
CONTENTS

Figures, Tables, and Exhibits xv

Preface xxiii

Acknowledgments xxvii

The Authors xxix

PART ONE: INTRODUCTION TO FUNDRAISING AND DONOR BEHAVIOR 1

1 Introduction to the Nonprofit Sector 3

A “Third” Sector 4

A Tax-Based Definition 7

A Structural-Operational Definition 14

Size and Economic Significance of the Nonprofit Sector 15

Sources of Income 19

Philanthropic Income 20

Summary 23

Discussion Questions 24

| | | |
|---|--|-----|
| 2 | The Development of a Profession | 25 |
| | Early American Fundraising | 26 |
| | The Great Philanthropists | 28 |
| | Key Historical Figures | 29 |
| | Toward a Profession | 31 |
| | Looking to the Future | 39 |
| | Summary | 42 |
| | Discussion Questions | 42 |
| 3 | Ethical Fundraising | 44 |
| | <i>Eugene R. Tempel and Sarah K. Nathan</i> | |
| | Obedience to the Unenforceable | 46 |
| | The AFP Code of Ethical Principles and Standards | 48 |
| | The Donor Bill of Rights | 51 |
| | Common Ethical Dilemmas | 53 |
| | Adopting Professional Codes | 59 |
| | Summary | 59 |
| | Discussion Questions | 60 |
| 4 | Individual Giving Behavior | 61 |
| | Who Gives? | 62 |
| | Motivation | 66 |
| | Definitions of Donor Behavior | 72 |
| | Modeling Donor Behavior | 73 |
| | Donor Decision Making | 90 |
| | Feedback | 92 |
| | Alternative Models | 93 |
| | Summary | 95 |
| | Discussion Questions | 96 |
| 5 | Social Influences on Giving | 97 |
| | A Social Giving Model | 98 |
| | Societal Environment | 100 |

| | |
|----------------------|-----|
| Social Environment | 100 |
| Summary | 111 |
| Discussion Questions | 112 |

PART TWO: FUNDRAISING PLANNING 113

| | |
|--|-----|
| 6 Fundraising Planning: The Fundraising Audit | 115 |
| A Planning Framework | 116 |
| The Fundraising Audit | 119 |
| Analytical Tools | 132 |
| Fundraising Metrics | 140 |
| Conducting an Audit in a Small Nonprofit | 142 |
| The SWOT Analysis | 143 |
| Summary | 144 |
| Discussion Questions | 145 |
| 7 Fundraising Planning | 146 |
| Setting Fundraising Objectives | 147 |
| Key Strategies | 151 |
| Tactical Plans | 181 |
| Budget | 182 |
| Scheduling | 183 |
| Monitoring and Control | 184 |
| Selection of an Appropriate Planning Framework | 185 |
| Summary | 186 |
| Discussion Questions | 187 |
| 8 The Case for Support | 188 |
| <i>Timothy L. Seiler and Eva E. Aldrich</i> | |
| Preparing the Case | 189 |
| Case Expressions | 194 |
| Effective Case Expressions for Fundraising | 195 |
| Summary | 198 |

| | |
|--|------------|
| Discussion Questions | 199 |
| 9 Assessing Fundraising Performance | 200 |
| Aggregate Fundraising Ratios | 201 |
| Conducting a Fundraising ROI Analysis | 207 |
| Other Measures of Performance | 213 |
| Benchmarking Fundraising Costs | 214 |
| Sector Benchmarking Initiatives | 217 |
| Making Investment Decisions | 221 |
| Accounting for Risk | 231 |
| Making the Case for Investment | 232 |
| Summary | 233 |
| Discussion Questions | 234 |

PART THREE: FUNDRAISING METHODS 237

| | |
|--|------------|
| 10 Direct Response Fundraising | 239 |
| Cornerstones of Direct Response | 241 |
| Acquisition Planning | 243 |
| Summary | 275 |
| Discussion Questions | 275 |
| 11 Fundraising Online: Techniques and Tools | 276 |
| <i>Ted Hart and Adrian Sargeant</i> | |
| ePhilanthropy | 279 |
| Web Site Strategy | 279 |
| Fundraising Online | 283 |
| Online Communication Metrics | 306 |
| Summary | 310 |
| Discussion Questions | 311 |
| 12 Donor Retention and Development | 312 |
| What Is Loyalty? | 315 |
| Recruiting the Right People | 316 |

