Finding Gold

Using Advanced Prospect Research to Identify New and Hidden Donors

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By reading this white paper you will learn ....

- The four levels of donor data research

- How new donors are identified

- How we find hidden major donors among your current donors

- What wealth indicators are and why they are important

- The limitations of wealth research

- The differing segments of donors.

- Why relationships maps are essential

- How to find new candidates for your board

- How to find donor-advised funds and family foundations

- How to prevent undercapitalization

Eve started by saying, "*I doubt there is anything you can tell me about my donors that I don't already know*." Eve is the Development Officer of a state-wide foodbank. We did not end our chat there.

All About Eve

I am often impressed with how much development officers know about their donors, but the fact is *a lot of information about a donor's capacity to give is hidden. Advanced research can surface that crucial information for you and determine their propensity to give.*

The hidden information is especially relevant when you are seeking transformational gifts—gifts that cover multiple years, are made in exchange for naming opportunities, and grow your reserves.

The advanced research I am talking about allows you to have a more informed conversation with your donors.

While you need deep research in order to close on the highest gifts possible, getting that data is time consuming and complicated.

Worse, data vendors usually overwhelm you with more information than is actionable.

In Eve's case, her initial reservations evaporated after we completed our research. We found 373 hidden major donor prospects just within her own donor database. At the end of the research process actionable engagement plans were appended directly to her donor base, and the donor cultivation steps were scheduled in her calendar. Now, she's a believer.

Oh, I almost forgot! We found an additional 3,500 new value-aligned donors that were then added to her donor pipeline. Finding new donors is the holy grail of fundraising.

Advanced Prospect Research produces the highest quality donor data at several levels. Allow me to explain.

Data Research Levels

Prospect research consists of techniques used to learn about potential or existing donors' personal backgrounds, giving histories, wealth indicators, and philanthropic motivations. We use this information to evaluate a prospect's ability to give (capacity) and warmth (affinity/propensity) toward your nonprofit.

Further, there are levels of research that can be explored to find the best donors for your major-gifts work. Let's take a look at each of these research levels. Each one answers a different essential question.

Starting from the bottom up, we first ascertain the basics about your current donors, then we go beyond that to determine their affinity to your mission, their capacity to give, their propensity to give, and the range and strength of their relationship network as compared to your organizational stakeholders. Finally, we advise you on what to do with that information.
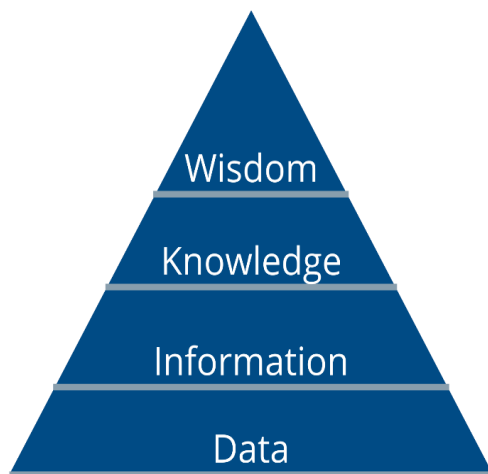
Wisdom: How does this new information transform my fundraising strategy and drive organizational growth?

Knowledge: How does this information enhance my fundraising strategy?

Information: What more *should* I learn about my donors?

Data: What can I learn about my donors?

Our ultimate goal is to fully capitalize your mission.

Data lying dormant in your donor base is not revenue in the bank. To raise the funds you want, there's a required step. That step is to design a multi-year roll-out plan that specifies the cultivation and solicitation process, along with an automated donor engagement program.

Ascertaining the right data is the key to turning the research into revenue. The right data is weighted toward actual charitable giving and does not rely on the value of fixed assets (real estate). The right data aids our understanding of donors' giving interests and values, not just their capacity to give.

Charitable Giving Indicators

What data underlies advanced prospect research? How does this data help us determine how likely an individual is to give?

There are actually more than 100 indicators! Here are the top ones:

- **Other Nonprofit Giving** – Donors who give $100,000 or more to at least one nonprofit are **32 times more likely** to make a similarly-sized donation elsewhere.

