



STRENGTHENING YOUR ONLINE PRESENCE: NOW IS THE TIME

The urgency of rethinking the fundraising model in challenging economic times

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INTRODUCTION

Most colleges and universities are already feeling the impact of the financial crisis and the rest are bracing for challenging conditions. In difficult economic times, it can be a natural reaction to stop all new investments. Yet, building strong constituent relationships is more important than ever.

Colleges and universities must adopt a strategic approach to their fundraising investments, cutting less efficient areas and investing where gains can be realized. The traditional fundraising model has been in decline for some time. The ongoing financial crisis and competition for donor dollars has heightened the imperative to change models today, re-allocating investment from waning traditional fundraising approaches to new approaches that incorporate the online channel.

CHALLENGES WITH TRADITIONAL FUNDRAISING CHANNELS

Direct mail-based donor acquisition has been getting more difficult and more expensive due to postage rate increases, mailing list fatigue, postal mail delivery challenges, and shifting consumer preferences. The Target Analytics Index of National Fundraising Performance, which tracks some very large nonprofits, shows donor counts have been declining consistently for the past two and a half years. In the first quarter of 2008, for the first time in two years, overall revenue declined as well. Revenue fell 1.8% from Q1 2007 to Q1 2008.

Until now, increases in revenue per donor compensated for donor declines, allowing overall revenue to continue to grow. In the most recent quarter in the analysis, however, continued revenue per donor growth could not make up for the donor decreases nor prevent overall revenue from declining. For most organizations, overall donor declines have been due primarily to a decrease in new donor acquisition. New donors declined 2.3% from Q1 2007 to Q1 2008, on top of a 5.3% drop over the same period one year before. Additionally, telephone fundraising is growing more difficult in the wake of “do not call” regulation and the substitution of land lines for cell phones. In this context, institutions must find more economic ways to acquire new donors and enhance their lifetime value.

THE SHIFT ONLINE

As direct mail and telephone-based fundraising has become less effective, online fundraising has grown significantly. According to the Pew Foundation¹, 75 percent of all Americans are now online at home or at work. According to the [Online Marketing Nonprofit Benchmark Index™ Study](#), published by Convio in 2008, the median online revenue growth rate across sectors was just over 26 percent from the first half of 2006 to the first half of 2007, with some sectors, namely Environment and Wildlife, Visitation (museums, zoos/aquariums, and performing arts) and Higher Education growing at over 50 percent. In addition, usable email files grew 32 percent in the same period.

Much of the online fundraising growth has come from new, younger donors. Online donors are typically 15 years younger than direct mail donors. A first-of-its-kind national survey conducted for Convio by Jupiter Research, a Forrester Research company, indicated that of the 175.6 million online adults (age 18+) in the US, more than half (51 percent) planned to donate to charities during the 2008 holiday season.

¹ [The Pew Foundation Research](#)

If there is a silver lining in the economic cloud, it is that consumers and nonprofits are aligning around the online channel. Given its growth, it is imperative that institutions invest appropriately in the online channel to realize its full potential. In fact, according to the Direct Marketing Association², nonprofit organizations are on average growing their online marketing spend four times faster than their direct mail and telemarketing spend.

POWER TO THE PEOPLE

Today, constituents are taking a more active role in their philanthropy. Many want to see the direct impact of their giving, others are eager to participate in a movement. Increasingly, people are donating because of being asked to do so by their friends or family versus an institution itself. The Web has accelerated these trends which represents a shift of power to the constituent.

Although fundraising revenue continues to increase, colleges and universities are also experiencing decreased donor counts and participation rates. This is especially alarming since each institution continues to graduate new alumni each year, which intuitively should result in more donors. The most obvious reasons for this decline are increased competition with so many other worthy causes and movement away from loyalty-based giving by younger generations, which has compelled many higher education institutions to articulate a stronger case for support. Yet, another reason is that colleges and universities are being held to an increasingly higher standard of accountability and transparency which has elevated the priority stewardship programs.

THE INTEGRATED EFFECT

The value of online marketing should not be measured solely by money raised online. There is increasing proof that online marketing attracts new donors and influences existing offline donors to give more. At the 2007 Convio Client Summit, Jeff Regen, VP Online Marketing & Communications at Defenders of Wildlife, shared how the organization uses online advocacy as a way to attract new constituents, and subsequently deploys a multi-channel approach using email, direct mail and telemarketing to convert non-donor activists to donors. The cohort of new non-donor activists recruited between January and March 2006 contributed over \$90,000 within 16 months after being exposed to a multi-channel fundraising effort. About 78 percent of the donations were ultimately yielded online.

The [Wired Wealthy](#) research that Convio conducted with Sea Change Strategies and Edge Research confirms that mid-level and major donors are increasingly wired, and online communications can help augment and enhance less frequent personal contact.

By combining the power of online fundraising with offline campaigns that leverage phone and direct mail, the Iowa State University Foundation has encouraged donors who make pledges over the phone to fulfill their pledges online. The foundation also includes URLs for customized donation forms in direct mail pieces to encourage recipients to engage with the institution online.

² [Direct Marketing Association](#)

Online marketing also enhances donor loyalty. Convio's joint [study with the analytics firm StrategicOne](#) in 2006 demonstrated that online engagement enhances the lifetime value of a direct mail donor through growing both gift frequency and donor retention rates.

NOW IS THE TIME

Current economic conditions indicate that competition for donors will intensify. Economically acquiring new donors and maximizing their lifetime value is more important than ever. Savvy colleges and universities will make the strategic changes and investments required to succeed online, to align to a world where power has shifted to donors, and to implement multi-channel marketing strategies. Money raised online can now more than justify the start-up costs of online fundraising efforts, and is a fraction of the true value created by effectively integrating online marketing with direct mail and major donor development efforts.

About Convio

Convio is the leading provider of on-demand constituent relationship management (CRM) software and services that give nonprofit organizations a better way to inspire and mobilize people to support their organization. The company's online marketing suite offers integrated software for fundraising, advocacy, events, email marketing and web content management, and its Common Ground™ CRM system helps organizations efficiently track and manage all interactions with supporters. All Convio products are delivered through the Software-as-a-Service (SaaS) model and are backed by a portfolio of best-in-class consulting and support services and a network of partners who provide value-added services and applications focused on the unique needs of nonprofit organizations.



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