

Tips and tales about the holy grail

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Session description

Are you wondering which holy grail? I'm talking about donor loyalty, the holy grail of fundraising. Sadly, too many are no closer to that holy grail than Lancelot was to his. We could rather easily fix this if we put the donor at the center, and properly nurtured relationships. Come hear tips and tales. And bring your own...the great and good, even the bad and ugly. Warning: There might be some ranting!

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I'm described as "one of the most thoughtful, inspirational, and provocative leaders in the philanthropic sector." I particularly like the "provocative" word! In January 2012, I began my 24th year as a full-time consultant, specializing in fund development, strategic planning, and board development. Clients include all types and sizes of nonprofits.

I serve on faculty for the Masters Program in Philanthropy and Development at Saint Mary's University, MN, and present all over the world. As a volunteer, I regularly serve on boards. I chaired CFRE International when it became an independent corporation, and founded the Women's Fund of Rhode Island.

My two books are considered standards in the field. (*Strategic Fund Development*, 3rd edition and *Keep Your Donors*.) I write a web column for *The Nonprofit Quarterly*, publish a free e-news, blog on my homepage, and have a large Free Download Library on my website, www.simonejoyaux.com.

Tips and tales . . .

❖ **A fundraising resolution for any year**

The Agitators¹ proposed this fundraising resolution for 2009: “Explore, define, and do something tangible about the great unturned stone in our sector – the issue of donor loyalty.”²

Ah yes...The unturned stone before 2009. And not adequately turned even now.

Donor retention is scandalously low sector wide. Acquisition is easy but very expensive.

Retention is hard but cheap. And better retention pays off handsomely and immediately.

❖ **The donor's journey, not yours. Donors not money. Is your organization donor-centered?**

Starting the donor's journey with a marvelous thank you...and continuing the journey with regular extraordinary experiences.

❖ **No matter how visible your organization / cause is, I may not notice.**

Have you ever heard my sad tales (two of them!) about sports...the NCAA basketball championship and the World Cup of Football (you call it soccer)?

❖ **A central fact: emotions are the decision makers**

My argument with that darn environmental scientist.

❖ **Q&A**

Question: How do I understand the environmental mission?

Answer: Polar bears and recycling in Foster, Rhode Island

❖ **Architects and fundraisers**

What do architects and fundraisers have in common? Creating extraordinary experiences. Sir Denys Lasdun, English architect, said that the architect's job is to give a client: “Not what he wants but what he never dreamed that he wanted; and when he gets it, he recognizes it as something he wanted all the time.” I think this is a great definition of an extraordinary experience.

So I'm wondering...When, as a donor, have you felt that way? The fundraiser – her organization – gave you something you never dreamed of...a memory you'll cherish forever...an extraordinary experience...

❖ **You mean going negative is good? Who knew... obviously the political consultants do!**

❖ **Why did I found the Women's Fund of RI? Because of those seven emotional triggers.**

❖ **What was your best customer experience? Is your organization that donor-centered?**

❖ **One of the most extraordinary experiences I've ever had...and it was when Kris and that guy solicited me for a gift.** This is a long story about an extraordinary experience that I've never forgotten. And I never will.

¹ Tom Belford and Roger Craver are the Agitators, with their wonderful daily blog at www.theagitator.net.

You should subscribe. For free. Do it now.

² www.theagitator.net, January 7, 2009

Selected resource materials . . .

