LAPA
Laurence A. Pagnoni & Associates

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LAPA News & Views

Fall 2007

Welcome to the Fall Edition of "LAPA News & Views," a quarterly newsletter from LAPA/Laurence A. Pagnoni & Associates, Inc., providing indispensable tips on nonprofit fundraising.

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IN THIS ISSUE:

A Focus on Individual & Major Donors

A PERSONAL NOTE FROM LAURENCE
Building a Donor Constituency Where None Exists: Not An Impossible Mission

A perfect correlation exists between charitable institutions that have a loyal constituency—I'm thinking of the alumni of a school or the former patients of a medical center—and charities that have robust individual giving programs. Loyal constituencies and robust individual donor programs go hand-in-hand.

Fundraisers overwhelmingly prefer to work for organizations with loyal constituencies, or for those with high public profiles. Such organizations tend to be well known, have large budgets, and are well-established. Fundraisers believe them to be the most fertile ground in which to ply their trade. I have always challenged that belief and I encourage you to do so as well. The fundraising strategies developed over the past 70 years for attracting individual and major donors are biased toward large charitable institutions. The strategies can, however, be adapted to small and mid-size organizations.

The organizations I am speaking of may be characterized as high-performing, under-recognized, and under-resourced. They are community-based organizations that lack money to spend on public relations to attract donor dollars and often tend to be overly reliant on government funding. Building an individual and major donor base is as essential for these organizations as is a solid program of foundation support, yet it is often overlooked. To build donor constituencies where none exist is not an impossible mission. It requires an efficient process for introducing prospective donors to a charitable institution they have not yet heard of. The most cost-effective method is to make these introductions *personally* and through social networking, not by spending a lot of money on public relations.

Further, the donors whom you consider approaching must be value-aligned with your organization. This means that they should have supported similar causes in the past, or have something in their personal history that suggests they care about your mission. A colleague who had never previously given to charity gave $250K when his wife of 25 years succumbed to breast cancer. He was so moved by the hospice care she received that he made his first charitable gift to that program, in her honor. His appreciation for the compassionate care of the hospice workers made him a value-aligned donor. Giving for him was a tribute to his wife and a selfless statement that even those who cannot afford hospice care should have it. Connecting the donor with the organization's values is the fundraiser's noble mission.

Despite the many seminars, books, and articles touting individual giving as the most potentially lucrative source of money for your organization, the process of getting money from individuals is time-intensive and laborious. It is truly a developmental process, and one that unfolds gradually and can have a life of its own. Like life itself, several stages or phases recur endlessly in this process. They are: *finding* donors; *approaching* them; *exciting* them; *asking* them for money; and *inspiring* them to give over and over again for the rest of their lives. The good news is that it can be lucrative if you stick to the process.

Perhaps you know of the 10:3:1 sales rule? Of 10 people referred to you for business, 3 will become clients, but not right away; only 1 will become a client today, the time may not be right for the other 2. This applies equally to introducing potential individual and major donors to organizations that are new to them. One popular way of finding new donors is to research the networks of existing donors and board members (see next article). Understandably, some people are possessive about sharing the names of friends or co-workers with their charity. Yet I would request those who ask friends, family, and coworkers to make their initial gift, to allow them to decide for themselves if they want to contribute more or become involved with the charity subsequent to that gift. After someone makes a first gift to the charity, perhaps influenced by a friend or colleague, it becomes the organization's job to engage that person on their own terms and in accord with their own interest in and passion for the work of the agency. If a donor's contributions are out of a sense of loyalty to a loved one, rather than a true involvement in the agency, he or she is far less likely to be a donor for life.

Securing a new donor is achieved by giving the prospective donor an intimate experience of your mission. Giving, like dating, is based on passion. You have to establish emotional connections with donors, and you can do this by inviting them to a skillfully arranged tour of the agency, by gathering them for a well-presented parlor event, or by providing them with a virtual experience via the Internet.

