

Nonprofit 911 – April 15, 2008
All You Need to Know about Choosing a Donor Database
with Robert Weiner
Sponsored by Network for Good

The MP3 audio transcript can be found at
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Katya Andresen: Welcome, everyone, to the April 15 Nonprofit 911 call, sponsored by Network for Good. I'm Katya Andresen. I'm the VP of marketing here at Network for Good, and we're really happy that you joined us today.

I'm about to introduce our speaker, but before I do so, just really quickly I wanted to let you know who Network for Good is, in case you're not familiar. We are a nonprofit, just like most of you on the phone, and our mission is to help other nonprofits like you raise money online. And we have a lot of things to do that. We have some tools. We also have these calls and different trainings we do. Nonprofit 911 is just one of the many free resources we have here at Network for Good.

In addition to this call, we have online fundraising services, like Custom DonateNow, where we give you a donate button for your website and process donations for you; EmailNow, which is a mass email campaign program; and a Donor Management Suite.

So if you're not raising money online right now, forgive me for this quick commercial, but we would love to help you get started doing that. That's what Network for Good is here to help you do.

While today's call is about selecting a donor database, it's not a donor review. We did want to take this opportunity to briefly introduce you to Network for Good's Donor Management Suite. So this isn't a sales call for the Suite, but really briefly, we do have a donor management product. It starts at \$99 a month and it's an easy and affordable way to break free from managing your donors in Excel spreadsheets, which is probably something some of you do or you may hear about from Robert today.

If you feel like you're paying too much for your current solution, maybe you want to check out the Suite as well. As a special bonus for people who are listening today, if you sign up for the Suite during April we will waive the set-up fee. So that's \$299 we will waive for you. So if you want to find out more about that, you can go to <http://fundraising123.org/getthesuite>.

So let me introduce today's speaker, Robert Weiner. He's president of Robert Weiner Consulting, and he's an independent technology consultant based out in San Francisco. He specializes in helping nonprofits make informed strategic decisions about the selection, use and management of information technology.

Robert has consulted for a wide variety of organizations. He has helped the Susan G. Komen Breast Cancer Foundation, Earth Justice, Emily's List, the California Hospice

Foundation, Mothers Against Drunk Driving, The Trust for Public Land, UC-Berkeley, Yerba Buena Center for the Arts, Pomona College, the San Francisco AIDS Foundation, Reed College, The Natural History Museum of Los Angeles County, the American Red Cross of the Bay Area and the San Francisco Ballet.

So, that's a pretty amazing resume. We're absolutely thrilled to have you here today, Robert. We thank you so much for volunteering your time, and I'd like to turn it over to you at this point.

Robert Weiner: Thank you for inviting me to be here. I have to apologize, I'm getting over a cold, so if I sound a little croaky during the call, that's why. I hope it won't be too disturbing for you all out there.

For those of you who do have the slides, and I hope that most of you do, I'll be referring to some charts that will be a little hard to describe without seeing them. But again, if you don't have them now, you can get them afterwards, off either my website on the presentations page, it's right now the top presentation. And my website is www.RLWeiner.com. Or off the Nonprofit 911 site. So don't despair if you don't have them in front of you. I will do my best to describe something you can't see.

For those of you with the slides, I actually took out the three agenda items in order to keep this within the time we have. So my agenda for today is, first why bother? Why are we spending our time on this call?

And I'm not going to talk about common mistakes. On the resources page there's a link to my article "10 Common Mistakes on Selecting Donor Databases." And I'm not going to talk about when to change. I'm assuming that you've all decided that it's time to change, by being on this call. And I'm not going to talk about "build versus buy." There's a link on the page at the end of these slides on why I believe that building your own donor database should be your last resort. Which is not to say that it's completely out of the question, but it should be the last thing you try after exhausting commercial options.

So I'm going to talk about "why bother," how to go about it through a needs assessment, through understanding the costs, through identifying potential vendors, and then testing systems against your needs. That's the agenda today.

This is not a vendor review. I'm not going to talk about specific systems. This is not a tech talk. This is for non-techies. This is a talk about the process of choosing a donor database, not the pros or cons of specific pieces of software or specific vendors.

And we should have time for questions at the end, and you can email questions throughout, and if Katya decides that she needs to interrupt me during the talk, she will do that.

So, onto the slide number two, for those of you following along. Why are we bothering with this call? I love this quote from my friend John Kenyon, who is a tech consultant for the nonprofits, that, "After people, data is your most important resource." What would

happen if you happen to your organization if you lost your entire donor history, if you didn't know who had given you what, if you didn't know what funds were restricted for which purpose?

There have been some very prominent stories in the newspaper lately about major nonprofits spending money in ways that the donor didn't feel was correct, and donors taking their gifts back and/or suing the organization.