1. Great blogs and websites

- a. See Jeff Brooks' Future Fundraising Now blog, www.futurefundraisingnow.com.
 - b. The Agitator (Tom Belford and Roger Craver) (www.theagitator.net)
 - c. Seth Godin, marketing guru (www.sethgodin.com) See Seth's books, too.
 - d. Lisa Sargent's blog about donor loyalty, www.lisasargent.com.
 - e. Periodically check out www.neurosciencemarketing.com.
 - f. Visit www.sofii.org regularly for great ideas. SOFII (Showcase of Fundraising Innovation and Inspiration) is the brainchild of Ken Burnett, first user of the term "relationship fundraising."
 - g. Joyaux weekly blog ("Simone Uncensored), free monthly e-news, and a big Free Download Library on my website. See also my semi-monthly NPQ web column.
 - h. Subscribe to Tom Ahern's free donor communications e-news. www.aherncomm.com.
2. **Read *Growing Philanthropy in the U.S.*** by Adrian Sargeant and Jen Shang, posted on my website.
3. **Read *Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising***, released in January 2013 by CompassPoint and the Evelyn and Walter Haas Jr. Fund, www.compasspoint.org.
4. **Authors and books – a small sampling of some of my favorites that help with donor loyalty**
- a. Those that focus the most on loyalty
 - i. Ahern, Tom: *Writing for Fundraising, Seeing through a Donor's Eyes*, and a new and expanded book about donor newsletters scheduled for release in 2013.
 - ii. Burnett, Ken: *The Zen of Fundraising and Relationship*
 - iii. Green, Fraser: *3D Philanthropy*
 - iv. Joyaux, *Strategic Fund Development: Building Profitable Relationships That Last, 3rd edition*. Joyaux and Ahern, *Keep Your Donors: The Guide to Better Communications and Stronger Relationships*
 - v. Sargeant, Adrian and Elaine Jay: *Building Donor Loyalty*. Adrian Sargeant, Jen Shang and Associates: *Fundraising Principles and Practice*
 - b. Those that are useful to loyalty – even though they don't always mention donors.
 - i. Capek, Mary Ellen and Molly Mead: *Effective Philanthropy: Organizational Effectiveness through Deep Diversity and Gender*
 - ii. Cialdini, Robert: *Influence: The Psychology of Persuasion* and *Yes: 50 Scientifically Proven Ways to Be Persuasive*
 - iii. Godin, Seth: *Permission Marketing* and *Tribes*
 - iv. Jackson, Maggie: *Distracted: The Erosion of Attention and the Coming Dark Age*
 - v. Taylor, Martha A., Sondra Shaw-Hardy: *Transformative Power of Women's Philanthropy*
 - vi. Vedantam, Shankar: *The Hidden Brain – How Our Unconscious Minds Elect Presidents, Control Markets, Wage Wars, and Save Our Lives*
 - vii. About social media: Jaron Lanier's *You Are Not A Gadget*. Sherry Turkle's *Alone Together: Why We Expect More from Technology and Less from Each Other*.

Notes and resources

An overview with comments	Resources
<p>Donor loyalty Loyalty is the Holy Grail of fundraising. Thanks to www.theagitator.net for that great image.</p>	
<p>1. Focus on retention first: It matters most and is cheaper.</p>	<p>Retention means loyalty – and that’s the holy grail of any business. Just think about your bank or your bakery or...</p>
<p>2. Sure, we’re in the acquisition business, too.</p> <p>A. But “churn and burn” and treating donors like ATM machines is a recipe for failure. What’s your year-on-year retention rate?</p> <p>B. 8 out of 10 first-time donors don’t give a second gift. What’s your rate of transition?</p> <p>C. And, acquisition costs 10 times more than retention.</p>	
<p>3. Pay attention to the lifetime value of your donors.</p> <p>A. Loyal donors give over and over. They may give more often and larger gifts. And loyal donors make bequests.</p> <p>B. Drivers of donor loyalty: satisfaction, trust, commitment Single biggest driver: quality of service provided by the fundraising team. (From Adrian Sargeant’s research)</p> <p>C. Adrian Sargeant distinguishes between:</p> <p>i. Passive loyalty (Feel comfortable with you. Respond periodically. Give modestly. But these donors are not really convinced.)</p> <p>ii. Active loyalty (Passionate believer. Supporting your NGO is an important part of household and personal budgets.)</p>	
<p>Building donor loyalty “The product is what the customer thinks it is...what I think has little to do with that. I can only learn from the customer what they expect....a product isn’t for everyone, it’s for someone.” [<i>The Big Moo</i>]</p>	
<p>1. Fundraising doesn’t focus on money. Your organization is the conduit by which the donor achieves his/her aspirations.</p>	<p>Relationship building is just as important as solicitation.</p>
<p>2. All donors expect good stewardship. But not all donors want a relationship. Just don’t disappoint those that do.</p>	<p>See <i>Keep Your Donors: The Guide to Better Communications and Stronger Relationships</i></p>
<p>3. How can your organization build donor loyalty?</p> <p>A. First, operate as a donor-centered organization.</p> <p>B. Second, carry out a comprehensive donor-centered relationship-building program, which has two parts:</p> <p>i. Donor-centered communications (Telling donors how you spend their money explains why donors are the heroes.)</p> <p>ii. Extraordinary experiences (Creates special memories.)</p>	<p>See details and examples in books by Tom Ahern, Simone Joyaux, Ken Burnett, etc.</p>