| | |
|--|------------|
| Building Donor Loyalty | 319 |
| Planning for Retention | 328 |
| Relationship Fundraising | 334 |
| Calculating Donor Value | 336 |
| Segmenting for Growth | 345 |
| Loyalty Metrics | 349 |
| Summary | 350 |
| Discussion Questions | 350 |
| 13 Major Gift Fundraising | 351 |
| <i>Robert F. Hartsook and Adrian Sargeant</i> | |
| Characteristics of Major Givers | 352 |
| Motives of Major Givers | 354 |
| Major Donor Recruitment | 359 |
| Summary | 375 |
| Discussion Questions | 375 |
| 14 Bequest, In Memoriam, and Tribute Giving | 377 |
| Will Making | 381 |
| Charitable Bequest Giving | 384 |
| Motives for Charitable Bequest Giving | 389 |
| Soliciting Bequests | 393 |
| Talking the Language of Bequest | 398 |
| Memorial and Tribute Fundraising | 403 |
| Summary | 405 |
| Discussion Questions | 405 |
| 15 Planned Giving | 407 |
| <i>Matthew J. Beem and Adrian Sargeant</i> | |
| Planned Giving Vehicles | 410 |
| Donor Motivation | 420 |
| Soliciting Planned Gifts | 422 |
| Planned Gift Donor Stewardship | 425 |

| | |
|---|------------|
| Planned Gift Donor Appreciation | 426 |
| Managing the Planned Giving Function | 427 |
| Summary | 429 |
| Discussion Questions | 430 |
| 16 Corporate Giving and Fundraising | 431 |
| <i>Dwight F. Burlingame and Adrian Sargeant</i> | |
| History | 433 |
| Why Do Corporations Give? | 434 |
| Forms of Business Support | 439 |
| Cause-Related Marketing | 443 |
| Who to Ask? Selecting the Right Organization | 447 |
| Benefits and Pitfalls | 450 |
| Fundraising Planning | 452 |
| Summary | 459 |
| Discussion Questions | 460 |
| 17 Grant Fundraising | 461 |
| Definitions and Categories | 462 |
| Foundation Funding Trends | 463 |
| Preparation and Planning | 465 |
| Foundation Research | 468 |
| Assessment and Prioritization | 471 |
| Initial Contact | 471 |
| Application and Proposal | 472 |
| Relationship Building | 478 |
| The Grant Cycle | 478 |
| Why Applications Fail | 479 |
| International Funding | 482 |
| Summary | 483 |
| Discussion Questions | 484 |

PART FOUR: FUNDRAISING AND CIVIL SOCIETY 487**18 Managing Fundraising Volunteers 489***Walter Wymer and Adrian Sargeant*

Formal Versus Informal Volunteering 492

Volunteer Recruitment 497

Retention Strategies 509

Program Evaluation 515

Summary 516

Discussion Questions 517

19 Fundraising Events 519*Karin Cox*

A Typology of Events 521

Anatomy of an Event 531

Evaluating Fundraising Events 535

Summary 538

Discussion Questions 538

20 Women and Philanthropy 540*Debra J. Mesch and Andrea Pactor*

Capacity for Giving 541

Barriers to Women's Giving 542

Gender Matters 543

Women's Influence in Decision Making 544

Generational Differences 545

New Models of Engagement 547

Value of Donor Education 551

Women as Donors: The Fundraising Strategy 552

Measuring Impact 557

Summary 558

Discussion Questions 558

| | | |
|----|--|-----|
| 21 | Public Trust and Confidence | 560 |
| | Trust and Confidence | 563 |
| | Building Trust in the Sector | 565 |
| | Lessons from Across the Pond | 570 |
| | Growing Confidence in the Nonprofit Sector | 572 |
| | Building Trust in Organizations | 576 |
| | Building Confidence in Organizations | 577 |
| | Summary | 580 |
| | Discussion Questions | 581 |
| 22 | The Social Role of Fundraising | 582 |
| | <i>Richard B. Gunderman</i> | |
| | The Role of Giving | 583 |
| | Human Flourishing | 585 |
| | The Long View | 587 |
| | Priorities | 588 |
| | Fundraisers' Dreams | 591 |
| | Summary | 593 |
| | Discussion Questions | 595 |
| | References | 595 |
| | Name Index | 627 |
| | Subject Index | 633 |