You need a record-keeping system to track your donations, your donors, the events you put on, etc. The database should be you institutional memory. I usually the "get hit by a bus" or the "get hit by a beer truck" analogy, but someone the other day said they prefer the "win the lottery" analogy. You win the lottery, or your fundraiser or your program manager or your executive director wins the lottery and doesn't come back to work again. Can you reconstruct where they were with all of their relationships and all of their donations? Your database should allow you to do that.

And a good database should help you work smarter, work more effectively.

So, on to slide number three. And when I say number three, I'm referring to the numbers at the bottom of the page, not the number in the entire slide deck. What should you expect from your database? A good fundraising database should help you track what you're doing and what you received. It should track your donations, it should track your solicitation, it should track your constituents, and it should track the events you put on—who attended those events. It should help you monitor and forecast performance.

And I have worked with fundraisers who are amazingly good about being able forecast what their staff will do in the upcoming year based on new initiatives that they're launching and the history they have with those types of fundraising activities in the past. But they can come in usually within 2-5%.

And again, this is awe-inspiring to me. But they can predict how much they're going to raise, and the budget is based on that. You should also be monitoring your performance throughout the year so you can say, "Well, this is what we forecast, and we're doing better, we're doing worse, or we're exactly on track."

The database should also help you focus your work and work more strategically, so that you are asking the right person for the right gift at the right time, the "holy grail" of fundraising. And it should help you report to the people who need to hear from you. That could be your board, it could be your funders, it could be your constituents, it could be your donors, or it could be the general public, in your publications or on your website or in your email communications.

Your database should provide the information that you need in order to tell others outside your organization, as well as your colleagues in the organization, how you're doing.

So, on to the next slide. This is what I'm going to talk about today: how to go about

buying a database. The first step in this process is convening the right team and then deciding what your needs and priorities are, securing the funding -- and by this step I mean the general funding, knowing approximately what you can spend so that you're looking at the right pool of vendors, and then identifying that pool of vendors.

And then the last step, number five, which has five bullets under it, is testing vendors against your needs through, potentially, a request for proposals or a request for information, through a series of demos, through what's called "usability testing," reference checks, and possibly site visits. So that's what I'm going to discuss for the next 50 minutes or so.

So the first step in the process is convening the team who is going to make this either decision or recommendation. And the team could have either role. The team could actually be the decision makers or the team could be making a recommendation to senior management, and ideally senior management will accept their recommendations. And it is important that the team know which role it's in.

The team should consist of what I call "functional experts," or subject matter experts, in the areas that the database is going to address. And since we're talking about a donor database, that's usually direct mail staff, major gift staff, grant writing staff, gift entry staff, and IT staff. But this is not an IT decision. This is not a technical decision. This is a business decision about how you're going to run your nonprofit.

So the techies should be included on the selection team so they can advise you on the standards that are appropriate for your organization. You don't want to buy PC-only database if you're a Mac shop, or vice-versa. You want that database to be able to talk to your other systems ideally. It should be based on a technology that your techies support, but it's not a technical decision.

So in talking here, first I'm assuming that you have techies. You may not. You may need outside help; you may have a board member or a volunteer who can advise you on technology. You may have outsourced your technology to someone who can advise you on what the right standards are for a system.

And I'm also assuming here that there is more than one person doing all of these functions in your organization, that you have a direct mail staff person or one more; major gifts, one or more. And that could all be the same person. The point isn't how many people are on the team; the point is that the decision needs to be made by the people who are actually going to be using the database.

You need to get input from the people who will actually have their hands on the keyboard, logging into that system, getting the donations in and the data back out, running those reports. As well as people who might be sending data into the system but might not ever touch it, you might want to consult with them or have them on the team. And people who get reports out of the system, you might want to have them on the team. Or if you don't want to have them on the team, you should at least consult them so that

you know that the database can produce whatever reports or data feeds they're going to require.

You also need to realize that while you're trying to get input from everyone, you may not be able to satisfy everyone in this decision. You're probably not going to be able to afford, or necessarily even find a database that will do everything you can possibly imagine or that the team can possibly imagine.

So part of the exercise that I'm going to talk about momentarily, is going through a prioritization exercise so that you know which needs are most important. And it's important that the team understand reality, understand that you will be working within a finite budget and with the systems that are actually on the market. They may not get everything they want.

So, on to the next slide, number six. The first step in this process, after you've assembled the team, is to go through what's called the needs assessment. What are your requirements? What's working well now? What can you not give up? And what's wrong now? What are goals in doing this project? What are you trying to fix?

And maybe it's not something that's broken now, but it's some that, as you consider the growth of the organization is going to go through, you think will become a problem in the future. You've never done major gifts fundraising, but you're going to start major gifts fundraising within the next year or two. You're going into a capital campaign. You're going to be very focused on grant-based fundraising. You're going to start a planned giving program. And your current software won't support whichever of those activities you're planning. So those would be part of your needs assessment.