- **Political Giving** - Donors who have given more than $2,500 in FEC and charitable giving are **14 times more likely** to donate to a nonprofit than the average person.

- **Real Estate Ownership** – Donors who own $2+ million in real estate are **17 times more likely** to engage in philanthropy than the average person.

- **Business Affiliations** – The prospect with numerous friends or business colleagues might also be willing to invite them to learn more about your organization. Additionally, employer information lets you know if a donor is eligible to submit a matching gift.

- **Foundation Affiliations** – Private Foundations are the second largest source of charitable gifts, after individuals. LAPA's prospect research identifies whether or not each individual screened has an affiliation with a foundation. Our method regularly unearths **dozens of new foundation prospects** to augment your private grants portfolio.

Wealth screenings on full-donor databases are typically conducted every two to three years for high-performing organizations. In-depth prospect research should occur when a major gift prospect is identified, qualified, and moved into solicitation stage.

Caution

Many nonprofits buy wealth-screening services from data vendors that exist by the score, but when you talk with them a year after the purchase, as we have with over 100 of our clients, very few have raised more revenue. In fact, most reported to us that the amount of data they received paralyzed them.

The point of having the data is to turn it into revenue for your nonprofit. Knowing what to do with the data after receiving it is the real art of advanced fundraising. This is often outside the scope of service of the vendor who sold you the data but is of central concern to proficient fundraisers!

The solution is to join the data with an implementation plan as described above and to be guided through your decision-making process by fundraising counsel with experience in organizational development. Many nonprofits skip this step to their own detriment.

There are limits as to what prospect research can reveal. We cannot find actual net worth, nor can we find all charitable giving, only that which is specified in public documents. Most stock holdings cannot be found except those for directors, top officers, and folks owning 10% or more of a company's stock. Protected credit and personal data is off limits, as well as private debt unless it is recorded as a mortgage. The actual value of most privately owned businesses is not disclosed.

It is hard to find information on people who go to great lengths to hide their assets. Beneficiaries of trusts, limited partners, stockholders in private corporations, and minority stockholders in public corporations are rarely identifiable. The prospect may be long retired, a reclusive heir of a family fortune, or merely an individual with minimal assets and a low public profile. These, along with very high-profile prospects, are the most time-consuming subjects to research because we need to exhaust every possible data source.

Finding New Donors

So far, we have discussed 21st century techniques for taking a deeper look at your existing donors. Advanced prospect research can also be used to identify **new donors who are "value-aligned" with your organization**. Value-alignment means that they easily understand your mission and program goals and are engaged by your vision for the future.

Finding new donors simply baffles most fundraisers. No doubt it's the hardest undertaking in fundraising. Yet, advanced donor research eases that burden.

How Do We Do Find New Donors?

To identify new donor prospects, we take these steps:

- We access mega data bases to surface donor prospects in *close geographic proximity* to your organization's service area, refining the lists by zip code.

- We check the *philanthropic giving history* of each listed individual to see if any have given to organizations like yours.

- We research *nonprofits with missions similar* to yours, sometimes, hundreds of them, and find charitably inclined individuals among their donors.

LAPA Fundraising's advanced researches uses advanced proprietary analytics methods to evaluate data from over 100 fully compliant data sources. This generates four key wealth attributes to enhance your donor prospect research:

- **Annual Income:** Identify truly high earners using data that accurately predicts income at the household level

- **Net Worth**: Recognize truly high net worth by combining home value, liquid investment, and other proprietary data

- **Investments**: Find the truly financially secure in your database using the largest survey of financial assets to predict investments

- **Discretionary Spend**: Discover truly big spenders with data based on known buying patterns that accurately predict discretionary spending/household income

Securing the Donor Meeting is Often Harder Than Securing the Gift

We not only identify potential new donors but provide you with a path to secure a meeting with them! Donor meetings may seem an obvious step, but the truth is it's often harder to secure the meeting than the gift!