FIGURES, TABLES, AND EXHIBITS

Figures

- 1.1 Sources of Revenue for Reporting Public Charities, 2005 (percent) 20
- 1.2 Sources of Revenue for Reporting Public Charities,
Excluding Hospitals and Higher Education, 2005 (percent) 21
- 1.3 Charitable Giving 2008 21
- 2.1 American Red Cross Fundraising Poster 33
- 3.1 AFP Code of Ethical Principles and Standards 49
- 3.2 The Donor Bill of Rights 51
- 3.3 The E-Donor Bill of Rights 52
- 3.4 Returns That Organizations Might Generate from
Fundraising at Different Levels of Expenditure 56
- 4.1 Empathy-Generating Ad Produced by the Parkinson's
Disease Society of Singapore 71
- 4.2 Individual Giving Model 75
- 4.3 Example of Novelty in Advertising 76
- 4.4 Roseman's Cognitive Appraisal Theory of Emotion 79
- 4.5 Example of Knowledge Structure 83
- 4.6 Royal National Lifeboat Institution Ad 86
- 4.7 Sargeant and Woodliffe Model of Giving Behavior 94
- 5.1 Social Giving Model 99

| | | |
|------|---|-----|
| 5.2 | The Effect of Social Information on Giving | 103 |
| 5.3 | The Effect of Social Information on Giving in the Subsequent Year | 104 |
| 5.4 | The Effect of Social Network on Giving | 107 |
| 5.5 | How Much Do You Identify with Being a Public Radio Member? | 111 |
| 6.1 | Generic Planning Framework | 117 |
| 6.2 | PEST Analysis for a Nonprofit Serving the Homeless (Conducted Early 2008) | 122 |
| 6.3 | Sources of Fundraising Information | 124 |
| 6.4 | Life Cycle Concept | 133 |
| 6.5 | Using the Life Cycle for Planning | 134 |
| 6.6 | Portfolio Analysis | 136 |
| 6.7 | Sample Portfolio Analysis | 139 |
| 7.1 | Ansoff Matrix | 152 |
| 7.2 | American Generations | 157 |
| 7.3 | Sample Segments from the Tapestry Segmentation System | 161 |
| 7.4 | VALS Framework | 165 |
| 7.5 | Criteria for Segmentation of Industrial Markets | 167 |
| 7.6 | Multisegment Approach | 169 |
| 7.7 | Positioning of Children's Charities | 171 |
| 7.8 | Brand Touchpoints | 174 |
| 7.9 | A Brand Framework | 175 |
| 7.10 | Dimensions of a Nonprofit Brand | 176 |
| 7.11 | Salvation Army Ad | 180 |
| 7.12 | Fundraising Plan Structures | 185 |
| 8.1 | Developing the Case | 190 |
| 9.1 | Definitions of Categories of Fundraising Activity | 210 |
| 9.2 | Benchmarking Process | 215 |
| 9.3 | Illustrative Fundraising Effectiveness Project (FEP) Averages | 219 |
| 9.4 | Index of National Fundraising Performance | 220 |
| 9.5 | One-Year ROI for Acquisition Media | 221 |
| 9.6 | Comparison of One-Year and Five-Year ROIs | 222 |
| 10.1 | Cornerstones of Direct Response | 241 |
| 10.2 | Sources of New Donors | 244 |
| 10.3 | Contents of Typical Database Record | 247 |
| 10.4 | Heritage Foundation Donors | 250 |
| 10.5 | Budget for a Typical Fifty-Thousand-Piece Initial Test Mailing | 252 |
| 10.6 | Sample Successful Recruitment Mailing, Denver Rescue Mission | 255 |
| 10.7 | Sample Successful Recruitment Mailing, Ocean Conservancy | 256 |
| 10.8 | Unicef Ad | 258 |

