs that target and create giving opportunities for donors that fall between those who give a small annual gift and those with major gift potential. A mid-donor program segments this pool from the standard annu-

alized programs and affords them more personal cultivation than standard direct mail (but less than what would be devoted to a major gift prospect).

3) Monthly Giving – Tied to the concept of asking less, more and more organizations are looking to sign up monthly donors. Making the ask once and having the donor give an ongoing donation makes a great deal of sense, both for the charity as well as for the donor. Important, though, not to forget about monthly donors and be sure to regularly communicate with them to demonstrate the ongoing impact of their support.

4) New Donor Acquisition – Trends in acquiring new donors can be summed up

as "smart acquisition." Changing the conversation from short term measures of acquisition performance like the cost per donor, response rate and average donation, organizations are focusing their time and energy on more finding ways to recruit in donors that will have a higher lifetime value of their giving.

5) Special Events – While special events continue to be an important fundraising tool, there have been some definite shifts over the last several years. The types of events that are attracting support are changing and many organizations are saying that events that enable participation and peer to peer fundraising are the most successful.

Trends in major gift fundraising

Major gift fundraising continues to be an important fundraising program for Canadian charities. Whether transformational 7-figure gifts or more modest four and five-figure donations, more and more organizations are focusing on how to attract major philanthropic investments. And as evidenced by the size and number of large donations that continue to be made, Canadian major donors are responding positively.

The organizations that participated in our Roundtables indicated that they have noticed some shifts in the psychology and behavior of major gift donors and prospects over the last several years.

1) Defined philanthropic objectives – Donors who choose to make large gifts to charities generally have specific objectives that they want to accomplish through their philanthropy. With more and more organizations developing the knowledge and capacity to approach major gift donors, there is more opportunity for donors to find the “perfect

match” for their philanthropic objectives. As a result, charities need to ensure that they are prepared to work closely with the donor to understand what they are trying to accomplish.

2) Increasing specificity – Undoubtedly tied to donors having defined philanthropic objectives, organizations are finding an increasing level of specificity in the use of gifts. As a general rule, organizations can expect the bigger the gift, the greater the specificity. As a result, organizations need to be open to adjusting priorities and projects, within reason, to match the interests and objectives of the donor.

3) Increasing scrutiny – Charities are reporting that donors are also looking for more assurance and detail around projects and priorities than they ever have before. Things like business plans, ongoing operating plans for capital projects, market research showing the need and demand for the project/program and the measures that will monitor progress and success are all items that are now stan-

dard requests by major gift donors.

4) Family decisions – Major gift philanthropy evolved over the years from the sole domain of the “major income earner” to one that increasingly involved the couple making the giving decisions. We are now moving into an era where “family decisions” involving multiple generations in discussions is becoming en vogue.

5) Longer time to make decisions – Perhaps due in part to the increasing numbers of people involved in making giving decisions, major gift donors are generally taking longer to make their decisions. As a result, charities should expect cultivation periods to last longer than they have in the past.

6) Longer pledge periods – In addition to longer cultivation periods, donors are tending to choose longer pledge payment periods. Moving beyond the standard five years, many are choosing seven, 10 or even longer periods over which to fulfill payment of their gifts.

In examining these trends, they can be summed up in two words – more and longer. More scrutiny of the organization and its case, more specificity in the terms of the gift and its allocation and more involvement of other family members in the decision. And longer relates to more time required to cultivate and close gifts as well as longer pledge payment periods that have gone from the standard five years to seven or even 10 years.

For more detailed information on the changing landscape of major gifts fundraising and the behavior of major gift donors, see the box entitled Trends in Major Gift Fundraising.

5) The “softening of the middle”

continues to be a preoccupation for fundraising professionals.

In addition to the continuing success of major gift fundraising, we heard from Roundtable participants that, in general, their annualized fundraising programs that generate gifts at the lower end of the giving spectrum have continued to perform quite well. It continues to be the “middle” of the giving spectrum that is the problem area for many organizations. As a result, attention is continuing to be devoted to developing this part of their donor pyramid.

Creating formal “mid-donor” programs is increasingly gaining popularity. Applying resources to the category of mid-donor

“With the goal of building donor loyalty and maybe even creating a “donor for life”, what do we want our donor experience to be?”

(those that fall between those who give a small annual gift and those with major gift potential), organizations are endeavoring to create programs and giving opportunities can attract mid level giving to organizations. Mid-Donor Programs segment this pool from the standard direct response program and affords them more personal cultivation, but less than what would be devoted to a major

gift prospect. They still allow for a level of 'automated' cultivation but get back to the basics like a "live stamp" (in the case of a direct mail solicitation), phone calls from their assigned staff contact, access to 'insider' information such as special research updates and access to the organization's leadership (e.g. a webinars with a organizational experts, a conference call with the Chair of the Board to provide insight into the strategic plan).

Finding prospects that fall into this category can be a challenge and this is where analytics can help. Using a variety of techniques like data mining and predictive modeling, analytics can help organizations find donors to target through its mid-donor initiatives.

6) Ask less...steward more. Creating an optimal donor experience.

It may seem provocative to encourage charities to ask less, especially considering that the most commonly cited reason for not making a charitable gift is "nobody asked". "If you don't ask, you don't get" didn't become a maxim by accident. And yet, it's important to balance this with the myriad evidence that tells us that oversolicitation is one of the most commonly cited reasons for ceasing to give to a charity.

In survey after survey, donors cite being asked for a gift too often as one of the top reasons they stop their support. Coupled with the fact that in general, we are solicited more and more often (on the street, at the checkout counter), Canadians are starting to suffer not only



from donor fatigue, but from "ask fatigue" as well. In a recent Ipsos Reid survey (conducted November 2011 with a nationally representative sample of 1,027 Canadians), 62% of respondents indicated that their preferred frequency of solicitation was "once a year or less often".

In attempting to find the right balance, it's helpful to think in terms of creating an optimal donor experience. In an effort to build customer loyalty, our for profit colleagues devote a great deal of time and attention to thinking about what they want their customer experience to be. As fundraisers, we have the opportunity to do the same with our donors. With the goal of building donor loyalty and maybe even creating a "donor for life," what do we want our donor experience to be?

The donor experience is a way to differentiate your organization and deliver a repeatable, positive experience that results in stronger relationships and retained donors. And while the utopian vision of keeping a donor for life may not be feasible, looking for ways to build donor longevity and loyalty should be top of mind. What do you want your organization's donor experience to be like? How often do you want them to have a touch point with you? What feelings do you want to evoke when you do

communicate with them? And perhaps most importantly, how many times do you want them to be asked?

Perhaps rather than suggesting that we should ask less, we should consider how we can "ask better" or "ask smarter". Again, programs like monthly giving where a donor is solicited once with ongoing stewardship feel like a smart solution.

As always, one size never fits all

A key take away from our Roundtables is that while trends are interesting and should always be factored into our thinking and planning, they really do represent a macro view. To provide an illustrative example consider that on the one hand, there is significant evidence that direct mail programs are beginning to tail off. And yet, a number of organizations that participated in our Roundtables indicated that they had recently introduced direct mail programs with great success.

And so, it really does behoove every organization to take a closer look at its own fundraising operation. While keeping in mind macro level trends, it is also critical to do a deep dive into your own situations to identify your micro level trends and potential. Ask yourself things like: What are the demographics of our donor base? Are our current fundraising programs being optimized? Do we understand how our organization fits into the broader landscape? A worthwhile undertaking, this type of exercise will be key to contextualizing the macro level trends to your organizations and to putting you on the road to success.

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FORWARD THINKING