You also need to think about whether the problem you're having now is really a software problem. You may have -- and I frequently see this -- the exact right database, but either you don't know how to use it, you don't have training, the people who were trained have all departed the organization and no one has been trained since, and/or the database may have modules that you didn't license that can do what you need. You may have mis-configured the database so that it can actually do what you need but it's not set up to do it properly. Or the staff may be just the wrong staff in the wrong positions with the wrong support or not the right support, or not the right training.

And so software really isn't the problem, and new software isn't going to make your life any easier. And in fact, it might make your life even harder. So at some point you need to decide whether this is a truly a software problem, or a people or process or policy/procedure/communication problem.

If you decide that it really is a software problem, you need to focus on your top priorities. So first, what do you really, truly need? What are your deal-breakers? And to me, a deal-breaker is a single feature, a single requirement, that if the database cannot satisfy that requirement, you could not accept it no matter what. Even if the vendor gave it to you for free. Even if the vendor told you you were going to be a beta client for this system and

they were maybe even going to pay you for your time because they really value your business, you could not use the system because it doesn't satisfy this mandatory requirement.

If it's not mandatory, it's nice to have, that means you can live without it somehow. You can track data in a separate database, in an Excel spreadsheet, continue using paper files or whatever you do now. But, you could live without that feature if you had to.

For those features that are not mandatory, you need to prioritize them. Because, again, you're probably not going to be able to find or afford everything you can imagine. So you'll need to focus on meeting your mandatory requirements and then on the top-priority requirements that you could live without but that you really want.

And I generally rate requirements from a zero, meaning somebody suggested it but we would probably never use it, to a 10, which means a deal-breaker. And there are probably a lot of things that are 7s, 8s or 9s.

In addition to your priorities, you need to think about what you can afford and what you can support. There may be a database out there that can do everything that you can think of, every one of your requirements, but it may be vastly more than you can possibly spend. Or it may be so complicated that you couldn't use it, because it would require one or two dedicated staff people in order to support that database, to use it effectively, to get the data in, to get in data that you're not collecting now and would really have no way of collecting or keeping up to date. So what's the point of having a database that can store data that you really can't collect or maintain? So what would you be able to afford and support?

The next slide, number seven, is an example of prioritizing your needs. It lists just will fit on one slide here, some sample features that may be on a requirements list. And it may be a little hard to read, depending on how you printed this. But the first one is a global change feature, so you can do a group update, a mass update, of a field based on selection criteria.

The next one is tracking updates to records. Do you need to know who changed a record and when? Do you need to know not only who changed a record and when, but exactly what fields they changed in that record? Did they change the email address or the phone number?

And it can even go to another level. Do you need to know what the previous value it was in case the person who changed that field did it incorrectly? Each level of complexity for just one that question is going to require a more sophisticated database.

The next column after the requirements is a priority. And again, I use a 0-10 and then a list of comments that would help whoever is reviewing these priorities to understand why a requirement is important or not important.

There's a link at the bottom of the page to NPower Seattle, and they have a donor management selection toolkit. There is a similar document. They divide this into columns of "must have," "would be nice," "ideal," etc. I prefer one column, but basically the approach is the same.

You can see an example. The requirements that they listed are simply examples of requirements; they are not necessarily your examples. You should add in requirements that they don't have and take out ones that are meaningless to you.

You've gone through a needs assessment, you've come up with a list of things that could potentially be in your system, you've identified those that are deal-breakers for you, and you've prioritized the rest. Now you need to start looking for a pool of potential vendors.

Part of that is thinking about what you can spend. And in order to think about what you can spend, you need to think about what a database might cost. So slide number eight talks about some potential cost issues. Software is usually the smallest part of a purchase like this. It depends on the database.

For an inexpensive database, software may be the entire cost. But as databases become more complex, you generally need other things to go with them. The price for donor databases ranges from free -- for example, there are some systems where if you use under a certain number of records, usually 500, the database is free and then you start paying as you add more records.

There are some databases where as you add more users you start paying more. There are open-source databases that someone has put out on the Web and made available. There are commercial databases like Salesforce.com, with which Network for Good has a partnership. And Salesforce at its most basic level is free to qualifying nonprofits for up to 10 users, which is an incredibly great deal. You're not paying for the software. But in my experience, you have to pay for consulting help in order to configure that database to work properly for you.

So prices range from free to enormously expensive. I have clients who have spent more than \$1 million on pieces of software for donor management. I have clients who are spending \$25,000 or more a month on software where you pay a monthly fee. But I have clients who are using free or incredibly inexpensive databases.

There is no great metric for how much you should spend on your database. It really depends upon your need. But based on the clients I've worked with, I've generally seen a starting price for a database at approximately quarter of 1% to one half of 1% of the organization's annual operating budget—not the fundraising budget, but the complete operating budget.