An overview with comments	Resources
<p>What is donor centrism and why does it matter? “The donor is at the center. Whatever ‘moves’ the donor to action is the job of the development officer to identify and respect, protect and preserve, and facilitate its expression and manifestation.” [Joanne Gambino-Morehouse, Albany NY]</p>	
1. Are donors central to your mission? If yes, make them feel it.	See <i>Keep Your Donors</i> and Joyaux’s blogs and NPQ web columns.
2. Engage your staff and board members in a conversation about customer-centered. Now transfer that to donor centered.	
3. What is your organization’s donor-centric quotient?	See pg. 8, <i>Donor Centric Pledge</i> .
<p>A central fact: emotions are the decision makers “The essential difference between emotion and reason is that emotion leads to action, while reason leads to conclusions.” [Donald B. Calne, neurologist and author]</p>	
<p>1. Neuroscience and psychological research prove emotions are the decisions makers. So, effective fundraising uses emotions.</p> <p>A. “There can be no transforming...of apathy into movement without emotion.” [Carl Gustav Jung]</p> <p>B. Psychologist W. Gerrod Parrott has identified 135 emotional states. Over generations of testing, the direct marketing industry has identified 7 emotional triggers that are particularly good at generating response: anger, fear, greed, guilt, flattery, exclusivity, and salvation.</p>	<p>Dr. Antoine Bechara, leading authority on the mental processes behind decision making</p> <p>Dr. Antonio Damasio, author of influential books on brain science</p> <p>www.neurosciencemarketing.com focuses on customer marketing. It’s up to us fundraisers to apply this to our work, as appropriate.</p>
<p>2. Emotional messaging works; rational messaging hurts.</p> <ul style="list-style-type: none"> Ad effectiveness: Rational content, 16%. Mixed content, 26%. Emotional content, 31%. “The study attributes this split to our brain’s ability to process emotional input without cognitive processing...as well as our brain’s more powerful recording of emotional stimuli.” 	<p>www.neurosciencemarketing.com 07-27-09</p> <p>And I love the finding about correcting mistakes, and what a dopamine high that is!</p>
<p>3. Flattery works really well.</p> <p>A. Research shows that “even when people perceive that flattery is insincere, that flattery can still leave a lasting and positive impression of the flatterer.” And ethical marketers and fundraisers use flattery honestly.</p>	<p>www.neurosciencemarketing.com 02-17-10 – research by Elaine Chan and Jaideep Sengupta, Hong Kong University of Science and Technology</p>
<p>4. Negative information is better received than positive</p> <ul style="list-style-type: none"> We process negative emotions more easily than positive ones – and negative info is better received than positive info. “People can perceive the emotional value of subliminal messages...and [people] are much more attuned to negative words.... there are evolutionary advantages to responding rapidly to emotional information.” 	<p>The Agitator blog, 10-09-09 – research from the Institute of Cognitive Neuroscience, University College London</p>
5. And experiencing a mistake that is corrected...a dopamine high.	Ask me about EMILY’s List.
6. Threat of loss is more motivating than the promise of gain.	See Dr. Robert Cialdini.

A handout to use with your board, the development committee, and your CEO

Basic Principles of Fund Development

Build understanding and ownership of these principles

Philanthropy means voluntary action for the common good³. Fund development is the essential partner of philanthropy. Fund development makes philanthropy possible by bringing together a particular cause and the prospects and donors who are willing to invest in the cause. The goal is to acquire donors of time and money who stay with the charity. This is done through the process of relationship building. With the donor at the center, fund development nurtures loyalty and lifetime value, thus facilitating philanthropy. You know if your relationship building works because your retention rates rise and the lifetime value of your donors and volunteers increases. (*Keep Your Donors: The Guide to Better Communications and Stronger Relationships.*)

So what does this mean in practical terms? Here are some basics:

