CAMPBELL & COMPANY

PRE-RECESSION PLANNING FOR NONPROFITS: HOW TO FUTURE-PROOF YOUR FUNDRAISING PROGRAM

Though the U.S. economy grew at a healthy clip of 3.2 percent in the first quarter of 2019,[1] many nonprofit leaders are still left wondering: when will the next recession hit?

Philanthropic giving has long been tied to the fortunes of the economy, so we understand their worries. However, fear and panic do not make good strategic partners. The truth is, no one can say with absolute certainty what will happen and when. With that in mind, we urge you to dispense with any alarm you might feel and move into planning mode.

This strategy sheet will arm you with several recommendations to help you "fix the roof when it's sunny out." There's no better time to plan for a future downturn than a season of economic plenty. This resource explores what we learned from the last recession and offers practical suggestions to help you maintain a strong fundraising program—boom, bust, or otherwise.

1 "U.S. Economy Powers Ahead In First Quarter: 3.2% Growth," NPR, April 26, 2019, by Scott Horsley.
https://www.npr.org/2019/04/26/717158760/economy-probably-rebounded-in-first-quarter-thanks-to-strong-spending

A DECADE LATER: WHAT WE LEARNED FROM THE GREAT RECESSION

Since the 2008 recession, aggregate charitable giving has recovered. From 2008 to 2018, total giving increased 42.8 percent in current dollars, surpassing $400 billion in 2017 for the first time ever.[2]

During the Great Recession, donors rallied around their communities and gave to organizations serving basic needs. 39 out of 40 food banks surveyed saw an increase in revenue as high as 32 percent during the worst chapters of the recession.[3] **However, the post-recession recovery has been uneven region to region. In some areas, demand for social services remains high, despite the bright outlook nationally.** According to the Human Needs Index (HNI), a collaboration between the Salvation Army and the Indiana University Lilly Family School of Philanthropy, 16 states have reported a nearly 100 percent increase in HNI values,[4] an index used to identify the measure of human need for social services.

California, home to 1 in 4 individuals experiencing homeless, continues to see elevated demand for services above pre-recession levels. Campbell & Company's 2017 report "The State of Philanthropy in Post-Recession California" revealed that the state's nonprofits in urban areas are significantly more resourced than organizations operating in rural communities. And even in Los Angeles, the recovery is incomplete: individuals were giving $1 billion less in 2017 than 2006.

Nationwide, there is strong evidence that since the recession, **philanthropic giving is becoming concentrated among the wealthiest donors (larger gifts from fewer donors), while Americans of more modest means are giving less.** In 2017, donations from households earning $200,000 or more totaled 52 percent of all charitable gifts. Pre-recession, the share of gifts from those same households held consistently at 30 percent.[5] The decline in broad-based giving is a troubling trend. Possible explanations include nonprofits cutting back on acquisition efforts during the recession, looking for efficiency in a major donor-only strategy, or donors having "broke their habit of giving."[6]

2 Giving USA 2019: The Annual Report on Philanthropy for the Year 2018. Researched and written by Indiana University Lilly Family School of Philanthropy. Sponsored by Giving USA Foundation, a public service initiative of The Giving Institute.

3 Reich, Rob & Wimer, Christopher. 2012. Charitable Giving and the Great Recession. Stanford, CA: Stanford Center on Poverty and Inequality. https://inequality.stanford.edu/sites/default/files/CharitableGiving_fact_sheet.pdf

4 "A Decade After the Great Recession, High Levels of Need are Evident in Many States", HNI Press Release, May 17, 2018. The HNI is a collaboration between the Salvation Army and Lilly School of Philanthropy. https://humanneedsindex.org/wp-content/uploads/2018/05/HNI-Press-Release-May-2018.pdf

5 "How America Gives Special Report: Breaking the Charity Habit", Chronicle of Philanthropy, October 3, 2017. By Drew Lindsay. https://www.philanthropy.com/article/How-America-Gives-Special/241344

6 "Why are Americans Less Charitable Than They Used to Be?", The Atlantic, December 27, 2016, by Alexia Fernandez Campbell https://www.theatlantic.com/business/archive/2016/12/americans-donate-less-to-charity/511397/

LESSONS LEARNED FROM THE GREAT RECESSION CAN HELP US PREPARE WISELY FOR FUTURE ECONOMIC DOWNTOWNS AND PROTECT OUR NONPROFIT ORGANIZATIONS WHEN THEIR SERVICES ARE NEEDED MOST. READ ON FOR FIVE STRATEGIES TO BUILD RESILIENCE NOW.

1. INVEST IN RELATIONSHIPS

You don't want to go to your major donor prospects for the first time in a crisis. Relationship management is a long-term plan. It takes months, sometimes years, to grow a meaningful relationship from identification, cultivation, and solicitation to ongoing stewardship. Accepted best practice indicates it takes 4-6 visits over 12-18 months to close a major gift. Don't wait for an emergency to make the first call. Cultivation of transformational and leadership gifts can take many years. Asking too soon or with a rushed sense of urgency might mean you are leaving capacity behind.

By investing in relationships, you are more likely to rise to the top of their charitable priority list. If donors cut back on the number of charities they support, you want to make the top of the list by having authentic, close ties. It's helpful to know what other charitable interests your donor has, so building that into your discovery and cultivation will serve you down the road. You can also include these types of questions in your qualification efforts. Read "Qualifying Major Donors: How to Implement a Qualification Call Program" for additional guidance.