So for a million dollar organization, usually they're starting out in the \$2,500 to \$5,000 range, although I've seen organizations -- a million dollar organization -- start with a lot less, and a lot more.

In addition to the software, you frequently need to buy a server to run the software on, unless it's Web-based software that the vendor is hosting for you. You frequently need to update, upgrade or replace your desktop hardware because the software requires more powerful computing. You sometimes need to upgrade your network so that you have a fast enough connection to the database or to share the database throughout your organization.

And then on the next slide, number nine, you may need additional modules. You may buy a piece of software where you can start very small, but then you need to plan for growth over time. So you can buy an events module, or a prospect management module, or the volunteer management module. You may need to purchase or have built customizations or interfaces to other systems.

You're going to need to train your staff somehow, and some vendors will bundle in at least a certain amount of training into the software purchase price. Sometimes it's extra, but usually you will need more training than whatever the vendor bundles in, because you will have new staff and staff turnover. The vendor will release new features, and you'll need to learn about them and pay the vendor to do that.

And that could be Web-based training. That can be inexpensive. But somehow you're going to need to plan for training.

Frequently you need help converting data from your system into the new system, and designing the business rules—who has access to do what. Are there triggers in the database that when you look at a record for a VIP something flashes on the screen and says, "Don't contact this VIP without clearing it the executive director first"?

You will need reports developed so you can actually get the data back out of the system. So usually that requires paying the vendor or paying a consultant who specializes in that database for conversion help. And in addition, you're going to need to pay usually an annual or monthly fee to continue using that software unless it's a free piece of software to begin with.

And for standard installed software, software that runs on your own server or on your own desktop, usually the annual fee is about 20% of the retail price of that software, not including any discounts that the vendor may have given you. Usually it's about 20% per year of the retail price of the software.

And my motto is, if you can't afford the ongoing annual maintenance of the software or you can't afford to train your staff on the software, you should not be buying that software.

So the next slide, number 10, probably looks like a confusing mass of jigsaw puzzle pieces. These are features that can affect the price. I'm not going to go through it in detail.

These are items that usually -- assuming that you need more than a few of them -- would drive you to more complex and more expensive pieces of software. Not always, but frequently.

The next slide, number 11, is a sample five-year budget for a \$5,000 piece of software. And this is a fairly realistic budget for the five-year cost of ownership for this \$5,000 piece of software. This organization needed to pay for training of five staff members on top of whatever they initially spent. They needed to upgrade workstations for five staff members. They needed to buy an additional printer. They needed to buy 20 hours of consulting time. So at the end of the first year, when they are live on the software, they have spent almost \$18,000.

And then over the next four years, they're paying for the annual support, the annual maintenance fee or license fee for the software at \$1,000 a year. They're paying for additional training for new staff members, or retraining for staff members. And they are replacing all of those workstations that they bought in year one sometime before year five. So the five-year cost of ownership ends up being almost \$30,000 for that \$5,000 piece of software.

So pushing ahead to slide number 12, you know what you need, you know what your top requirements are, you know what your mandatory deal-breakers are, and you know generally what you can spend. You don't know exactly what a database is going to cost you at this point, but you know that you're looking in the \$2,500 range or the \$25,000 range or the \$250,000 range.

Now you need to identify a few vendors for demos. I think that the best place to start is usually with your peer organization. If you are part of a professional organization of organizations who do similar types of work, that's usually a great place to start. Frequently there are deals between your national headquarters and vendors or deals between other chapter offices of your organization and vendors. But even if not, you can find out what other arts organizations or social service organizations or food banks are using.

You can also ask on general purpose lists. If you are looking at this presentation online or if you go to my website and click through the slides, there are live links to TechSoup. I host the TechSoup Technology for Fundraising Forum, which is a good place to ask about databases.

There is a list of lists called Charity Channel. They host several dozen different lists for different kinds of nonprofit questions and nonprofit organizations. There is a list for nonprofit techies called The Information Systems Forum. Those are all places where I frequently see donor databases discussed.

It's important when asking questions about vendors to talk about your organization. So, "We are a three-person nonprofit with no fundraising staff." Or, "We are a 30-person nonprofit with three fundraisers." "We have a thousand records." Or, "We have 100,000

records." "We expect to have one user of the system." Or, "We expect to have 25 users of the system in five different offices." Talk about your specific requirements so that you hear from like organizations.

Try to find vendors who have experience working with organizations that are similar to you, unless you are willing to take risks. Sometimes it is completely justified to take a risk on a vendor who has never worked with your kind of organization before because their technology looks good. They inspire confidence. They are interested in getting into your market. They are willing to give you a great discount in order to prove themselves in your market.

But only accept the discount if it is software that looks like it's really going to meet your needs.