1. First, understand these **basic distinctions**:
 - a. **Predisposed**: An individual, business, or some other entity whose interests and actions suggest a possible inclination or susceptibility towards your organization's cause / mission. ("Suspect" is more common terminology. But who wants to hear anyone referred to in this pejorative manner?)
 - b. **Prospect**: An individual, business, or some other entity that has demonstrated an interest in your cause / organization. The individual has raised his / her hand by buying your services or asking to join the mailing list or... In some manner, in some way, the individual, business or entity has raised its hand signaling interest in your cause and your organization.
 - c. **Donor**: An individual, business, or some other entity that has given a gift of time or money or service to your organization.
2. Nurture a **culture of philanthropy** in your organization. The right attitude matters as much as anything. Culture refers to the personality / attitude of your organization. A culture of philanthropy means that everyone accepts and celebrates the beauty of philanthropy and donors, no matter the type or size of gift.
3. Build a **donor-centered**⁴ organization. Focus on the donor or prospective donor. "It's not what your organization is selling, it's what I'm buying that counts. I'm interested in my interests, my motivations and my aspirations. Match those and then I'll give to you. Otherwise, leave me alone!"
 - Don't universalize your own passion. Not everyone is interested in your cause. Do not try to convince them! That's offensive. Instead, find those who share your passion.
4. **Loyalty** is the holy grail of fundraising – just like loyalty is the holy grail of any business. Here's my equation: Loyalty = Donor-centered organization + Relationship-Building Program (donor-centered communications + extraordinary experiences.)
5. Giving is an **emotional act**, not a financial transaction. Your organization is the means by which donors live out their own interests and aspirations.
 - a. Neuroscience and psychological research document that all human decisions are triggered emotions⁵. Then rationale steps in. "Emotion is multi-dimensional: it focuses on a person's core goals, directs attention and interest, arouses the body for action, and integrates social group and

³ Inspired by Robert L. Payton's definition of voluntary action for the public good. Payton was the first professor of philanthropics in the U.S. and former head of the Center on Philanthropy at Indiana University / Purdue University in Indianapolis.

⁴ See the Donor Centric Pledge in *Keep Your Donors* and in the Free Download Library at www.simonejoyaux.com.

⁵ See research by Drs. Bechara and Damasio, described in Tom Ahern's books on donor communications. www.aherncomm.com. By the way, psychologist W. Gerrod Parrott identifies many more than 7 emotions. Read all about emotions in *Keep Your Donors: The Guide to Better Communications and Stronger Relationships*, by Joyaux and Ahern.

cultural factors. It is thus a central component of meaning making.” (Carol Saunders, PhD, Brookfield Zoo)

- b. Research from the direct mail industry says that people give in response to one or more of 7 emotions: greed, guilt, anger, fear, flattery, exclusivity, and salvation. People move from one emotion – e.g., anger – to hope, by using your agency as the means to make change. Tom Ahern refers to this partnering of emotions as “twin sets.”
6. Engage **volunteers**, including board members and others. Make sure your staff effectively enables volunteers to participate in this meaningful work of identifying, cultivating, and soliciting.
7. **Don’t trespass** on personal and professional relationships. Instead, use connections to identify those who might be predisposed to your cause. If you can’t qualify them as prospects (it’s their choice!), move on.
8. Effective fund development is like **permission marketing**⁶; people opt in or opt out. “Permission marketing is the privilege (not the right) of delivering anticipated, personal and relevant messages to people who actually want to get them...treating people with respect is the best way to earn their attention. Permission doesn’t have to be formal but it has to be obvious.” (From Seth Godin’s book and blog)
9. More **visibility** does not produce more contributions. Everyone focuses on his / her own interests. Your agency can be more and more visible – but if I’m not interested, I’m not paying attention. And I sure won’t send money. Just ask Simone about the NCAA basketball championship and the World Cup! (Or read about these experiences in *Keep Your Donors*.)
 - a. It’s okay if someone doesn’t know who your agency is or what it does. Tell them, if they’re interested. That’s identifying the predisposed.
 - b. Do not solicit someone unless you know for sure that the person knows about your agency.
 - c. Where do you need to be visible? Among your current donors, because you want to build their loyalty. Absence does not make the heart grow fonder –it’s out of sight and out of mind!
10. **You** have to **give first**. (*You* means each board member, the CEO and development officers, and fundraising volunteers.) Why? Because you cannot represent an agency or cause without demonstrating your own financial and volunteer investment.
11. **Why do most people give?** Because they’re asked. But only ask those who are interested. Ask the right prospect for the right amount at the right time for the right project in the right way with the right solicitor.
12. Build an **individual giving program**. Each year, individuals give the largest portion of philanthropic gifts in North America. What about elsewhere?
13. Fund development is a **process and a profession**: Founded on ethical principles and standards⁷, based on a well-researched body of knowledge⁸, protecting the public through voluntary certification of professional Personal opinion – without the body of knowledge – doesn’t and shouldn’t count for much.
14. Most **fund development problems** are actually not fund development problems. Most problems relate to other areas of operation. Fix the real problem. (Read *Choosing your road* in the Free Download Library on my website.
15. A **balanced funding mix** of solicitation strategies and donor sources ensures stability and credibility. Whenever possible, the best way to solicit a gift is through face-to-face solicitation.

