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Fundraising When Money is Tight

with Mal Warwick
Sponsored by Network for Good
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Jono Smith: I am thrilled to introduce our speaker, Mal Warwick. Mal has distinguished himself in the nonprofit sector as one of the world's leading authors, consultants and public speakers on fundraising and direct marketing. Mal is the founder and chairman of Mal Warwick Associates, a fundraising agency specializing in direct marketing, which last year merged with Donordigital.

Mal also serves on the boards of several nonprofits including READ Global in Nevada, which is engaged in sustainable rural development in Nepal and India and great nonprofits in California, which is partnering with major institutions to bring the voice of donors and volunteers to the forefront in evaluating the impact of nonprofits.

Mal has written or edited 18 books including his just published book "Fundraising When Money is Tight," on which today's talk is based. And speaking of which, Network For Good has actually purchased five copies of Mal's book and we are going to randomly select five registrants from today's call and send you a copy of "Fundraising When Money is Tight." We will be announcing the names in the follow-up email. And so, now, without further ado, I am pleased to welcome our speaker, Mal Warwick.

Mal Warwick: Thank you very much, Jono. It is really wonderful to be here with you and to have such a tremendous audience. I don't think I have ever spoken to 3,200 people before. I have prepared a PowerPoint to organize my thoughts and get me quickly through the next half hour to 45 minutes when I will speak. I plan to send that or a link to it to Jono, so that he can distribute that to everybody following the call. Let's take a look at what we are going to be doing here. I want to take a historical look at how nonprofit fundraising has fared in previous recessions and the Great Depression. I want to go through a few no-nos for fundraising in tough times, some of the more tempting responses that don't really make sense.

I want to talk to you about some very specific things that you can do to minimize your costs, to increase the efficiency of your fundraising operations and to ensure that your organization is in position to resume growth once this crisis has passed. So, let's begin by getting a little bit of perspective on the history, the relevant history.

Now, first of all, what we need to understand is that if we chart the growth of the US economy over the last 100 years, we find that it is a steeply rising curve that began in 1908 and continued through 2007 - a 100 years of fairly steady growth. And if you look at that chart - I have one in front of me - you will find it is very difficult to figure out where the Great Depression took place. In historical terms, therefore, even the Depression was a blip in the long-term growth of the American economy.

Now, in that context, it really should not be so surprising that if we have a take a look at just the recessions that have occurred over the last 40 years and if we adjust for inflation, we discover that in the recession years - and there have been many recessions since 1967 - the giving fell by just one percent. And in those periods of economic contraction when the recession lasted eight months or more, giving fell just 2.7 percent.

So, the conclusion to reach is that during the previous recessions of the last four decades, that even when the economy appeared as it did at that time to be falling apart, philanthropy was not very deeply affected. However, we know that today this recession may not even be a true recession. It is a global phenomenon. It is already 15 to 16 months long.

There have been some very substantial records in unemployment and economic contraction that have been falling lately, and there really isn't any end clearly insight. That light at the end of the tunnel is not exactly shining brightly in our eyes now. So, it is worthwhile, scary though it may be to ask, are we really facing a new depression? And if that's the case, let's look at that worst case scenario.

Let's take a look at how philanthropy fared during the Great Depression. Well, there are more surprises there. First of all, the giving to nonprofit organizations fell only very slightly the year after the crash, the 1929 crash. And it rose a year after that because people were really digging deeper. Now, from 1931 to '33, there was what looks like on a chart a very significant falloff in giving after adjusting for inflation. But, it was only 20 percent and meanwhile the stock market had fallen by 90 percent.

Now, we are doing poorly these days, but stocks are only down about half, certainly not 90 percent. And then from 1933 on, inflation adjusted giving rose very steadily throughout the remainder of the decade, faster than the economy as a whole recovered. So, for many types of nonprofit organizations during the depression, the circumstances may have looked bad, but they were really doing far better than the economy as a whole.

So, let's take hope from that. Let's not despair that just because the economy maybe in a tailspin that we are all doomed to bankruptcy. It is far from the case. And let's instead start taking up practical look at the things we can do on a day to day basis, both strategically and tactically to combat this economic downturn.

