The Fundraising Methods That Worked Best in 2010—and Could Work Best in 2011

Prepared by GuideStar USA, Inc.

Introduction

Fundraising is the backbone of the nonprofit sector. Although year-to-year fundraising—and fulfilling budget needs accordingly—has never been a "sure thing," the economic climate of late has put development in a more precarious—and indispensable—role than ever before. Knowing what fundraising methods have worked for nonprofits in the past, especially the recent past as we emerge from the recession, is key to planning for successful fundraising in 2011. In this paper, we'll review the results of the Nonprofit Research Collaborative's 2010 Fundraising survey, what those results suggest for fundraising in 2011, and ways for nonprofits to maximize fundraising potential.[1]

2010 in Review

Overall, 2010 was positive for fundraising compared to 2009, which proved to be a rather difficult year as nonprofits—and the donors and foundations that sustain them—struggled to emerge from the recession of 2008. Highlights of some of the good news to emerge from the 2010 fundraising survey include:

- Two-thirds of respondents saw contributions increase or stay the same in 2010 as compared to 2009; every subsector saw more respondents reporting growth in giving in 2010 than a decline, with human services and arts organizations having the lowest percentages of respondents reporting growth (38 and 41 percent, respectively) and international and religious organizations having the greatest (63 and 52 percent, respectively). The results from the international and religious organizations may not be representative, however, as there were fewer than 100 respondents in each category.

- Medium-sized nonprofits (those with expenditures of $1 million or more) to larger-sized nonprofits (expenditures of $3 million or more) were more likely to see fundraising increases.

- Last quarter fundraising was important, but not dominant. About 50 percent of respondents received more than one-quarter of the year's contributions in the last quarter of the year. For the other 50 percent, giving was spaced out over the entire year.

- Individual giving was the largest single source of contributions for the majority of organizations that participated in the survey, highlighting the importance of engaging and connecting with donors for all organizations, regardless of size or subsector.

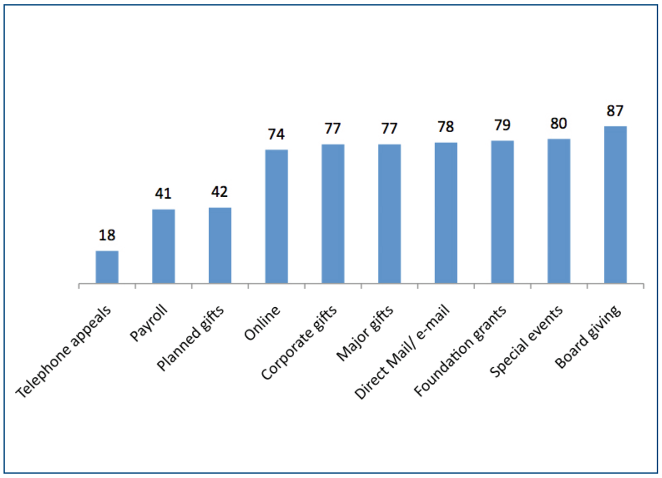
- More organizations relied on volunteers for fundraising than ever before: Increased use of volunteer time for fundraising rose by more than 15 percent for 12 percent of respondents, and by 1 to 15 percent for another 24 percent of survey participants. At the same time, the correlation between volunteers assisting with fundraising and a nonprofit's ability to meet fundraising goals was the weakest of all methods of investing in development for 2010—the strongest was for financial investment, followed by staffing.

Which Types of Fundraising Worked Best (and Worst) in 2010

The survey identified 10 fundraising techniques:

- Telephone appeals
- Payroll giving
- Planned gifts
- Online giving
- Corporate gifts
- Major gifts
- Direct mail/e-mail
- Foundation grants
- Special events
- Board giving

Each technique's effectiveness, or lack thereof, provides essential insight into what to expect for 2011.



What Yielded the Most Growth

Growth, meaning an increase in funds raised per respective category as compared to funds raised using the same technique in 2009, was most often reported in the following categories:

Online Giving

Online giving rose at 58 percent of the organizations using it. It should be noted, however, that it has been reported elsewhere that online giving accounts for 10 percent or less than total contributions received at most charities that use it—though this amount grows each year.[2]

Major Gifts and Special Events

Fundraising through major gifts and special events both rose 50 percent for the organizations using them. Analysis of 10 years of fundraising shows, however, special events to be among the most variable of fundraising techniques when it comes to revenue growth each year.

- Although major gifts and special events were successful in terms of returns as compared to the previous year, they did not necessarily bring in the most revenue for the nonprofits surveyed.
- Sources that generated the most revenue overall include foundations, bequests, and other charities (with the exception of very small nonprofits with annual expenditures of less than $250,000, for whom individual donors provided the most revenue). Although these sources may not have seen significant growth (depending on the nonprofit category) as compared to 2009, they remained reliable sources of income in 2010 overall and should not be overlooked.

What Didn't Grow (or Stayed the Same)

Board giving: Although 87 percent of reporting organizations received donations from board members, just 39 percent saw revenue increase from this source in 2010, while 49 percent saw it stay the same.