And remember: there is a strong argument to be made that by overlooking your small-dollar donors or younger donors now, you may miss out on a "lost generation of major donors down the line."[7] A relationship-based major donor program does not live in isolation but relies on a healthy pipeline that is constantly replenished. A diversified funding base that includes annual, mid-level, and major donors will provide a secure foundation for future major donors and transformational gifts that could be needed in tough times.

7 "Where are My Donors?", The Chronicle of Philanthropy, June 5, 2018, by Nicole Wallace.
https://www.philanthropy.com/article/Nonprofits-Plan-for-an/243573

2. GET THE RIGHT PEOPLE ON THE BUS

You will need a development team that can get you through difficult stretches. Fundraising is never easy, but it's even harder in a recession when resources and optimism are thin. Take an inventory of your team and consider building out these skills and structures before a recession strikes:

- Do you have the skills and interpersonal qualities on your team that you need to carry you through tough times: **resilience, optimism, collaboration, and commitment to mission?**
- Is your **structure balanced and clear?** Do managers understand the day-to-day responsibilities of their team? Can they step in as needed? Do team members understand the impact of their role? Are reporting lines and decision-making authority clear?
- Do donors have "many ropes to the ship," or do they only know one person in the organization? How can you build out **multiple staff connections** for your donors to ensure a stronger bond?
- Is there a **crisis communications** person on staff or an external stakeholder who can communicate with donors in an urgent situation?
- Do you have a **performance management system** in place that includes simple inputs (i.e. number of meetings, qualification calls) and outputs (i.e. revenue, retention rate)? A regular system of performance review builds a culture of accountability and provides critical information on staff performance.

3. INVEST IN TOOLS AND SYSTEMS THAT WILL SUPPORT YOU WELL INTO THE FUTURE, NO MATTER WHAT IT HOLDS

Build your online fundraising program. Digital channels and strategies provide a cost-effective way to solicit donors and meet them where they already are: on their phones, in front of their computers, and on social media. Check out Campbell & Company's growing body of online fundraising content, covering everything from donor personas and mobile optimization to website design, giving days, A/B testing, and beyond.

Double down on monthly giving. This giving option provides a sustainable revenue stream during uncertain times. Ask your donors now to "set and forget." Securing monthly donors is an opportunity to protect retention rates during a recession:

- Recurring donors give 440 percent more to charity over their lifetimes than those who make gifts one at a time.[8]
- They are 10-20 years younger than the average donor, making it a good investment in your future fundraising.[9]

Clean up your database and know who's in there! Review this recent article on tidying up your donor database to learn more about the value of this activity. It also includes a few tips to make the clean-up process go smoothly with your staff.

Do not rely solely on event revenue. Fundraising events are often major dates on the fundraising calendar. However steeped in tradition or beloved they might be, typically fundraising events are the most expensive way to raise money (by far!) and can be a major drain on staff and volunteers. In times of recession, these events are often seen as excessive and, in some cases, inappropriate if they trend toward the lavish. Ensure you have other means of raising funds outside of events.

4. AVOID SURPRISES WITH YOUR BOARD

Having difficult conversations about financial sustainability with your board can be, well, difficult. But waiting until a downturn or crisis will only make those discussions more challenging. If your board has fiduciary duties, **establish transparency and communication between your board and financial leadership to avoid surprises.**

For example, if your organization has investments in the market, consider revisiting the risks associated with these investments to ensure the safety of your assets and endowment. And as nonprofits in metro areas increasingly face tough real estate markets, consider taking your board through a conversation where you reflect on the fixed costs associated with things like rent and operations. Is there an opportunity for you to think about an office move now? Or a tech investment that will enable you to optimize your operations in a more cost-effective way over the long term?

8 "The State of Modern Philanthropy: Examining Online Trends," Classy, 2018.
https://go.classy.org/reports/the-state-of-modern-philanthropy

9 "The MacroEconomics of Fundraising," Target Analytics, a division of Blackbaud, Inc. (April 2015)
https://www.blackbaud.com/files/resources/downloads/04_12_Macroeconomics_of_Fundraising_Whitepaper.pdf

Take the opportunity to look at the matrix of skills on your board. This should be something you're looking at regularly, but it's a good time to consider what gaps you may want to prioritize filling.

As part of that matrix review, **consider if your board has the capacity to step up their giving if needed.** Much like a capital campaign, donors look to the board in a time of crisis to see how they are responding before they will commit. Is your board equipped to support fundraising as givers and referrers in a time of financial need? If not, consider additional training on how to successfully partner with fundraising.

5. FIND YOUR NORTH STAR

In times of financial uncertainty, it is critically important that **your mission, vision, and values are embraced by staff, board, volunteers, donors, and community stakeholders. This will be your North Star as you navigate trying times.** A current strategic plan and well-articulated case for support will guide leaders when making difficult decisions about what activities are non-essential and what is core to achieving your mission.

CONCLUSION

Throughout our 43 years of practice, Campbell & Company has helped nonprofits build philanthropic support during economic highs, lows, and everywhere in between. While navigating a downturn is always challenging, we've found that the proper planning can make all the difference. We hope these recommendations help you build a resilient fundraising program and carry out your mission, no matter what the future holds.

If you have questions or want to discuss additional strategies, don't hesitate to contact our team members who developed this resource:

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