First of all, some of the no-nos. Now, for starters, don't panic. I know that there are many nonprofit organizations and this is true of boards and chief executives as well as staff members, who are panicking. And of course that's the worst possible way to respond to any crisis. If you are in panic mode, you can't make good sound decisions.

Some nonprofits have concluded that because so many people are badly affected by the economic downturn, that they ought to stop asking for money. That's a no-no as well. It is a big mistake to pull back from asking for money.

Now, another thing, one of the easiest ways to cut cost obviously is just to stop recruiting new donors, but as Jono indicated in his introduction, this is a very bad thing to do because you not only will lose money this year on the income side, but that effect will be cumulative in the years ahead.

Another easy way to cut costs that is very tempting and that many nonprofit organizations are very sadly looking at is to slash what is generally called stewardship, that's donor cultivation, gift acknowledgments, welcome packages and all the kinds of things that we do to make our donors feel warm and fuzzy and supportive.

Lastly, just slashing fundraising costs, thinking that across the board contractions will help save the day is a very unwise way to go. You have got to be much more selective. So, let's ponder for just a minute what happens if we just stop acquiring new donors for a year, because this is one of the most common responses among nonprofits generally.

Now, if you take a case that my staff has developed of an organization, let's say 8000 donors, that is growing fast, using direct mail to acquire new donors, bringing in 3000 new donors a year, so that it will not just replace those loss to attrition, but will continue to grow.

If that organization just continues on that path, spending what it takes to recruit those 3000 new donors this year, the amount of revenue that it will receive from its donors will rise nearly four times in five years, from just under a million to nearly five million.

That same organization, if it cuts back on acquisitions, just the first year and resumes it in the years to come, will see its income rise considerably to over three and a half million. The difference is one million dollars from that small organization, a million out of nearly five million.

So, five years down the road, its income will be 20 percent lower from its fund raising program, a million dollars. So, for an organization with 8000 donors at the outset, that is a lot of money, and it is a very dramatic example to me of how unwise it is to cut donor acquisition.

Now, you have to consider the trade-offs. Management is all about trade-offs. Fund raising ultimately is all about trade-offs because the decisions you make have consequences. So, if your donor base shrinks, as it surely will if you stop acquisition, you are going to raise less money.

If you just slow down your fund raising and not have as frequent appeals and maybe not even write to or call or email the same people, the same large numbers of people, you will have less money.

This affects our cumulus. In the extreme case, eventually the organization will die. And then, of course, where is your program? You can say, "Well, we have to sustain our program now, so we will slash our fund raising costs so we can afford to keep the people out in the field helping the poor."

But, if in fact that only works for a year or two, and the organization can't sustain that after that, then you are certainly not serving your constituents, your beneficiaries, nearly as well. You have got to look at the trade-offs.

So, let's look at a more judicious way to approach cost cutting. Let's cut costs with a scalpel, not an axe.

So, the first thing that you might take a look at is, depending on the size of the organization, how many transactions there are in your fund raising program, you might want to consider outsourcing the back office operations where you receive and process gifts.

Now, some organizations try to manage this with volunteers, and typically you will find that they introduced lots and lots of errors into the process. Unless those volunteers are extremely loyal and stay on for years on end, chances are that there is a revolving door there.

So, you have a management challenge of recruiting, training, and supervising volunteers or entry-level personnel. That is a way that - if you analyze the cost of that in-house operation, you may discover that you can do it more cheaply outside, if you take all those management and overhead costs into account.

Now, I am not suggesting that you not take a look at your donor acquisition program, whatever the means, whether direct mail or online or whatever, if you are spending money on unproductive sources of new donors. That is, if you have a direct mail program, you have some lists that are very productive and bring in high value donors and other lists that are very marginal, you might want to consider cutting back on the marginal lists.

Ideally, you will have an analysis of the long-term value of your donors. Sometimes, you can find out ways to arrive at those numbers from a variety of sources. There are formulas and procedures that are available to do that. And if you do analyze long-term value, you can do it by source or by list from which you acquire your new donors.

Those lists will show, that analysis will show, that some lists are dramatically better than others in bringing in high value donors, and that is a way for you to trim your donor acquisition program without causing major contraction in your donor file.

