

Philanthropy Corner – 9-25-11

“Doing More with Less Requires Going Back to Basics”

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Many nonprofits continue to face the challenge of doing more with less as they navigate through this economic turbulence. Charities are recovering slowly from the worst decline in giving in history. Budget cuts and reduced giving are creating tension for many nonprofit organizations still experiencing huge holes in their budgets created by the recession. Money remains tight and charitable giving isn't expected to gain momentum until 2016. Fundraisers being challenged to generate the most revenue with the least cost are recommending taking a back-to-basics donor-centered, personalized approach to raising money.

Although charitable giving recovered slightly in 2010 and is making a comeback in 2011, giving has not fully bounced back from the recession. According to surveys, donations by individuals remained flat from 2009 to 2010, and foundation grantmaking fell by 1.8 percent in 2010. Last year environmental and animal-welfare groups suffered the biggest decline, followed by human service groups which would have had the biggest drop if the Haiti disaster relief efforts had been excluded.

Predictions for the future reveal charitable giving remains uncertain. Donors are hesitant to give due to loss of income from job cutbacks, rising cost of living expenses, and uncertainty over the economy. A recent study on donor confidence shows that two-thirds of donors plan to cut back on their charitable giving due to the economy and another one in ten plans to stop giving until the economy improves. Many affluent donors are holding out on making major gifts. Corporate support may be more difficult to obtain and capital campaigns are stalled. Plus, additional government cutbacks are expected, and support for grass-roots environmental and advocacy groups is waning.

Facing a future of continued cutbacks, decline in charitable giving, a weak economy, and growing poverty, nonprofits must concentrate on cost-effective fundraising activities. As the bulk of money raised comes from individuals, the main focus for nonprofit groups right now is to retain and grow the relationships they have with existing donors. Studies show that in this economic climate loyal donors will continue to give to the charities they have supported in the past although the amount is likely to decrease. Donors who give online are more likely to continue to give online. In addition to the added costs of acquiring new donors, gaining new donors will be a challenge as long as people feel the economy is in a decline.

Recent philanthropic articles suggest several strategies to enhance donor relationships and strengthen the loyalty donors have for your organization. Effective fundraising is based on two basic principles: communication and relationships. Strategies include clearly articulating your message to donors with meaningful, personalized communication. Reduce the number of mass appeals and make donor communications more personal by using volunteers to call and thank donors or write personalized notes. Put more effort into reaching out to donors personally by creating opportunities for staff and board to interact with donors. Look at deficiencies and give up time-consuming, labor-intensive, expensive events for smaller, more intimate gatherings tailored for your most loyal supporters or special interest groups. Ask donors for smaller gifts and seek goods and services in lieu of cash. And finally, recruit trustees who will make a personal and financial commitment and are willing to participate in the fundraising efforts.

One important component of an effective fundraising strategy that is often neglected by groups struggling to generate annual operating dollars is planned giving. Many groups shy away from planned giving because of the legal and financial implications of sophisticated estate plans. Typically, only large, well-established organizations and educational institutions have a dedicated planned giving department with staff qualified in financial and estate planning. But the majority of planned gifts come from bequests when a loyal donor names a nonprofit organization in their will. In fact, the biggest growth in charitable giving last year was in bequests which rose 16.9% to an estimated \$22.8 billion.

In this giving climate it is important to intensify efforts to make solicitations more personal and increase donor contacts in order to yield the best results. Taking a back-to-basics donor-centered approach to fundraising will help reduce fundraising expenses and reap bigger donations. Volunteers will be your greatest resource to help implement a donor-centered development effort, and they represent your most loyal constituent and future planned givers. Even though there may be financial and emotional fallout from donors due to the recession, being persistent and maintaining relationships with your most loyal donors today may recapture them in the near future and lead to an even greater gift tomorrow through a bequest.

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