Balancing Act: The Link Between Fundraising Spending and Results

Actionable Insight for Advancement Leaders

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What type of investment fuels fundraising growth?

The old saying “you need to *spend* money to *make* money” doesn’t just apply to the corporate world, it’s true for development and advancement groups within colleges and universities, too. Recent research by organizations like the Core Group and Eduventures confirms this theory. More resources, tools, and talented people lead to more engagement, more donors, and more dollars.

Simply put, organizations that spend more money on fundraising typically raise more funds.

But when managers reflect on that concept, they’re often left thinking, *“So what?”* If they can get additional funding to make investments – and that’s a big “if” – where should that money go? Which areas of the development program are the most likely to lead to improving results?

And even if additional funding isn’t possible, the goal for annual growth in fundraising often remains. (*Do more with less* – sound familiar?) Knowing where to allocate current limited resources to meet escalating expectations is critical.

Building on the foundation of previous research, we’ve worked with our customers to go deeper. As more and more users connect the Reeher Platform to their donor databases, we’ve seen some trends that help shed more light on how increased investment leads to greater fundraising success.

Visibility into what drives major giving success, how front-line fundraisers are supported effectively, and which areas of advancement teams may be under-funded have become the cornerstone of our customers’ achievements.

Note: The research and findings presented here are possible due to the partnerships with Reeher LLC customers. The Reeher Platform is a software-as-a-service tool developed exclusively for higher education advancement. The Platform connects to existing donor databases to provide dashboards, reports, and progress assessment to help fundraising leaders and front-line fundraisers achieve more.

The Starting Point: Re-thinking Major Gift Sources and Investment

When making decisions about where to invest to improve your major giving results, thinking about gift sources is the best place start. Although every institution has different constituent profiles, every college or university receives major gifts from three sources:

Bluebirds:	Gifts that arrive "ready to donate" but weren't necessarily identified by previous prospect research and hadn't been courted by a gift officer.

Pipeline:	Prospects in the Pipeline group often come from detailed research and are assigned to gift officers. The majority of major gift fundraising efforts and expenses are aimed at this group.

Evergreen:	Major donors that make repeated, predictable commitments. Moving donors from the Pipeline group to the Evergreen category comes from good stewardship.

These groups each see your institution a bit differently, and they also react differently to increased investment and efforts to reach them. Knowing where to invest to improve your chances of getting donations from each of these groups enables you to make confident decisions that will lead to improved results.

So, let's look at each group again to consider which factors increase their likelihood to donate.

What Improves Results for Each Group?

Bluebirds:	• Brand; perception of the institution • Donor wealth evolution • Gift officer performance: less important
Pipeline:	• Gift officer effectiveness: critical • Return on research • Discipline and process-driven results
Evergreen:	• Stewardship and relationships • Sustained donor wealth

Categorizing donors into these groups reveals a key idea: the group that is most sensitive to increased investment is the Pipeline group. Investment can be made in an institution's brand to drive Bluebird donations, and increased efforts in stewardship will help sustain the Evergreen group, but improvements in managing Pipeline donors yield the largest returns.

Think about the major gift prospects that are currently assigned to your officers. If your list of prospects is similar to most organizations', it is filled with Evergreen donors. While Evergreen donors are important to sustained fundraising, adding more Pipeline prospects is where major gains can be found.

Pipeline prospects that aren't assigned to gift officers are not getting the attention they need to become Evergreen donors. Achieving breakthrough results comes from finding and effectively soliciting undiscovered Pipeline prospects. The Pipeline is where investments pay off.

Fundraising Investment: Hidden Complexity

From an outsider's view, some might say higher education fundraisers have an enviable position. Studies have shown a typical college or university has a low cost per dollar committed, spending an average of 15 cents for each dollar donated. Compared to for-profit corporations, which could spend 85 cents to raise a dollar, higher education development programs have an impressive return on investment.

Of course, it's not easy and certainly not always enviable. All investment is not created equal. Every institution has a unique set of constituents and situations. For example, the differences in budget, influence, as well as alumni wealth and participation vary greatly for an Ivy League institution compared to a small state university.

Those types of distinct qualities weigh heavily on fundraising, which complicates the strategy behind investment. Breaking apart different types of donors can help clarify where spending can improve results.

Getting a better view of what your return on investment looks like among Bluebird, Pipeline, and Evergreen donors is a good starting point when considering which areas are most in need of more resources. The cost to raise a dollar is likely very different for each group.

Spending on Fundraising: Distribution of Costs

To get an example of how measurement and evaluation of the correct information can lead to breakthrough results, let's look at how spending is allocated in a typical advancement department.