Now, another thing, a very rich source of active donors are those that have lapsed. Now, don't ever call a donor, to her face, a lapsed donor. But, we know that that means that she hasn't given a gift in - well, it depends on the criteria you printed there.

Some organizations classify a donor as lapsed if she hasn't given in 12 months; others in 18 or 24 or even 36, but wherever you draw that line, you are probably leaving a lot of money on the table if you are not working actively to reactivate those people because, within limits, up to a few years of lapses, you probably can have very decent results.

You are probably not going to have that much success online. We find donors are less loyal online. You may not have such great success in the mail.

But, if you telephone lapsed donors, the chances are reasonably good that you are going to be able to reactivate them in a cost effective manner, and a reactivated donor is likely to be more loyal and more generous than the average new donor you bring in through whatever means.

Another way that you can cut costs is to gang-print your materials. That is, for example, in your own organization, if you use 5000 envelopes in the course of a year and you have been printing a few envelopes at a time with each mailing that you do, you can print the 5000 envelopes in the course of a year all at once and save a lot of money.

Chances are you are already doing that or you have thought of that, but have you thought of getting together with other nonprofit organizations in your community or in your area of activity. If you are part of a large network, then you should be able to band together with other groups and collectively achieve some very significant savings.

Now, the important thing to keep in mind is that when you gang-print, the materials do not all have to have the same contents. As long as they are the same size and shape and use the same colors of ink, then you can arrange for plate changes, as they are called in the printing trade.

You can print up 20 different versions of a letter, 100,000 copies of a letter, paying at the 100,000 copy rate, rather than the 5000 copies you yourself might be printing. There is a huge difference in cost, even if you take the shipping costs into account, or if you are in the same community, just doing the pickups yourself.

Now, probably the most significant way that you can cut your costs, if you are doing any kind of fairly capital intensive fund raising - direct mail or telephone fund raising, for example - you can clean your mailing lists.

Most of the nonprofit organizations that I have worked with over the years, and there have been 100s, have been very, very casual about the way they maintain their mailing lists. They keep adding names, board members and staff members add names from their own address books as people who are friends and might or should be interested in the work of the organization. And those are not good prospects for giving.

And in fact, if you truly analyze the activity on your mailing list, chances are you are going to find that if you are mailing to 10,000 people on a regular basis, that only 2000 or 3000 of them have given you any kind of response at all in the last few years. So, you want to cut out the deadwood from your mailing list. That will cause you to save tremendous amount of money.

You will save even more if you do telemarketing, because telemarketing is even more expensive than direct mail as a way to reach large numbers of donors. It is very effective in many circumstances, but it is costly. And if you are calling people who haven't given money, haven't given more than $15 in the last three years, haven't given any gift in the last year-and-a-half, well you are probably throwing money down the drain.

You probably want to limit the calling to those people who have given some meaningful amount of money, at least $25 or $30 and you probably want to limit most of your telemarketing except for lapse donor reactivation to people who have given during the last 12 or 18 months.

So, really what this points to is the need for some significant analysis of the donors on your file. Whether there are 300, 3000 or 300,000, the language I use is to fish where the big fish are, to figure out how you can classify donors by the process of segmentation, so that you can identify those that have the highest possible likelihood of responding favorably to an appeal.

Now, this fancy word, this $10 word "segmentation" refers in the most general sense to three very familiar categories. The recency of giving, that is, the date on which the last gift was received. The frequency of giving and that's usually within a particular period of time, that is, how many gifts have been received from a particular donor during say the last three years. And the monetary level, that is typically interpreted as the highest previous contribution by that donor say within the last three years.

And then there was a fourth element that comes into play with particular importance in nonprofit fundraising and that's the source. For example, if people have been on your invitation lists for events and have even attended events. That's fine for events, but you are probably wasting your money sending email or direct mail letters to them or calling them on the phone and asking for gifts.

People tend to give in the way that they have given in the past. People have particular habits, most people do. So, if you combine all of these elements into a pattern where you identify those people who have given most recently, most frequently, at the highest level and through the source or channel that you are using for a current appeal, then you will find those that are most likely to respond when you send your solicitation.