To give you a substantial advantage in securing donor meetings, we complement the donor data with Relationship Science and "relationship maps."
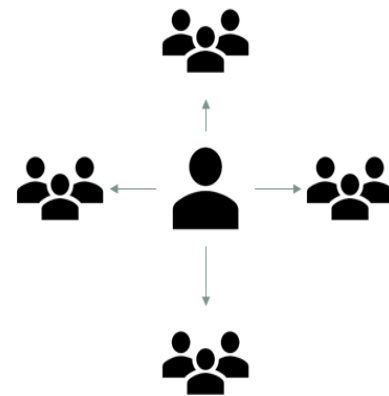
Relationship Science applies the principle of "six degrees of separation" to find connections between key stakeholders of your organization and new donor prospects.

Relationship maps enable fundraisers to chart the best route to a personal contact with new donor prospects through your stakeholders' existing network of connections.

"I learned that people are more likely to entrust the story of their lives if they feel that I care about them, that I know something about them, and can comprehend what they're telling me. So, part of the reason I prepare so much is to be worthy of the person I'm interviewing."

- Terry Gross, National Public Radio's "Fresh Air" host

Interpreting & Integrating the Research

In broad stroke, your donors can be segmented as follows:

- o Transformational donors
- o Major donors
- o Annual fund donors
- o "Bread & butter" donors

The criteria for these segments differ from nonprofit to nonprofit. Each of these segments are refined as we conduct our research. Some nonprofits have more than 100 or more donor segments at the conclusion of the research.

The segments help you….

- Better understand the motivation behind donor groups
- Tailor messaging to specific donors based on their personas
- Develop campaigns for each donor segment

Here's How Segmentation Research Will Serve Your Development Efforts.

Revenue Forecasts: The research will allow us to recommend how much revenue each segment is projected to contribute. Aggregating the segments will give us the total value of the proposed enhanced revenue program.

A Custom Rollout Plan: A custom rollout strategy should be part of the research work. The rollout will show how to integrate the donor segments into a cost-effective solicitation and cultivation process. The plan must include multichannel donor communications utilizing direct mail, digital communication, and in-person and online meetings to assure the maximum possibility of engaging the donor.

Moves Management: Moves management involves planning, over the course of the year, the "moves" you will employ to steward a relationship with a donor toward the goal of repeated and increased giving. A donor by definition is not someone who gives once, but who gives consistently at increased levels. By integrating the rollout plan with a Moves Management Program, you will have

an annual calendar for cultivating donors, a plan based on their true giving capacity.

Finding New Board Members: We study a pattern of concentric circles starting with those closest to your organization (trustees, lead volunteers, etc.) and then work our way outward through their network of connections, so that the people, foundations, and companies we identify already have a clear connection to the organization or the cause it serves. We eliminate those who have been previously involved or declined to participate. We create a profile of the ideal board prospect and see what obvious connections can be leveraged for a personal contact with such a person.

Identifying Family Foundations & Donor Advised Funds: Wealth research discloses who among new and prospective donors are associated with family foundations and donor-advised funds. This is a non-obvious benefit of the advanced techniques outlined here. We can discern which funds or family foundations are a right fit for your mission and geographic area of service. Unlike family foundations, donor-advised funds are not subject to public scrutiny, so research about who is likely doing business with one is very valuable.

Truly Fulfilling Your Mission

By focusing on steadily increasing the giving of your current donors, and by assessing the wealth indicators of prospective new donors, prospect research generates donor data that allows you to more efficiently surface and solicit donors at every level. You will know exactly the size of the donations to request so that you're not asking for more or less than the individual's capacity to give.

Having this advanced knowledge increases your fundraising *return on investment* and saves time and resources that can be dedicated to other types of fundraising. But it does not stop there!

Advanced prospect research ultimately fuels your organizational growth allowing you to fulfill your mission.

73% of nonprofits are undercapitalized. By investing in advanced prospect research, your nonprofit will avoid that predicament and have the resources to truly make a significant impact on society.

High-impact organizations choose LAPA Fundraising advanced donor prospect research to further their fundraising initiatives. Hear their stories at **the LAPA website** and in **this video**.

To learn more about the context for advanced prospect research please read Laurence's new book, ***Fundraising 401: Masterclasses in Nonprofit Fundraising That Would Make Peter Drucker Proud***, available for purchase online.

LAPA seeks to positively change the way nonprofit executives and their boards think about fundraising. We provide the models, the tools, and the expertise to empower our clients to significantly increase their revenues.

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