

# Integrating Your Fundraising Mix

*Raise more money by integrating all  
your fundraising work into one plan*

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Integrating your fundraising mix:

***Raise more money by integrating all your fundraising efforts into one plan***

*Some assumptions:*

- 1) This session is focused on fundraising from individuals in an annual program.
- 2) Every organization here wants to raise more money and spend less to do it
- 3) Every organization can raise more money by becoming more strategic
- 4) Most people in the room are already using reasonably effective strategies.

***A healthy fundraising program will be:***

*Diversified* – with a variety of income sources; no one program provides more than 60% of revenue

*Balanced* -- balance the different goals of recruitment, renewal, increasing gift size (upgrading) and building long-term sources of income

*Mixed (maturity levels)* --find the right balance of different life cycles of fundraising programs and ensure a mix of those at different return on investment ratios (different costs to raise a dollar)

**To create an integrated long-term plan for all your fundraising efforts:**

1. Analyze the current performance of each fundraising program and calculate return on investment for each
2. Determine where you want to be in three years
3. Figure out how much money will be available during the period of the plan to invest in your fundraising programs and determine how much flexibility you have in moving this around
4. Develop a long-term plan that maximizes overall return on investment.
5. Create annual plans each year that move you towards your long-term goals.

***There are three key types of activities to carry out this work:***

- 1) Analysis
- 2) Setting goals
- 3) Writing the plans

Most of this session focuses on the first one – Analysis – because this is an area that is required as the foundation for all the other work, but which is often overlooked.

## **Step #1. ANALYSIS**

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**Analyze fundraising programs and investment funds by looking at:**

- A) Diversification, balance and mix
- B) Current trends in terms of fundraising life cycles
- C) Other key performance indicators

### **A. DIVERSIFICATION, BALANCE AND MIX**

#### **I. DIVERSITY OF INCOME SOURCES**

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Annual fundraising programs have three main tasks:

- 1) Recruit new donors
- 2) Retain and renew existing donors
- 3) Increase/upgrade giving levels

To find out if our programs are diversified, look to see if we have a variety of sources of income, and also check them against the three main tasks:

- 1) How many sources of new donors do we have?
- 2) What tools are we using to retain and renew donors?  
(including donor communications as well as appeals)
- 3) What are we doing to increase donor gift levels?

We should have an annual plan for each of these areas and our overall long-term plan needs to include strategies for each as well.

#### **II. BALANCE**

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To what extent are we balancing our work and allocation of resources on the different priorities of :

- \*recruitment
- \*renewal
- \*increasing gifts?

Are we paying attention to all three areas? Have we devoted enough staff time and investment funds to each area? Can we shift some of our activities or investment funds to a different priority area in order to raise more money?

#### ***Invest to retain as well as recruit:***

We know it costs more money to recruit a new donor than to maintain an existing one. But have we developed plans that allow us to invest in retention as well as recruitment? What are we doing to maintain our donors? Can we invest some funds in this area that will have a greater long-term return than investing in recruitment – through raising gift levels or increasing the giving life of donors?

*Recruitment is important, but it's not the only task although it usually eats up most of our investment budgets.*

***Some ways to invest in donor retention:***

- 1) Donor events such as Open Houses, Information Sessions, Donor Receptions
- 2) Communications materials including welcome kits, newsletters, annual reports, mission updates, cards from the field, annual thank you's, etc.
- 3) Personal phone calls and visits from staff and volunteers or people helped by their donations
- 4) Premiums/gifts such as pins, pens, plaques, mission related pieces, etc.
- 5) Donor research which will help you develop a solid retention strategy.

**III. MIX**

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We need a balance of fundraising programs at different levels of maturity or development which result in different return on investment ratios. This will ensure stable and growing income over the long-term. This will be covered in detail under Fundraising Life Cycles, below.

***B. FUNDRAISING LIFE CYCLES***

*(This is an adaptation of the Boston Matrix based on personal fundraising experience. It is intended as an illustration of how these cycles can work in practice and not as textbook fundraising theory.)*

The challenge is to find the best mix or balance of these different life cycles – the best mix for current year income and also the best mix for long-term income goals. A successful program has to be doing things to raise money this year and also three years from now.