⁶ Term introduced by Seth Godin in his 1999 book *Permission Marketing*. Godin contrasts permission marketing to interruption marketing, the traditional advertising / marketing approach. You know, the billboards and glitzy ads - and sending me a newsletter that I didn’t ask for.

Identify the predisposed – those you suspect might have interests similar to your cause / organization – and introduce yourself (personally is usually best, e.g., through a cultivation gathering or one-on-one). Then, if the person (or corporation or foundation) expresses interest, that gives you permission.

Godin observes: “Rather than simply interrupting a television show with a commercial or barging into the consumer’s life with an unaccounted phone call or letter [or in fundraising, the newsletter or a solicitation], tomorrow’s marketer [and top notch fundraiser] will first try to gain the consumer’s consent to participate in the selling process.” [Bracketed comments are mine, not implied by Godin.]

⁷ See the *Donor Bill of Rights* and the *AFP Code of Ethical Principles and Standards of Professional Practice* at www.afpnet.org.

⁸ See the Test Content Outline at CFRE International (www.cfre.org), the baseline certification for fundraisers worldwide.

Donor-Centric Pledge

We, [fill in the name of your nonprofit organization here], believe that...

1. Donors are essential to the success of our mission.
2. Gifts are not "cash transactions." Donors are not merely a bunch of interchangeable, easily replaceable credit cards, checkbooks and wallets.
3. No one "owes" us a gift just because our mission is worthy.
4. Any person who chooses to become our donor has enormous potential to assist the mission.
5. Having a program for developing a relationship with that donor is how organizations tap that enormous potential.
6. We waste that potential when donors are not promptly thanked.
7. "Lifetime" value of a donor" is the best (though often overlooked) way to evaluate "return on investment" in fundraising.
8. Donors are more important than donations. Those who currently make small gifts are just as interesting to us as those who currently make large gifts.
9. Acquiring first-time donors is easy but keeping those donors is hard.
10. Many first-time gifts are no more than "impulse purchases" or "first dates."
11. We'll have to work harder for the second gift than we did for the first.
12. A prerequisite for above-average donor retention is a well-planned donor-centric communications program that begins with a welcome.
13. Donors want to have faith in us, and it's our fault if they don't.
14. Donors want to make a difference in the world -- and that our mission is one of many means to that end.
15. Donors are investors. They invest in doing good. They expect their investment to prosper, or they'll invest somewhere else.
16. We earn the donor's trust by reporting on our accomplishments and efficiency.
17. Individual donors respond to our appeals for personal reasons we can only guess at.
18. Asking a donor why she or he gave a first gift to us will likely lead to an amazingly revealing conversation.
19. Fundraising serves the donors' emotional needs as much as it serves the organization's financial needs.
20. We are in the "feel good" business. Donors feel good when they help make the world a better place.
21. A prime goal of fundraising communications is to satisfy basic human needs such as the donor's need to feel important and worthwhile.
22. The donor's perspective defines what is a "major" gift.⁹
23. Every first gift can open a door to an entirely new world for the donor, through participation in our cause.

© Ahern and Joyaux. From *Keep Your Donors: The Guide to Better Communications and Stronger Relationships*, by Tom Ahern and Simone Joyaux (John Wiley & Company Publishers, November 2007)

⁹ A repeat donor of \$25 annual gifts who suddenly increases her gift ten-fold to \$250, for instance, is making a major commitment that deserves special acknowledgement.