I am often asked how an organization decides what gift size constitutes a major gift. There is no single answer to that question because a "major donor" is a relative concept. It refers to donors whose contributions fall into the top 15% to 20% of your current individual donors. So it is different for each agency; also, what constitutes a major donor changes over the life-span of an agency. A $26M agency that we work with is so reliant on government funding that a major donor for them constitutes anyone giving over $200. Yet a $2M agency with whom we work is funded mostly by individuals, and a major gift for them starts at $10K. So it's not only about budget size.

The term "donor" itself needs a closer look. We do not consider a person who makes a one-time donation to a charity to be a donor. A donor is someone who gives repeatedly and at increasing levels. True donors give over and over again because they are fired up about the agency's mission.

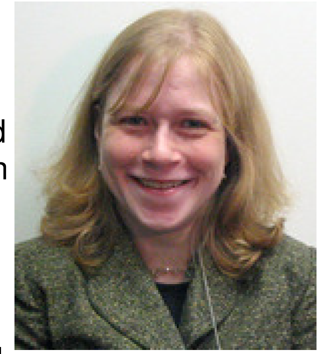
All this is to say that the basis for all individual giving and major donor fundraising is an ongoing relationship with the donor. Without cultivating and sustaining a personal relationship with your donor, your likelihood of receiving repeated significant gifts is slim.

In this connection, I have been reading *The Millionaire Next Door: The Surprising Secrets of America's Wealthy* by Thomas J. Stanley and William D. Danko, and I've discovered some truly surprising facts about individuals of high net worth. Most of us think the rich must resemble Donald Trump. I assure you, they do not. The vast majority of individuals of high net worth more closely resemble the hardworking men and women who sit next to us on the subway. They are wealth builders—frugal and extraordinary savers—and many are small business owners and recent immigrants. After reading this book (which I encourage you to do), I realized that rich folks are very likely to appreciate the missions and accomplishments of emerging nonprofit organizations. The values they espouse are the values of the entrepreneurial nonprofit. It is a perfect love match, and we can do more to bring the parties together.

That is why this newsletter focuses on learning more about individual and major donors. Enjoy.

- Laurence A. Pagnoni, President

DONORS YOU SAY? WHERE?



Before you begin research on donor prospects, you may need to find some prospects! You may be surprised by how many places you can look:

- **List brokers** are professionals who gather names and addresses based on demographic requirements and can identify people of high net worth who live in your area. Mailing and print houses broker lists so you can also turn to them for help. Find out from colleagues who they use and why, before hiring a broker. Once you have a list, you can hire a prospect research service (some of which are named in the following article) to select the people on your list with the highest net worth. You can use this base analysis to dig deeper on your own using your own prospect research software or you can hire a consultant to do it with you.

If your budget does not allow you to hire a list broker/and or a donor research service, there are some options:

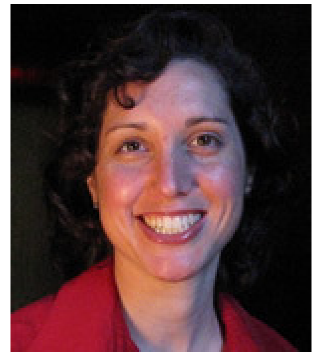
- **Organizations with a similar mission to your own.** Look at the most recent annual reports from similar organizations in your general geographic area. You are not stealing a donation from another agency. People do not stop giving to one agency in order to give to another. Philanthropists who are interested in a particular cause are usually more than capable of giving to many agencies that are doing the kind of work they are most passionate about.
- **Read magazines** like *Fast Company, Inc., Forbes, Crains*, and *Town and Country*. These publications are filled with names and stories of people who may be a good fit for your organization.
- **"The Millionaire Next Door."** Most of us think we do not know people of wealth, but we do. It could be someone in your book club, your church or synagogue, or your local PTA chapter. An executive director of an agency LAPA counsels felt there was nowhere to look, but he is very deeply involved with his church -- a church made up of one of the richest congregations in New York City! While his relationship with the congregation has to remain separate from his job, that does not mean that other senior staff, board members, and/or LAPA can't step in to educate this group about his agency's wonderful work.