***Testing Phase***

High risk, potentially low return on investment, or negative (losing money)

***Rising Stars***

At least breaking even on costs, starting to achieve better income/cost ratios, still need some development

***Cash Cows***

Highest possible or peak return on investment ratios -- maximum return per dollar/euro/peso/yen invested and very stable

***Falling Stars***

Good history of income but declining rate of return on investment

May still provide lots of revenue but have to invest more money each year to get same income level

***Dying or Dead Dogs***

The return is no longer worth the investment -- these programs should be phased out and replaced by others

An illustration of different life cycles, using the  
Amnesty International (Canada/English) program 2004

*Return on investment calculated using net income after direct costs*

- Testing phase -- national special event with on-line fundraising support  
-- direct mail prospecting (begun again after several years)  
*Return on Investment: break even or less, so 1 to 1 or less*
- Rising Stars -- Web fundraising  
-- Planned giving (should be a cash cow in a year or two but right now income is very unpredictable)  
*Return on Investment: good and rising every year – between 3 to 1 and 10 to 1 for these programs*
- Cash Cows -- Major gifts  
Monthly giving by direct debit or pre-authorized payments  
*Return on Investment: excellent and between 25 to 1 and 30 to 1 for existing donors; if you include recruitment costs for monthly giving, it's 5 to 1 and rising every year*
- Falling Stars -- Direct mail  
*Return on Investment: good but declining, 4 to 1 three years ago and now just below 3 to 1*
- Dying dogs -- Merchandise  
-- small scale local events  
*Return on Investment: very small, almost nothing, so about 1.1 to 1*

***Strategy for working with fundraising life cycles***

1. Gradually reduce investment in areas where return on investment is declining.
2. Increase investment in programs where the return on investment is on the rise.
3. Test one or two new programs or sources of donors each year.
4. Track trends over time to ensure the investment is working as it should.

*Note: The fundraising life cycle is determined by two key factors:*

*\*the return on investment rate*

*\*the trend for returns (going up or going down) over the past three years.*

**Determine your program's fundraising life cycles**

You can do this analysis for your programs by looking at the income and direct costs for all your fundraising programs for the past three years. Calculate return on investment for each program for each of the three years, and based on the trends, decide which of your programs are rising stars, cash cows, and falling stars.

### Return on investment analysis

Look at the last three years of information for each of your fundraising programs. Take your gross income for each program, subtract direct costs (such as printing, postage, design, lettershop, consultants), and with this net income calculate the Return on Investment for each program, for each year.

Example:

Direct Mail/house appeals	\$1,200,000	Gross Income
	300,000	Direct Costs
	900,000	Net after direct costs

The Return on Investment is 4 to 1 (spend \$300,000, raise \$1.2 million)

Special Events	\$500,000	Gross Income
	\$200,000	Direct Costs
	\$300,000	Net after direct costs

The Return on Investment is 2.5 to 1 (spend \$200,000 to raise \$500,000).

Do this for each program, and compare the different rates of return, but also do this for three years and look for trends – is the return going up in a program? Can you increase your investment levels there? Is the return going down for a program? Can you reduce that investment and put it into another program that will generate more income? If you shifted investment funds from one program to another, would you raise more net income overall – not just this year, but in three years?

With at least three years of history, you should have a good idea of the trends in your programs

Knowing where your programs are, assess the overall mix of their fundraising lifecycles:

- 1) How many sources of new donors or new sources of income are you testing?
- 2) How many rising stars are you feeding?
- 3) Do you have at least one solid cash cow?
- 4) What are you doing with your falling stars?
- 5) Can you move investment from falling stars and dying dogs to rising stars and cash cows?

### Maximizing return on investment

The key to raising more money over the long-term is to shift investment funds to programs that are increasing their return on investment. This is not always easy to do, especially if you have staff or consultants who are very attached to your existing programs. But we have to be objective. We can't afford to have any emotional attachments to fundraising programs that aren't producing as much revenue as others could be if we invested in them. We must do the analysis and then do what the numbers tell us.

### **C. OTHER KEY PERFORMANCE INDICATORS**

When creating a long-term plan, it is good to use a number of indicators to measure current performance and to help assess future success. Some of these indicators are:

- 1) Average annual gift per donor, for each program  
(example: Mail donor \$75; Monthly donor \$250; Major donor \$1,200)
- 2) Number of gifts per donor per year, for each program  
(example: Mail – 4; Monthly donor – 12; Major donor - 1.5)
- 3) Renewal rate, for each program
- 4) Cost to acquire a new donor, for each program
- 5) Average return per donor over three years for each program
- 6) A gross calculation of three year return on investment for new donors in each program based on acquisition costs and income for the next three years.