So on to the next slide, number 13. Issuing a request for proposals can be a way of identifying vendors. I am very skeptical of RFPs because I see so many bad ones. But if you can ask very clear unambiguous questions that can be answered with a yes or a no and maybe some amplifying text, an RFP can be helpful.

The bad RFPs I see usually have big questions to which a yes can mean any number of things to different nonprofits. You really can't tell whether a yes means what you think it's going to mean because your question was so vague.

So, on this page I have some examples. This was from an actual client. "Show how your system would handle donations in dollars, yen, Euros and pounds." If you have such a specific requirement, a yes really means something.

Or, "Can your system hand track catering costs for an event?" That is a very specific question and a yes really means something. As opposed to, "Can your system track an event?" What does that mean? Does that mean RSVPs? Does that mean guests? Does that mean caterers? Does that mean table assignments? Does that mean host committees? Does that mean sponsors? You need to be very specific.

Recognize that any question you ask the vendor should be a question that you can score a response to. So a yes means something and gets points. A no means something and gets points.

On the next page, number 14, there is an example of how to score RFP responses. So I have two columns here. The first is the value, what that question is worth. In this case a 10 means it's a mandatory requirement and if the vendor doesn't get 100% score on this, you can't pursue that vendor any further.

So the first one is, "Can handle foreign donations?" The value is a 10. This vendor got a zero because they can only handle donations in dollars. That means you are eliminating that vendor.

So where the rubber really meets the road for me is on the next slide: software demonstrations. An RFP can be really valuable in either identifying vendors who wouldn't have been on your radar otherwise or narrowing the field because you have too many vendors to consider. You are really only going to hold demos with a few.

I think that three is the magic number for vendors. Fewer than three and you don't have enough points of comparison. More than three and it gets exhausting. In fact it gets exhausting very quickly. But three or four is usually the right number for demos.

The goal in holding demos is to be able to compare apples to apples between the different vendors. It's ideal to use an on-site demo whenever possible, which means that the vendors come to you. There is a live human being standing in front of you in a room.

But frequently you're not going to get that. If you're a small organization with a small budget, the vendors are probably not going to come to you unless they happen to be local because their travel costs would be more than they would sell the database for. So they could never recoup their expenses even if you bought from them, which you might not.

So in a lot of cases you're going to get a Web demo. I think Web demos should be shorter than on-site demos. I've done one to two day on-site demos for large, complex organizations. You can do that with a live human being. They are making eye contact and there is body language. You can take breaks and they can see when you need a break. With a Web demo, generally four hours is about the maximum you want to sit through. Two hours is usually ideal.

I don't like to mix and match Web and on-site demos. This has come up with several clients recently. If some vendors can come to you and some can't, I prefer to do Web demos with everyone because I think that the vendor who comes to you has an unfair advantage over the other vendors. That makes it harder to focus on the software.

In addition to how you're going to get the demo, the really critical thing is to use some kind of script to tell the vendors what they need to show you to prove that they can meet your requirements. The demo should focus on those areas that emerged as your top priorities in your needs assessments, so those mandatory requirements—the unusual ones.

There will be some that every vendor that you are looking at can do and you don't really need to spend time on them. There are some that you can get answered through requests for proposals for requests for information, so just asking some basic questions. "Do you support Macintosh?" That might be something you don't have to spend demo time on. But the focus of the demo should be on your top requirements.

On the next slide, number 16, I have an example of a very simple demo script. It's essentially a list of bullet points:

- Show how to enter gifts, including a corporate match with a soft credit to the individual.

- A soft credit is sometimes called a recognition credit. So the individual gave \$500 and the corporation matched it one for one. You want that individual to be treated like a \$1,000 donor even though they only got a tax receipt for \$500. The corporation supplied the other \$500 of that thousand. So, show how you would do that.
- Show how you can track multiple relationships. We have a need to track spouses in records because some of them are volunteers or board members or VIPs or whatever. We need a separate way of tracking the husband and the wife.
- We need to track the parents separately from the kids. We want to track the individuals separately from their employers. We need to track different contact people at corporations. So show how you track relationships.
- Show how you would track a grant proposal from the letter of intent or letter of interest through to the award.

All the conversations that take place with the vendor to find out first, "Do you qualify," and then to submit a detailed proposal and then you hear back when they will make a decision. Then you hear back a yes or no.

Even if it is a no, they might say, "Well, come back to us next year. We had given away all our funds for this year but we really like what you're trying to do and we would like you to come back." So how do you track all those steps in the grant proposal process or selecting records or creating and report? So these are a series of bullet points based on your needs.

The next page, slide number 17, is a complex demo script. So it says exactly what you are going to do, not just functions you need to see. "We need to see how you add a record for this \$25 donor, and then how you add a separate record for this \$10,000 donor with a multi-year pledge and how you track that pledge.