Once you have a solid list of names, conduct a deeper analysis of your potential donor pool (see the next article, "Getting to Know Your Donors"). This will inform your approach and make it easier to make the phone call, secure the appointment, send out that invitation – whatever will work!

- Blanche L. Norman, Director of Grants Services

Not sure how to launch your Individual and/or Major Donor Program? Contact Blanche at 212-868-4800, ext. 3 or bnorman@lp-associates.com to learn what LAPA can do for you.

GETTING TO KNOW YOUR DONORS: The Importance Of Prospect Research



A critical step in securing major gifts is learning about your donors. Approaching donors as individuals, not bank accounts, humanizes the major gifts process and takes the sting out of "the ask." What is the linchpin to getting to know your donors? Research!

Comprehensive donor research can help you get over the hump of making that call or sending that note. Prospect research not only reduces the fear of the ask [see Ask LAPA], it is also the first step in building relationships with donors. Many organizations rely on software packages to conduct their prospect research, such as Blackbaud, Wealth Engine, Kintera, and Target America. These packages link to a gold mine of public information (such as Marquis *Who's Who in America* and Dun & Bradstreet) that will help you create major donor profiles with efficiency.

Are you uncomfortable with the seemingly invasive, "big brother" aspect of prospect research? Well, can you imagine a for-profit company seeking an investor's support without first doing their homework? Further, reputable fundraisers adhere to ethical guidelines set forth by the *Association of Fundraising Professionals* (see www.afpnyc.afpnet.org) and the *Association of Professional Researchers for Advancement (see www.aprahome.org).* These professional organizations require protection of donors' rights and provide guidance on lawful and ethical collection of donor information.

What information should you gather about a donor and how? The first and obvious step to take is to do a *Google* search to locate basic biographical information. Does the donor run marathons, play in a softball league, or attend fundraising events? Where does the donor live? Knowing such facts will not necessarily get you the donation, but it will pave the way toward building rapport once you talk or meet them. Try several search engines, such as altavista.com or ask.com, because each may reveal different information.

What does the prospective donor do for a living? www.zoominfo.com can help you find basic information about his or her career history. Web sites such as Yahoo! Real Estate, MarketWatch, and Salary.com, can give you a better understanding of whether a current donor has the capacity to increase the size of her annual gift.

Good donor research software will reveal the philanthropic history of donors. Do you know about NOZA? NOZA is the world's largest searchable database of charitable donations and it is available when you purchase most donor research software. Does your mission match the type of organizations the donor supports (for example, education, the arts, or social services)? Does the donor tend to support emerging organizations or established institutions? Good donor research software will also reveal an individual's involvement with nonprofit boards of directors. Use your time and resources efficiently by targeting the best possible donor matches for cultivation.

Finally, a "keyword" search at the Foundation Center's online directory will tell you if the individual is listed as a trustee of a family foundation. A donor's involvement with a family foundation says a lot about his or her capacity to make a gift to your organization, and at which level. Check the foundation's grant recipients on IRS 990 Forms (also available at Guidestar) to see if the mission of your organization fits the foundation's philanthropic interests.

- Melissa Shurkin, Senior Director

Have the desire but lack the time to implement a major gifts program? Contact Melissa at 212-868-4800, ext. 4 or mshurkin@lp-associates.com to learn what LAPA can do for you.