So, you can develop a very simple segmentation plan based on these criteria that will allow you to identify that very small group at the top of your donor file, whether it is three people or 3000 people who are what might be termed "high dollar donors." These are people who have given at least one gift of $250 or more during say the last three years.

You can identify a second much larger tier of people who have given gifts in the range of $50 to $249 and have given at least a couple of gifts over the last year-and-a-half. There is a third tier where people have given much smaller gifts, but still $25 or higher over the last year-and-a-half.

And then you might have two other segments, lapsed donors who haven't given anything in a year-and-a-half and former donors who haven't given anything in three years or more. Now, I have thrown a lot of numbers at you and I am probably confusing you, but if you take a look at the PowerPoint that you will get afterwards, you will be able to see this graphically on the screen.

So, to maximize net income, you first want to eliminate deadwood from your list. You may want to cut back the mailing or phoning quantities in your solicitations. They cut out those people whose level of giving or whose frequency or recency of giving don't suggest that they are very likely to be responsive. You want to focus on the big fish, those people in the one or two segments at the top of your donor file who are most likely to give you the kind of response you really need, the large gifts.

Now, those people deserve special treatment. They deserve something other than just junk mail, for example, or just quick and dirty telephone calls. They require a kind of treatment that other larger organizations might give to their major donors that includes some kind of personal contact.

To maximize your net income, you want to vary the frequency and the character of the contact that goes into your fundraising efforts. And if you have the information on file, if you know the different interests, different programs or projects or issues that the individual donors have, then you can tailor your appeals to those different interests.

Now, another very important way, particularly during tough times, that you can maximize your revenue and increase the chances that your organization will thrive in the future is to build the strongest possible relationships with your donors.

Now, if you have gone to any fundraising conferences or attended workshops, then chances are you have heard that fundraising isn't about money, it is about relationships, and most of us do pay lip service to that truism. But, it is very important to keep in mind that this is real and you should be asking yourself at all times what have you done for your donors lately. Remember John F. Kennedy's comments during his inaugural, "Ask not what your donors have done for you; ask what you have done for your donors." Excuse the liberties I am taking.

The important thing to ponder is, do you know your donors? Do you know why they support you? Do you know what programs or projects or issues they are especially interested in? Do you know what they think about you? How much time do your key staff and boards spend with donors?

They really should be, your chief executive in particular should be finding ways to spend more time with donors, not less, not just despite the crisis but because of the crisis, your donors really need to feel as though you understand how important their gifts are. And when you acknowledge those gifts, you want to be very clear that they are warm and personal and explicit and personalized.

Keep in mind that even though you may not be able to afford the kind of red carpet treatment that I am advocating for your donors at the top, all your donors are your best friends during a crisis like this.

So, let's take a look briefly at some of the very low cost cultivation techniques that you can use that will help to strengthen those relationships with your donors. First of all your board and maybe top staff members should each be able to take three or four or five donors who have just given and call them. Each month, ask every board member to take three of your latest gifts and just call them to thank them.

This will have two effects. One, it will make the donors feel wonderful. They love to get calls from board members or the chief executive and two, it will make the board members themselves feel more engaged and they will love the experience. They will be reluctant to get into it, but once they do it, they will love it.

On a broader scale, you could organize a thankathon with all your board, staff and volunteers, strictly a volunteer operation or telemarketing firm. Just literally call all of your donors, you probably want to limit that to the active donors who have given during some relatively recent period. And you will find that if you do not ask for money, that you will strengthen those relationships and you will get more money in the long run. It will be cost effective.

If your chief executive or board chair aren't already signing thank yous personally to the donors at the top, then they should be doing that, at least now during this crisis. If there is no intimate correspondence now between your chief executive or the program director and the donors, particularly donors at the top, you might consider sending out an insider's newsletter.

Now, I don't mean one that goes to the designer and it is full of color and fancy graphics; I am talking about literally, even just an email that is very chatty and reveals the information about the organization's activities during the last period of time, perhaps on a quarterly basis or every two months.

I would just go to the donors at the top, perhaps your monthly donors and the donors who are in that high dollar group I alluded to before. And it does not ask for money, it simply fills them in on latest developments in the organization. A technique that I found especially useful for some of our clients had been periodic tele-briefings.