"Then those two records, those two separate individuals are married. So we need you to marry those two records and join them and change the last name of the wife.

"Then they divorce. So you need to take those apart and show me that both of those people are still major donors because they split the estates. Or show me an example of a particular kind of report. (My example here is a LAPSIT donor report or a LIBAC report.) Or create a mailing list of donors or invitees for a particular event or mailing."

So that is a more specific and complex kind of script. Either of them can work depending on the complexity of your needs. Every vendor would be required to go through that script. I always give the vendors some time to show things that are unique to them. But the focus is really on the script. I invite absolutely the selection team that we convened at the very beginning of this process. But I also invite anybody in the organization who is interested.

The next slide, number 18, is an example of a form to collect input from everyone who attends. So this is a very simple form. It just breaks down the demo into broad categories: data entry, membership, management, etc., and asks people to rate the demos. Again, I use a one through 10 scale, and can add any comments.

These should not be anonymous because it's critical to know that the person who is going to have to do gift entry rated a system poorly or well on its gift entry features. It's much more important to note that the gift entry person rated poorly or well than to know that the receptionist rated it poorly or well on gift entry.

The next slide is an example of a complex rating form, where every single step in the demo will be rated. Most of the time, I use the first type of approach, with the overall ratings. But with some clients with very complex requirements it really is better to use the detailed rating form.

So, going on to slide number 20. You have gone through demos with all of the different systems that you are going to look at. Now I strongly recommend trying to get access to a demo copy of the system, which could be a disk the vendor sends you, or they could make it available to you online.

Like your script, make a list of things that you want to test. So we want to test entering some gifts. We want to enter some matching gifts. We want to enter some soft credits. We want to create some relationships. We want to run a report.

With every vendor who has survived the final stage of your process, which may be just one or it could be all three or four that you demoed, you would go through those different steps with the system, ideally with some coaching from the vendor because you don't know this system. You haven't been trained and you are fumbling around. So the more help you can get from the vendor, the better.

At the end you are rating just like you rated the RFPs if you used them and you rated the demos. You are rating the usability of the systems. On this slide is an example of something called the "System Usability Scale" that Digital Equipment Corporation developed a couple of decades ago.

It's very simple, with questions like, "I think I would like to use this system frequently" and rate it from strongly disagree to strongly agree. Usually the selection team is the people doing the testing but it could involve other people. Everyone will fill out a rating form and at the end you will see which systems tested best in actual use.

Then the almost-final step is to check references. So you saw the demos and you saw some things that looked really easy and simple to you. Talk to clients about whether it really is as easy and simple as it looked or as complicated and confusing as it looked.

Things that in your usability testing you found cumbersome or confusing or could not figure out how to do, have these clients been able to figure out how to do them? Was it

just because you haven't been trained?

So you will come up with a list of questions based on the specific demos you saw and on your usability testing. Then you'll have a list of general questions that have nothing to do with what you saw in the software, about the vendor support.

Do they do their work? Did they install on time? Did the software cost what they told you it would cost? Did they answer your questions promptly? How buggy is the software? Do they introduce new bugs every time they upgrade a version of the software?

You need to talk to enough references to distinguish between bad clients and bad software. So if you hear something from just one site about problems it could be that that one site isn't trained properly, didn't configure the software properly or outgrew the software, but can't afford to change it.

At the bottom of this slide is a link to a book chapter I wrote on selecting a donor database. It has a list of sample reference check questions just to get you started.

I essentially approach reference checks like reference checks for hiring someone. You may live with this database longer than you will live with most of your new employees. So it's critical to ask the detailed questions about the software.

Optionally you may want to visit client sites that are using the software and find out how it works in real life. That can be incredibly educational. If you are in a city where you can easily find other organizations ideally similar to you in size and complexity, using that software, that can be great.

But if you have to get on an airplane and put a bunch of staff members on airplanes in order to visit a bunch of different sites, it can be very expensive and time-consuming. So that's why I say it's optional. But I do think that it can be very helpful to see the software in real life.

Then your final step here, on slide number 22, is getting a full, final-cost proposal. So when you started this process you generally knew what the vendors cost approximately and you knew approximately what you could spend.

But particularly with software that is sold by module, you really won't know what the final cost will be until you go through a question and answer session with the vendor and say, "Well, based on the demo and our needs we think we can do without the events module. We can keep tracking that in Excel or in our FileMaker database. But we really need the volunteer module."

That's going to give you a different price than if you needed both or if you needed neither. So usually you will get the final-cost proposal at the end. The final-cost proposal should also include what the training will cost, what the conversion will cost, etc. Then you'll know whether you can actually afford that database.

You may go through this entire process of reference checks and usability testing and getting final cost proposals from all of the vendors on whom you did demos or you may only do this for the one vendor who looked the best. And if their cost proposal is completely out of your range and you can't negotiate something with them that works then you might go back to your second-choice vendor.