Measure these every year and look for trends. (*Once you've done the initial work, it's easy to check these quickly every year.*)

### **Step #2: SETTING GOALS FOR THE PLAN**

In doing long-term fundraising strategy, it's good if we can look back three years for performance trends and look ahead three years for goal-setting.

#### **1. *What are your fundraising goals for the next three years?***

- 1) How much money does your organization need or want?
- 2) What type of funding do you need? (eg. Designated or not, repeatable, etc.)
- 3) How many donors do you want to involve in your organization or work?
- 4) What other goals do you have? (education, public awareness, advocacy, etc.)

#### **2. *How much money will you have to invest?***

This includes direct costs and staffing and any other funds you can use to invest in the fundraising program. You must know how much money will be available in the next three years in order to use it most cost-effectively.

#### **3. *How much flexibility do you have with these investment funds, in terms of shifting them around? (including staffing)***

Will you be able to pull investment funds out of one area to put into another?  
Can you decide to add (or remove) staff or is that an organizational decision?  
Do you have enough experience and analysis to create models to show different investment levels producing different returns?

#### **4. *How will you invest the available funds to get the greatest return over three years?***

This is where creating models that show different investment levels with different returns will come in handy. This is also where you may have to make some hard decisions of shifting investment from one program to another.

Fundraising cost tip:

***Try to get a fixed percentage of the fundraising income for fundraising expenditures.***

The actual ratio will vary from country to country, but try to pick a figure that is close to the national average of fundraising costs in your country or close to what other similar organizations similar are spending. A fixed percentage allows you to know exactly how much you have to work with, saves painful negotiations for fundraising budgets every year, and gives you more funds to work with as you grow.

***How much do you have to invest and how much flexibility do you have to change were you are investing your funds?***

Look at all new potential fundraising costs and compare the different levels of income you could generate with them. Even though we're doing past analysis on direct costs only, when looking at making new investments, compare the potential return of adding a staff member to the returns from other investments you could make.

Would hiring a person for major gifts bring in more money than investing in direct dialogue recruitment for monthly donors? We need to be able to build these kinds of models and scenarios based on how our programs are already performing.

### **Step #3: WRITING THE PLANS – THREE YEAR PLAN AND ANNUAL PLAN**

#### **The Three Year Plan**

This plan should set overall strategy for how your organization's income will grow, new areas you want to test or develop, priorities for investment of fundraising funds, and some estimates of how the programs will perform during the plan. Each organization will be different but some good bets to include are direct debit monthly giving, major gifts, direct mail, planned giving (legacies, life insurance, stocks) and on-line fundraising. Include key performance indicators you will measure each year as you move through the plan.

#### **The Annual Plan**

Create an annual plan for each year that moves you towards your three year goals. This plan should include detailed strategies for the three major tasks of an annual giving program: donor recruitment, donor retention, and increasing gift levels. This plan should also address diversifying your income sources and developing a healthy mix of fundraising life cycles. In the annual plan, choose your investment options wisely. What will give you the greatest return this year? In three years?

#### ***A reminder about key investment principles***

- 1) Invest where you will get the greatest return over three years
- 2) Reduce investment in areas that do not generate as much return as others
- 3) Develop a mix of new and maturing programs
- 4) Look at your program in terms of donors, not techniques -- what do you want to do with this group and how can you best do that.

***Build your plan around groups of donors, not fundraising methods***

Rather than saying, “We have 10,000 mail donors this year, how often should we mail them?” break down your donor base into similar types of donors.

*Sample groups include:*

- Major donors (however you define them)
- Direct debit monthly donors
- Direct debit annual donors
- Donors who give multiple times in year (eg. 3 or 4)
- Donors who give only once each year
- Lapsed donors

Create a fundraising/communications plan for each group of donors that uses the tools you have (such as mail, phone, web, visits etc.) but is based on your goals for that donor group. What can we do with these donors to retain as many as possible and increase giving levels? What kind of relationship are we trying to build with them? Do we want to market other fundraising programs (such as legacies) to them?

*Three things to remember:*

1. *Have a plan for where you want to go*
2. *Know how you’ve been doing so far so you know where to invest*
3. *Be strategic about where you put your investment dollars so that you can get the greatest returns possible.*

*This analysis is not only fun to do, it will help grow your organization’s income in the quickest, most cost-effective way possible.*

*Good luck!*