Get a toll-free number if you need to, if you are in a larger community or state wide or national and offer an hour on the telephone with the chief executive or a key staff person who has something really exciting to talk about. The CEO or the staff person leads with 20 or 30 minutes of report on the telephone and the reminder of the hour is, as in the case of this teleconference, available for Q&A.

You will find that a relatively small proportion of your donors will attend those, but I believe the evidence suggests that they will all appreciate it, because it is a great cultivation tool just to invite them. If there is some new development in your field on the issue that you are addressing, then you could have somebody on the staff convert an internal memo or report into a white paper and send it unsolicited by email or by mail depending on the character of the report, to either a selected portion of your donors or all of them.

Whenever you send a mailing to your donors at the top, attach with a paperclip the CEO's card, the executive director or the president or whatever the person's title is, attach a card to that letter and possibly even suggest in the letter, give me a call if you have a question or concern about anything.

And that will probably mean that a handful of your donors will call occasionally. You might turn up a pest or two, but the chances are that the biggest impact will be on those people who receive the card and never do anything with it, but are impressed to have received it.

You can also use a technique that my agency developed to work with some major national nonprofits. We call them donor consultation groups or advisory panels. These are informal nonprofessional focus groups where we selectively reach out to groups of donors, usually better donors toward the top of the file and ask them to attend a session to answer some questions for about an hour-and-a-half maybe over tea or coffee at a local hotel or restaurant with a quiet room in the back.

And you present some questions to them, "What do you think of our newsletter? How about this appeal? Do you like the new logo? What do you think?" And then you start conversation and you do not ask them for money and when you don't, you will get money because that's been our experience.

Now, all of this, as Jono indicated, is based on just a smattering of what I have written in "Fundraising When Money is Tight." The book costs less than $16 online at Amazon.com or barnerandnoble.com and I would love to have you buy a copy of the book.

So, I will be very happy to field any questions now. I think I have done this in about 35 minutes or so and I am patting myself on the back. I am feeling very good about that because I really want to answer your questions, OK?

Jono: Let's start out with a question from Glenn. "In solicitations by mail to new member prospects as well as renewals to existing members, would you recommend bringing up the economy versus ignoring it in your solicitation letter?"

Mal: That is an excellent question. It is on many people's minds. I have a very simple and direct answer to that. By bringing up the economy, you mean telling people sharing with your donors just how tough things have gotten for your organization because of the recession. The answer is no, a loud no. What we have discovered in experiments in texts both online and in the mail is that that does not work well. Instead, here is what I recommend. First of all, make sure that you are doing everything in your organization's power to cut costs intelligently, and tell your donors what you are doing in order to make your operations more efficient and more effective.

Second of all, tell them, brag to them, about how effectively you are delivering services to your beneficiaries or constituents. Talk to them about how their gifts will have even greater impact in this time when so many people are facing difficult times. But, don't complain that a foundation or a corporation has reneged on a commitment to send a grant.

Jono: Here's our next question, from Madeline: "You spoke of about direct mail. Can you share some current benchmarks for our sponsors in direct mail?"

Mal: No. I have to say that benchmarking in direct mail is a very treacherous proposition. Circumstances vary hugely from one organization to another and even from one list to another. Direct mail has become an extremely complex and technical field. There are more numbers than you can shake a stick at, and unless you know how to interpret them with a microscope at hand, then you are unlikely to get much value from them. I am sorry.

Jono: That is a very fair answer there. Next question is related to board members, and managing board members, and this is actually a two-parter: "How do you convince board members to donate when they feel they do enough anyway, because they do not have to actually give money as well? Last year, for example, our board did an event and raised $3000. When you add in staff and volunteer hours, it actually only came out to about 15 cents an hour. How do you get board members to donate, number one, and how do you tell the board that events are not the best way to raise money?"

Mal: Well, the way to show board members that events are not the best way to raise money is to show them the numbers. They presumably can read numbers. The other part of the question is very different. It is not a simple matter, and I won't pretend that it is, to persuade board members to become donors.

It takes leadership. Typically, the leadership has to come from the chair of the board, and you have to spend whatever time is necessary to persuade the chair or possibly the chair of the fund-raising committee of the board, if there is one, to give personally.