| | | |
|-------|--|-----|
| 10.9 | Direct Dialogue Donor Recruitment | 260 |
| 10.10 | ASPCA DRTV Ad | 264 |
| 10.11 | Sample Letter | 270 |
| 11.1 | Benchmarking Analysis Data on Internet Giving from Target Analytics | 278 |
| 11.2 | American Cancer Society Web Site | 281 |
| 11.3 | E-Fundraising Mix | 284 |
| 11.4 | IFAW Campaign Microsite | 290 |
| 11.5 | Social Networking and Web 2.0 Landscape | 291 |
| 11.6 | Kiva Online Ad | 299 |
| 11.7 | Viral Example: The Seagull Strikes Back | 300 |
| 11.8 | Example of a Sponsorship Portal | 305 |
| 12.1 | Donor Retention Chart | 314 |
| 12.2 | A Typology of Loyalty | 317 |
| 12.3 | Importance and Satisfaction Matrix | 324 |
| 12.4 | Botton Village Response Form | 329 |
| 12.5 | The Loyalty Ladder | 330 |
| 12.6 | Donor Pyramid | 331 |
| 12.7 | Donor Communications Cycle | 332 |
| 12.8 | Union of Concerned Scientists Welcome Package | 333 |
| 12.9 | Donor Value Pyramid | 337 |
| 12.10 | Donor Value Pyramid Factoring in Costs of Fundraising | 338 |
| 12.11 | Perspectives on Value | 339 |
| 13.1 | Average Total, Secular, and Religious Giving by the Source of Net Worth, High Net Worth Households, 2005 | 354 |
| 13.2 | Important Motivations for Charitable Giving by High Net Worth Households | 355 |
| 13.3 | Reasons for Ending Support of Nonprofits | 356 |
| 13.4 | The Major Gift Development Process | 360 |
| 14.1 | Giving by Bequest, 1967–2007 | 378 |
| 14.2 | Projected Number of Deaths, 2010–2050 | 378 |
| 14.3 | Will Making by Age | 382 |
| 14.4 | How Important Is It to You to Leave an Inheritance? | 384 |
| 14.5 | Human Rights Watch Solicitation | 394 |
| 14.6 | Morality: Survey Results | 401 |
| 14.7 | Morality Discrepancies | 401 |
| 14.8 | Example of a Tribute Page | 404 |
| 15.1 | Revocable Trust | 411 |
| 15.2 | Charitable Gift Annuity | 412 |
| 15.3 | Pooled Income Fund | 414 |
| 15.4 | Charitable Remainder Unitrust | 415 |

| | | |
|------|---|-----|
| 15.5 | Charitable Lead Trust | 417 |
| 15.6 | Remainder Deed Gifts | 418 |
| 16.1 | Corporate Giving, 1968–2008 | 432 |
| 16.2 | Corporate Giving as a Percentage of Corporate Pretax Profits, 1968–2008 | 432 |
| 16.3 | Häagen Dazs Promotional Microsite | 440 |
| 16.4 | Minnesota Federated Funds | 442 |
| 16.5 | Examples of Cause-Related Marketing | 444 |
| 16.6 | Corporate Fundraising Planning | 452 |
| 16.7 | An Extract from Bioversity International's Ethical Screening Policy | 455 |
| 17.1 | Source of Foundation Funding (\$Billions) | 464 |
| 17.2 | Recipient Organizations by Dollar Amount | 465 |
| 17.3 | Recipient Organizations by Number of Gifts | 466 |
| 17.4 | Foundation Fundraising Process | 467 |
| 17.5 | Proposal Development Process | 473 |
| 17.6 | Specimen Cover Letter for the North Street Hospice | 477 |
| 17.7 | The Grant Cycle | 479 |
| 18.1 | Mercy Corps Community Fundraising Activities | 493 |
| 18.2 | School Fundraising Ideas | 494 |
| 18.3 | Volunteer Recruitment Process | 498 |
| 18.4 | Person Specification | 502 |
| 18.5 | Fry Elementary School Volunteer Recruitment Form | 506 |
| 19.1 | An Open House Reception | 523 |
| 19.2 | Event Gantt Chart | 533 |
| 20.1 | Giving by Generation | 547 |
| 20.2 | Specimen Donor Education Program | 552 |
| 20.3 | CARE Campaign Power Pack | 555 |
| 21.1 | Percentage of Respondents Who Think Charities are Doing a Very Good Job | 561 |
| 21.2 | Why Confidence Has Decreased | 563 |
| 21.3 | Creative Accounting | 568 |
| 21.4 | CharityFacts Web Site | 571 |