So, on to the last point. We are done with the selection process. Databases don't raise the money. I'm looking at slide number 23 here. Databases don't raise money. People raised money before they had databases. I started in this industry working with index cards and addressographs and paper files. People were raising money before there was computer software.

But databases can really help you focus and work smarter. They can help you prioritize so you're focusing on your best prospects, not everyone simultaneously. They can help you segment your list, so you send a different appeal to your top donors than to your bottom donors; to your best prospects than to your worst prospects; or, to your most responsive prospects or most responsive donors than to donors who haven't responded and need something to reinvigorate them.

They can help you manage your relationships with your major-gift prospects and your foundation prospects. They can help you steward your donors, which means not just treating them like a cash machine, but taking care of them, keeping them informed about what you're doing with their money, about what a great steward you are of their trust in you and about all the wonderful work you're doing, so that they feel involved and they supported, and they know that you are a good investment for them.

They are inclined to support you again at least at the same level, ideally a higher level when you ask next time.

It can help you identify future donors, people who are on your list now or who may have attended an event or volunteered for you but who are not donors, but on whom you should be focusing.

As a fundraiser, the database can help you manage your time so that you are focusing on your best prospects, your top prospects and not running from fire to fire and trying to do everything at once.

As I said at the beginning, the database can help you measure your work so that you are on track and forecast how much you will raise in this fiscal period or in this year, and then monitor when you're reaching those goals. And again, the Holy Grail, asking the right person for the right gift at the right time for the right purpose.

Having all of this information in a database, accessible to the right staff people who need to work with your prospects and donors is critical. Again, you can do this without a database, but you can be so much more effective with one.

Recapping where we've been, these are the steps in this process:

- Convene the right selection team
- Get information from the right people about what their needs are and have that right team guide the process
- Specify your needs and prioritize them and specify which of your needs are deal-breakers versus which of your needs are top priorities versus which are merely nice to have
- Secure a general pool of funding, so you know approximately where you should be looking in the vendor market
- Identify the pool of potential vendors, perhaps through a request for proposals, asking similar organizations, asking on general purpose lists, etc.
- Test the vendors against your needs through potentially the RFP, where vendors say yes or no they can do what you need, through a series of scripted demos where you get your hands on the software, through reference checks and possibly through site visits
- Determine the real final costs so you can determine whether you can afford that software, or if you can, which modules in that software you can actually license now

And the next couple slides are some resources for the study, some articles I think are valuable in thinking about donor databases and identifying vendors. And I have a long list of links to articles about donor databases as well as other technologies for fundraising on my website. A link to my resources page is at the end of slide number 26.

So, I'm now finished with the formal part of the presentation and we've got about 12 minutes left for Q&A. So, Katya, have you received any questions?

Katya: I have. First off, let me just say, fantastic presentation. That was terrific. Lots of people enjoyed it. And I want to remind everyone on the line, you can email your questions to fundraising123@networkforgood.org. We would love to hear from you and we would love to take your questions.

The first question, and it's sort of asking you to build off a bit on what I think you have on slide 23 as you were wrapping up here. It says, "You've covered nicely how to think about the costs of doing this, but at a time when talk of a recession and money is tight, and my executive director is cost-averse, how do we make the case that there's a good return on investment here? How do we show that a donor database is worth it financially for our organization?"

Robert: That is such a good question. I have never seen what I think is a reliable ROI analysis on a donor database. It is very hard to prove that if you prove that if you have a new database that you are going to raise X amount more money.

What you can do is talk about what you need to do that's part of your strategic plan for the organization or the strategic plan for development. And what you would have to do now to accomplish that, and how long it is taking you. You can quantify staff time. "For every major solicitation we have to go through these steps and keep the data in these cumbersome ways. If we had this new database..." -- and usually this comes after you've seen the databases and what they can do -- "Then we could accomplish these other tasks."

I have clients who were building their own databases and they could quantify what they were spending in staff time on developing and supporting their own database versus what it would cost them to buy an off-the-shelf database, and how much staff time they would save.

So that's a fairly straightforward way of doing it. But I more often see organizations that are looking at getting into major-gifts fundraising and they have no effective way of managing their major gifts prospects, or they're tripping over each other. The left hand doesn't know what the right hand is doing. They have more than one fundraiser working with the same prospect. And this tends to be the case at bigger organizations, where you might have a corporate foundation fundraiser and a major gift officer that are both working the same person. They don't know that each other is working with the same person, and end up tripping over each other. As a result, they're being chastised by the donor.

You can also point to problems that you're having. So frequently, donor complaints, incorrect solicitations, incorrect receipts, poor segmentation, advice from fundraising consultants on what you will need in order to support a more sophisticated campaign, can also help you determine that you need more sophisticated software than what you're using now.