The arguments that you raise are as follows. First of all, board leadership helps to motivate other donors. Second, many foundations and corporations want to know that an organization's leadership is fully behind its work, and they will ask. I am sure many of you on this call have had this experience, being asked, "How much does your board give?"

A vibrant nonprofit organization will have a board that features 100 percent giving by the board. Now, I know many boards consist of people who are not at all wealthy, maybe even not at all affluent, maybe not even making ends meet, but I contend, and my experience bears this out, everybody can afford to give something.

Now, whether you establish a minimum or a minimum suggested gift for board members is a question that has to be left to board discussion, but to have requirements that everybody on the board give at least something each year is an excellent way to improve the fund raising capacity of the organization.

You can then argue with prospective donors that your whole leadership is behind the effort, and you can argue to foundations and corporations that you are doing everything you possibly can within your organization to meet the fund raising goals internally.

Jono: Next question comes from Joe. Joe says, "How does an emerging nonprofit begin generating a list of supporters, short of purchasing a list?”

Mal: That is a complicated question because I would need to know what kind of work the nonprofit is doing and where and how it is doing it. For example, there are ways to build an email list online that would not necessarily cost a lot of money, though it takes some very strong marketing and very significant work in crafting online information that will be of interest to people.

You can attract people with the offer of an online newsletter or something comparable, or maybe if you are involved in some form of influencing policy and you are seeking people who will engage in grassroots lobbying with decision makers in governments or in corporations, then you can offer them opportunities to sound off on those issues, and you can best do that, I believe, online.

If you are not capable, for some reason, of working online, and I think that is becoming decreasingly likely, then you can do some work in direct mail, but I would not encourage any young, new nonprofit organization to try to initiate a donor acquisition program in the mail at this time.

The costs are daunting and response is sobering, and it is not the best way for an organization to launch into fund raising.

Telephone fund raising is extremely useful with donors, but it is very questionable at best with prospects. I do not like to use telemarketing to acquire new donors.

So, by and large, if you are just beginning, I think that you should be looking to online operations via a website and very clever use of email to get the donor base built. Now, obviously, when you recruit people to subscribe to a newsletter, they are not necessarily going to be donors.

You don't want to ask them for money at the outset. But, over time, as you cultivate them, as you supply them with your newsletter or issue alerts and so forth, you can begin to ask them for money.

You can acquire their terrestrial addresses and send them letters, get their phone numbers and make phone calls, and over time, you can convert a meaningful percentage of those people into donors. But, it is not for the faint of heart.

Jono: Excellent. Great question coming from Mark about lapsed donors. Mark says, "We have about 30 percent lapsed donors that are over three years old. Our development department is stale to follow up and question them in our regional office. Do you have a timeline about lapsed donors that you do not go past? In other words, donors only last for one year versus three years? At what stage is a lapsed donor no longer a viable donor?"

Mal: That will vary from one organization to another. It will vary with your track record, with how credible you are with your donors. For example, a few years back, there was a scandal in your organization and lots of donors left. Well, it's going to be pretty tough to get those people back, I would think. If however, you have had a steady, typical trajectory in your history, and they're just simply lapsed for whatever reason - changes in circumstances, or loss of interest - then I think personally you're going to find if you call these people systematically, and you register the results by a year of lapse, one year lapse, two year lapse, three year lapse, and so forth, you're likely to find that the most responsive people who will reactivate at the highest rate are the one year lapses, next most are the two year lapses, next most after that, the three year lapses, and so forth.

Now, in some of the telemarketing work that I've done over the years, we've succeeded in reactivating people as far back as 10 years, which is almost inconceivable to me. But, it did work. However, that was a limited number of people who were the remnants of a file that had been cleaned and scrubbed half dozen times, and reduced to a very small number. So, those were good telephone numbers.

You're likely to find that as the number of years increases, it will be increasingly difficult to get good working telephone numbers for your lapsed donors. Most typically we find that lapsed donors that are three years out or four years out, even possibly five years out are worth calling. And below that is highly questionable.

Jono: Going back to the should we or shouldn't we economic theme, Harold says, "Will donors get put off by the fact that you are trying to grow during these difficult times? For example, if you're moving to a new facility or starting a new program, do you run the risk donors will perceive that you're not trying to develop properly?"