Tables

| | | |
|-----|--|----|
| 1.1 | Types of Tax-Exempt Organizations and Number, Expenses, and Assets by Type, 2005 | 8 |
| 1.2 | Organizations, Expenses, and Assets in the Nonprofit Sector, 2005 | 12 |
| 1.3 | The Structural-Operational Definition | 15 |
| 1.4 | International Classification of Nonprofit Organizations | 16 |

| | | |
|------|---|-----|
| 1.5 | Elements of the Definition of Grassroots Associations | 18 |
| 1.6 | Contributions in 2007: \$306.69 Billion by Type of Recipient Organization (\$ in Billions) | 23 |
| 4.1 | Demographic Characteristics of Respondent Households | 63 |
| 4.2 | Reasons for Giving | 66 |
| 4.3 | Reasons for Nonsupport | 94 |
| 6.1 | External Attractiveness of Activity A (Child Sponsorship Product) | 137 |
| 6.2 | Internal Appropriateness of Activity A (Child Sponsorship Product) | 138 |
| 6.3 | Report of Solicitation Activities, with Gift Income Measured Against Approved Budget and Actual Expenses (by Program) | 141 |
| 7.1 | Fundraising Activities and Products | 154 |
| 7.2 | Family Life Cycle | 159 |
| 7.3 | Sample Gantt Chart | 184 |
| 8.1 | Qualities and Responses | 195 |
| 8.2 | Examples of Appeals to Emotion, Reason, and Organizational Credibility | 197 |
| 9.1 | Illustration of ROI Analysis | 208 |
| 9.2 | Minimum Fundraising ROI by Category of Fundraising Activity and Average Gift Size | 212 |
| 9.3 | Greenfield's Nine-Point Performance Index | 213 |
| 9.4 | FEP Survey Data Elements | 218 |
| 9.5 | Profile of Investment | 223 |
| 9.6 | Illustration of Payback Period | 224 |
| 9.7 | Factors for the Present Value of \$1 | 226 |
| 9.8 | NPV Illustration | 227 |
| 9.9 | Further NPV Illustration | 227 |
| 9.10 | Project Decision Illustration | 228 |
| 9.11 | Profitability Index Illustration | 229 |
| 9.12 | Optimizing the Investment Decision | 230 |
| 9.13 | Example of Real Rate of Return | 231 |
| 9.14 | Further Illustration of Real Rate of Return | 232 |
| 10.1 | Problems with Names | 253 |
| 12.1 | Reasons for Lapse | 320 |
| 12.2 | Comparison of Transaction and Relational Approaches | 335 |
| 13.1 | Individuals Whose Net Worth Is \$15 Million or Less | 357 |
| 13.2 | Individuals Whose Net Worth Is More than \$15 Million | 357 |
| 13.3 | Gift Range Chart: \$1 Million Goal | 366 |
| 14.1 | Wealth Transfer: Lower-Level Estimates | 380 |
| 14.2 | Charitable Bequests Reported on Estate Tax Returns Filed in 2003 | 385 |

| | | |
|------|---|-----|
| 14.3 | Percentage of Charitable Bequest Donors | 388 |
| 14.4 | Income Profile of Bequest Pledgers | 388 |
| 15.1 | How Donors First Learned About Gift Options | 423 |
| 15.2 | Board Involvement in Planned Giving | 428 |
| 16.1 | Trends in Motivation over Time | 438 |
| 17.1 | Sample Timeline | 475 |
| 17.2 | Success Rate of Applications by Grantmaking Expenditure | 480 |
| 17.3 | Reasons for Declining Grant Applications | 481 |
| 18.1 | Hours Spent Volunteering by Gender, Age, and Ethnicity in 2008 | 490 |
| 19.1 | Events Grid | 523 |
| 19.2 | Specimen Event Budget | 534 |
| 21.1 | Confidence in Charitable Organizations, 2002–2008 | 561 |
| 21.2 | Rating of Fundraising Expenses by Charity Navigator: Percentage of Total Functional Expenses Spent on Fundraising (Lower Is Better) | 576 |

Exhibits

| | | |
|------|------------------------------|-----|
| 12.1 | Measuring Donor Satisfaction | 323 |
| 13.1 | Silent Prospecting Exercise | 354 |
| 14.1 | Measuring Moral Identity | 490 |
| 19.1 | Event Evaluation Form | 537 |