ASK LAPA
Answers to Your Questions About Management and Fundraising

Q. I have a list of prospects I'm supposed to call, but I always "conveniently" find something else to do. I become paralyzed when I think of having to ask for money. How do I deal? --Stephanie, executive director in Westchester, NY

A. I feel your pain. I think a mental shift will make it easier for you.

Let's jump to the worst possible "phone scenario." You make the introductory phone call, and the potential donor immediately says, "What are you asking me for? Money?" This is not the time to obfuscate. Say it proudly, "YES, eventually, but not now. At this point I just want to meet with you to discuss *an opportunity* for involvement in a program that I think will interest you. I am hoping that once you get to know us better you will be inspired to give, but you are by no means under any obligation to do so." You get the appointment. Now *RELAX* . . . a first meeting rarely produces a donation. You are not there to leave with one. You are only there to cultivate interest and create a relationship.

As for the face-to-face discussion, use whatever approach you think is best for the individual. We recommend that you have a prospect research file prepared beforehand. If you have never prepared such a file, see the previous article entitled "Getting to know your current and prospective donors." It clearly defines the steps of prospect research. If possible, speak to someone who knows the individual you are meeting with to learn as much as you can about him or her.

Three successful and frequently used donor approaches are:

1. **Ask the potential donor questions about his or her experiences in relation to your organization's mission**. i.e. "I see that you have a real interest in the arts. What led you to focus your philanthropy in that particular field?"
2. **Ask him/her questions about the motivation to give** and, if you don't know this already, what it is about your organization in particular that would make him/her

want to support you?

3. **Talk about why you became attracted to and wanted to work for your organization** and then ask her/him to describe what it is about your organization that he/she is most attracted to.

REMEMBER TO **LISTEN** CAREFULLY! The heart of successfully engaging donors starts with listening deeply to them, to their wants, interests, and desires. Listening carefully is an art. An experienced fundraiser listens to a donor to learn about the donor's interests and to determine where those interests intersect with the needs of the charitable organization. In this day and age, skilled listening also involves keeping an ear tuned to match tax-reduction strategies with the myriad ways a donor might contribute through planned giving. A check or cash gift might not be the most efficient way for a major donor to give.

Again, unless the potential donor brings it up, during the first meeting, do not even think about asking for money. Isn't that a relief? You are there to give the potential donor an opportunity to be a part of something important. If you position yourself correctly, you may be surprised, when on your second or third meeting, this potential donor turns to you and asks, "So how much do you need for this project? Tell me how I can help?"

I hope this allays some of your fears. Enjoy the opportunity to talk about the wonderful work you do!

- Blanche Norman, Director of Grants Services

Is your fear holding back your organization's donor cultivation? Contact Blanche at 212-868-4800, ext. 3 or bnorman@lp-associates.com to learn what LAPA can do for you.

UPCOMING LAPA SEMINARS

IS IT REALLY ALL ABOUT THE MONEY? THE BOARD'S ROLE IN FUNDRAISING

Date: Friday, September 28, 2007

Time: 9 a.m. - 12 p.m.

With: Laurence A. Pagnoni, LAPA
Michael Davidson, Consultant

Where: The NYU Center for Philanthropy and Fundraising
(Kimmel Center)

TO REGISTER PLEASE GO TO: http://scps.nyu.edu/boardsrole

CHARITABLE PLANNING: CRAFTING A GIFT OF SIGNIFICANCE

Date: Thursday, October 25th

Time: 7:30am-9:30am (Breakfast at 7:30am, Presentation will begin at 8:00am)

With: Laurence A. Pagnoni, LAPA
Ken Traficante, AXA Advisors, LLC

Where: AXA Financial, 1290 Avenue of the Americas,
Hall of Fame Room, 15th Floor, New York, NY

TO REGISTER PLEASE CALL: Madeline Martinez at (212) 408-2031

CAPITAL CAMPAIGN SEMINAR

Date: Wednesday, November 7, 2007

Time: 9 a.m. - 4 p.m.

With: Laurence A. Pagnoni, LAPA
Ken Traficante, AXA Advisors, LLC

Where: The NYU Center for Philanthropy and Fundraising
(Kimmel Center)