Mal: Well, possibly. It's hard to know what the circumstances are, but if you can argue that the new facility, for example, will increase your efficiency and help you reach more people in need, deliver services more effectively, and you can argue all that very intelligently in an appeal, then perhaps you can offset that.

Jono: And this question is related to annual reports. "We produce our annual report as a monthly wall calendar that features compelling volunteer and donor stories on a monthly basis as well as successes in financials. And the report actually generates $20,000 or $30,000 in donor revenues reported to us. It receives very positive readership in the survey feedback. However, some staff within our organization do not support this publication. They want a 'standard' annual report. Although it may be a little unconventional, unconventional is better than your plain annual report. Any thoughts here?"

Mal: Yes, one of my rules of thumb in this crisis is, "If it isn't broke, don't fix it." All right? If that monthly annual wall calendar, wall chart or whatever it is, is working as well as it sounds like it's working, then it would be foolish for you to try to switch, particularly now. The risks are high and I suspect strongly that you'll do better with your own unique approach than you would with the plain old white thread approach that most nonprofits take.

Jono: OK. Just a really straight-forward question from Jim. "Any suggestions for in kind donation asks?"

Mal: That's an interesting question. I believe that the donors can give you a lot more than just cash. Now, many organizations have volunteer opportunities and will take the opportunity to offer those to donors. And so that's not unfamiliar. In kind is another, is the third tangible gift that donors can give to you. Now, one of the things that we need to remember is that donors have their own lives and they may be involved in other activities that can be of great benefit to the organization. Just taking in kind, for example. Perhaps one of your donors owns an office supply business and would be very happy to either give free office supplies to you for a year, or give you a very steep discount on them, saving you significant money.

Perhaps there are other goods or services that people can give. How are you going to find out what those are? I recommend strongly that you learn more about your donors, that you do a survey that is actually a questionnaire in which you pose that particular question out to your donors. You could send a wish list and ask if people are able to contribute, say a laptop computer or a set of speakers, or whatever it is that you might need for your organization.

But, you should also be looking at the intangible gifts other than money that people can give to you. That would include perhaps specialized information. People who support charities tend to have some kind of connection to the issue or the cause that you're working in. And they may be specialists who have even more information available than your staff does. I mean, they could be experts.

And you may be able to gain great benefit by making known to them that you have opportunities available to take advantage of their skills and knowledge. You can appeal to your donors and you can do this through a questionnaire or a survey, as I suggested, that they can recruit new donors and new spokespersons and new volunteers on their own if you provide them with the necessary materials.

Lastly, you will find probably that some of your donors have connections with corporations or foundations that you didn't know about. And that they would be very happy to work for you, if you only make it known to them that you're interested in getting help in say, foundation fund raising. So, I would say that this goes beyond just in kind; it's a matter of making sure that your donors are treated like the partners they are and involved in the whole process of resource development for the organization and not just treated as walking checkbooks.

Jono: Excellent. We've got a couple of similar questions here from very small organizations, and Ada says, "Thank you for your suggestions, we found them very useful. However, a lot of the things you suggest seem to work for larger organizations that have funds and human resources. What do you suggest for small nonprofits such as ours that have only an handful of people who work full time and run on the side, and thus have limited time to make these calls, build these lists, outsource, et cetera?"

Mal: Well, I'm suggesting that you be more selective in the way that you approach your donors. If you have 200 donors and the three of you can't call all of them on a regular basis, figure out which 50 of them you are going to call on a regular basis, and find ways to bond more closely with them. If you do a newsletter, if you send out a printed newsletter as so many nonprofits do, then make sure that you're not wasting money on sending out to a thousand people who have never given you the time of day. Many nonprofit organizations make that mistake.

Many of these that may seem to be steps that are more relevant for larger nonprofit organization are, by extension, in a simplified form useable by small nonprofits. That's the best I can do.

Jono: Mark said, "You mentioned, ‘What have you done for your donor lately?’ Yesterday Network For Good published a summary of the MRSS study on the value of a premium for a donor's gift. Can you clarify if this is what you mean by doing something for the donor? Are you speaking of premiums, phone calls, personal letters, should a premium be targeted for the life of the donor, or just a reminder of your agency or ministry?"