Corporate gifts: Just over one-third (34 percent) of organizations receiving corporate contributions (grants or gifts) saw an increase from this fundraising vehicle. Almost four in ten (44 percent) saw revenue from this vehicle remain stable, but nearly one-quarter (22 percent) saw a decline.

Telephone, payroll giving, planned giving: For most organizations, these were not only the three least-used fundraising vehicles, but for the nonprofits that used them, 50 to 60 percent reported that these techniques generated the same revenue as compared to 2009.

Looking Ahead: Fundraising in 2011

2011 looks positive, but not overwhelmingly so—we're not out of the woods yet. Organizations surveyed were generally optimistic about 2011, although the largest portion anticipated that staffing and expenditures for fundraising will remain the same as for 2010. Knowing that stable staffing and expenditures correlates with fundraising levels staying the same, it's expected that 2011 fundraising levels will remain fairly similar to those reported for 2010. Here are the trends we foresee for 2011:

Don't count on Uncle Sam: Increased cuts in budget spending by federal, state, and local government means that there will be less public funding to go around, but organizations that adjust their fundraising strategies to cope with the expected dearth in government grants are poised to succeed.

Keep on keepin' on: Declines of any amount in financial investment in fundraising and declines in staffing were both associated with a lower probability of an organization meeting its fundraising goals in 2010; plan at the very least to keep staff, volunteer, and communications efforts stable to maintain fundraising revenues. If that's just not possible at your organization this year, prepare to cut expenses to compensate for the lower revenue that might result.

Diversify and expand fundraising techniques: In 2010, the number of fundraising vehicles used corresponded with a rise in the amount the organization raised (not organization size by expenditure, but amount raised). Likewise, organizations that make the most of different fundraising techniques are more likely to increase revenue in 2011—with wise management, of course.

- If your organization can only add one fundraising vehicle, consider ways to implement or add to online giving appeals: in 2010, this technique yielded increased donations at 58 percent of the organizations using it.

Consider the subsector: Increases in fundraising revenue came from specific sources, depending on the nonprofit subsector, in 2010:

- Both public societal benefit and arts organizations had the most success in raising funds from planned giving as compared to other charities.
- Health organizations saw more fundraising revenue from events as compared to other charities.
- Environment/animals organizations saw more increased revenue from foundation grants.

Using history as a guide is a good way to earmark 2011 resources for different fundraising vehicles depending on the subsector your nonprofit falls in—if you work in an arts organization, for instance, perhaps you should allocate more time toward outreach to potential sources for planned giving donations.

Ways to Maximize Fundraising Potential for 2011

Nonprofits that increased revenue in 2010 had the following trend in common: Investing in development led to increased returns. Increased use of different fundraising vehicles, investing in fundraising staff and volunteers, and expanding communication efforts all contributed to higher amounts raised. Based on that information, the top three factors for increasing fundraising potential are:

Expanding and Diversifying Fundraising Methods: The more fundraising vehicles used by a nonprofit, the higher the amount raised in contributions.

- Online giving continues to grow as a fundraising source every year; telephone fundraising has remained about the same for the last few years.

Investing and Engaging in Donor Outreach, Communications: Direct response appeals (both online and otherwise) yielded increased donations at 43 percent of the organizations using them; a third of organizations using direct response saw stable revenue.

Increasing Focus on Grants and Grant Writing: Forty percent of organizations using foundation proposals for fundraising reported increased contributions from this method in 2010 compared with 2009. A third saw foundation grants remain stable and nearly one-quarter saw a decline from this vehicle.

- Organizations typically dependent on government funding might want to allocate more resources toward applying for private foundation grants in 2011.

Conclusion

Identifying the fundraising vehicles that could provide your organization with the best results is only the first step in increasing your revenue stream. You must also build a strong case for support, develop a communications strategy, and enlist staff and volunteers to carry out your plans.

About GuideStar

GuideStar, www.guidestar.org—the premier source of nonprofit data—connects people and organizations with information on the programs and finances of more than 1.8 million IRS-recognized nonprofits. GuideStar serves a wide audience inside and outside the nonprofit sector, including individual donors, nonprofit leaders, grantmakers, government officials, academic researchers, and the media.

1 The 2010 Nonprofit Fundraising Survey was conducted by the Nonprofit Research Collaborative, which includes the Association of Fundraising Professionals; Blackbaud, Inc.; The Center on Philanthropy at Indiana University; The Foundation Center; GuideStar USA, Inc.; and The National Center for Charitable Statistics at the Urban Institute.

The online-only survey was fielded from February 10 to February 28, 2011. A total of 1,845 responses were submitted. Not all were eligible to complete the entire survey, as 173 did not accept contributions. Of the 1,673 who did report accepting contributions, not all completed enough questions to be analyzed. Results are based on 1,616 responses. Because the sample is not random, results are not generalizable to all nonprofit organizations in the United States.

With a convenience sample, no measures of error can be calculated. Although use of statistical procedures does assume a random sample, analysis did include Chi-square tests for differences for this set of respondents. When a difference is reported among these respondents, the p-value is always 0.05 or lower.

2 *Giving USA 2009, Giving USA 2008,* Blackbaud in November 2010.