The chart below shows a typical institution's spending on the largest pieces of the fundraising efforts: Front-line Fundraisers, Front-line Assistance, Reporting/Research, Donor Relations, Annual Giving, and Gift Processing.

Typical Allocation of Fundraising Investment

Spending By Function	*% of spending*	*Most Impacted Category*
Front-line Fundraisers	22%	**Pipeline**
Front-line Assistance	19%	**Pipeline**
Reporting / Research	15%	**Pipeline**
Donor Relations	8%	**Evergreen**
Annual Giving	16%	**Evergreen**
Gift Processing	20%	All

Take a moment to think about your institution. Think about the top tier of donors in the past year. Consider that top group – say 250 gifts – and think about where they come from in the Bluebird-Pipeline-Evergreen framework. For most institutions, the vast majority of those 250 fall into the Evergreen category.

For development leaders, this presents a paradox.

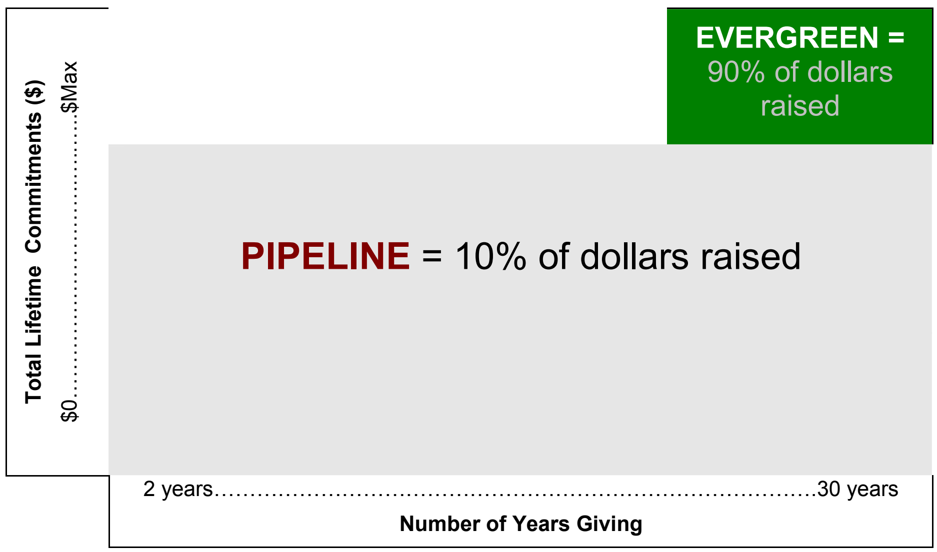
Evergreen major gifts provide a large percentage of total donations, but consume a relatively small portion of resources. Conversely, the Pipeline category consumes a large amount of resources but actually produces a relatively small percentage of dollars donated. Again, consider your top-tier donors, how many of those came from the Pipeline process of identification, qualification, and cultivation?

The reality is that return on investment in Pipeline donors is lacking for most institutions. That Pipeline is also where the largest opportunity lies. Improvements in managing the major gift Pipeline is the source of sustainable, dramatic achievement.

Balancing Prospect Types

As we've helped our customers look at the distribution of their current major gift prospects among the Bluebird, Pipeline, and Evergreen groups, it's common to find that a majority of prospects come from the Evergreen group. The diagram below shows how a typical university's major gift prospects look through the lenses of Total Lifetime Commitments and Number of Years Giving.

Typical Institution Raises Far More from Evergreen Donors than Other Sources



This means that Pipeline prospects are underrepresented when it comes to their actual potential to contribute to results. Adding front-line fundraising personnel and increased effectiveness in identifying, qualifying, and cultivating Pipeline gifts is where the largest opportunities for growth exist.

Conclusions

As leaders in university advancement see slow improvement in economic conditions and continuous change in the demographics of their constituents, making strategic investments will be critical. Requests for increased budgets for fundraising will raise the bar on expectations and increase the pressure to produce results that meet goals.

As future plans, budgets, and campaigns take shape, many colleges and universities are using these key insights to guide their success:

- **Separating types of gifts received will help leaders better analyze their return on investment**
- **Return on investment, or the cost to raise a dollar, varies greatly among different types of donors**
- **Identifying and qualifying more Pipeline prospects is key to future growth**
- **Better Pipeline prospect management comes through more balanced funding for front-line fundraisers, front-line support, and research**

Reeher LLC

This report has been prepared solely for informative purposes.

Reeher provides software services to help leading universities improve their fundraising performance. To find out more about Reeher, please visit **www.reeher.net**

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