Mal: I'm not talking about premiums. I am of that school that looks with a jaundiced eye on premiums. I understand that under many circumstance they can be highly advisable, but that, in my view, should not be the focus of any fundraising program. Because it then becomes a transactional operation rather than a philanthropic one. What I am referring to is in the nature of personal treatment. That would include information, access, and just recognition. Those are the things that will mean more to donors in the long run than all but of a handful of possible premiums.

Jono: And this question comes from Norman. Norman says, "By successfully merging your firm with Donor Digital, you've been able to combine the benefits of traditional offline and online fundraising," and he's curious how things have worked out so far. For example, do you any recommendations for nonprofits that are still struggling to integrate their offline and online strategies?

Mal: I make a number of concrete suggestions in my book. It would be hard to sum up anything meaningful in a minute on this telephone call. But, just generally speaking, I think it's important that nonprofits ensure that the people who are doing online and direct mail and telemarketing - if they in fact are separate departments or separate individuals - really need to be working together. If there's a communications or web department, they've really got to be working directly with the people who are doing the fundraising, because otherwise the messages will get mixed and you simply won't get the benefit of the online operation from the fundraising perspective.

Jono: And this is a new question. Tina asks, "I'm curious what Mal thinks of President Obama's proposal to limit the deduction for wealthy donors. What effects will this have on giving, and given the bigger picture, do you have any sense of the cost/benefit analysis?"

Mal: I agree with the President on this one. I know that I'm in a small minority in the fundraising community. AFP, the Association of Fundraising Professionals, has come out very strongly against this, as has every other organization I know of in the fundraising field. But, I believe, as the President does, that the impact on giving as a whole will be quite minor. First of all, just to put it in perspective, what the proposal would do is to reduce the deductibility, the percentage that can be deducted from taxes of people with incomes of $250,000 or more, to reduce it from 35 percent or in some cases 33 percent, down to 28 percent. So, we're talking about a 20 percent or 25 percent reduction in the amount of money that can be deducted from taxes.

Now, it is conceivable to me that somebody giving a multi-million dollar gift to an art museum would be affected by that in some way, although I can hardly imagine what the alternative for that person would be. But, for the run-of-the-mill donors, and even for many very wealthy donors, tax deductibility is simply not an issue.

The importance of the tax deduction is highly overrated by most people in fundraising. In fact, all of the studies that I'm aware of show that tax deductibility does not rate very high among the motives for people to give or not give.

Jono: Excellent. I've started reading your book, Mal, and there was a section in here that really stuck out for me, and I thought I would end my portion by just reading this brief section. You say that there are two overarching aspects of this book that as far as you can tell are unique among all the commentaries advanced in the nonprofit sector. "First, rather than simply reacting to the crisis, I've treated it as a strategic threat, employing a systematic scenario planning approach to envisioning the economic challenges we fundraisers might encounter in the months and years ahead. And second, I've gone far enough in depth to find hundreds of examples and detailed recommendations about the course of action I've recommended."

I think you've really done a great job on today's call of hitting both those points, both the strategic and the tactical level, and I certainly would encourage folks to go and check out your book to learn more about some of the topics you've covered today.

I want to thank you very much for donating your time, and I'll give you the opportunity to make any closing remarks you have.

Mal: Thank you very much, Jono. I have to say that this book - this is my 19th book, and I've gotten some pretty good reviews of some of the books in the past. But, I have never had the kind of response that I've had to this book. In the book itself, those advance reviews are all published. They blew me away. I knew that I was onto something when I wrote this book late last year, but it apparently is striking a chord and I'm very, very happy about that.

I hope that the advice that I give, both in this call and in the book, will help some nonprofits face the future with a little more confidence and a little more hope.

Jono: Absolutely. We've gotten off to a great start today. I want to thank Mal again, and thank everyone who attended today's call. I would encourage you to forward the transcript to a friend, share it among your colleagues, so we can be sure that Mal's great advice that reaches far and wide across the nonprofit sector. We look forward to speaking with you again on our next Nonprofit 911 calls. Have a great day, everyone.

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