But I wish I had a really nuts-and-bolts answer for that question. I just have never seen an example that has been persuasive to me other than staff time or hard costs in developing or supporting your current system versus what a new system might cost.

Katya: It sounds like that's something that needs to be developed. Thank you. That's a great answer to the question.

Jamie had a question regarding slide number eight. She says, "Robert, how will you know what kind of hardware a database might require you to purchase? Will the vendor tell you?"

Robert: The vendor will tell you, but what the vendor will tell you is what the vendor wants to sell you. Now, there are vendors with very ethical salespeople, and partly that's a trust issue. So a vendor with an ethical salesperson will say, "Well, you really don't need the events module." But a vendor with a quota-driven salesperson will say, "My goal is to

sell as many events modules as I can before the end of the quarter."

So it's really based on your requirements. You need to determine what is important to you. And I'll keep using events. We can manage our events in Excel. If you can manage your events in Excel, then it would be nice to have a system that would track events in the same database as you track your fundraising, but you could live without it if you had to. If you could afford the events module, you would buy it. If you couldn't afford it, you would live without it.

So, to me, it's part of the prioritization exercise. Things that you rated as, to me, sevens, eights and nines, you should really be looking for in the system. And anything you rated as a 10, you have to have in the system, with the caveat that a lot of people will rate things as 10s that really aren't 10s. So part of my job as a consultant is to push people on things that I don't think are 10s but that they said are 10s.

So this is so specific to each organization's needs that I can't really give you a general answer. But you need to make sure that the things that are critical to you are at the top of the list, and things that aren't critical are not put artificially at the top of the list. And then try to find software that will satisfy your top requirements.

Katya: Great. Thank you. Sara was asking, "How long do you anticipate the entire research process will take?" And she also asked, "If vendors aren't enthusiastic about providing a demo copy of the software, how can we encourage them to do so?"

Robert: The first question, how long does this take; I think it generally takes about three to six months for organizations from the start of the process to the end of the process. I don't think I've seen it done much faster than three month; I've certainly seen it done much slower than six month. A very large, complex organization, a chapter-based national charity or one of the big name-brand organizations or an international charity or a university, I've seen it take one to two years to make the decision.

But for most organizations, three to six months, sometimes six to eight, is pretty normal from start to finish—from starting our research to assigning the contract.

And, Katya, what was the second part of that question?

Katya: And then she was asking, what do you if people don't want to show you a demo? Or your vendors are being recalcitrant about sharing demos?

Robert: I don't think the question was the demo, I think the question was giving you a demo copy of the software. Most vendors, in my experience, will do that. If the vendor won't give you -- I really want to touch the software. I'm a "prove it to me" kind of person. If the vendor won't give you access to a demo copy of the software either online over the Web, or send you a copy of the software, I would be a little suspect of that vendor.

It could be because the software is just so complicated that it needs to be configured, and

there are sometimes reasonable answers to the question of why that vendor can't do that. But most of the time they can. If the vendor can't do it, but its software that you're still interested in, I would look at either site visits to go see clients that are actually using the software, and/or a visit to the vendor's headquarters or a local office where you can see the software in action.

But I really want to see something beyond just the salesperson who does this every day and they're trained to make it look easy. I want to get more detail. So that's where a site visit can be incredibly helpful.

Katya: Anne wants to know the pros and cons of Web-based databases.

Robert: I'm generally pretty pro Web-based database. First, in order to use one, you have to have a fast, reliable Internet connection. If you don't have a fast, reliable Internet connection, you don't want to go in that direction.

So a lot of organizations that are in rural areas and they only have dial-up service, you really don't want to be running that type of software, because it generally needs a lot of bandwidth and it'd be torture to use over the Web.

The pros are someone else is taking care of the server, so you need less hardware. Frequently you need lower-end hardware on the desktop, so you need to have the latest and greatest PCs or Macintoshes in order to use the software, you just need a Web browser. Someone else is taking care of the security for you, which is not to say that it is foolproof. No one is foolproof on security. But usually vendors have lot more resources and spend a lot more time worrying about security than most nonprofits do.

And the vendor should be taking care of the backups for you, which most small nonprofits are terrible about. And without a backup, you could lose your data, even though you've got this record-keeping system that's keeping track of everything you're doing. If you're not backing it up and something happens to the software, boom, it's all gone. So those are the advantages.

The disadvantages are, if you have a poor connection, you're going to hate it. If your connection to the Web goes down, even if the vendor is still up, or you lose power, or the Internet goes down, which happens occasionally, you could lose access to your database for some period of time. And these things always happen at the worst possible times, so it will happen the night before your gala. It will happen the night before your biggest mailing of the year.

So you need to be prepared to have some form of backup on site. So not just the backups the vendor has. I don't want to have something that is at least a month old—ideally a week old or a few days old, that I could at least throw into Excel and run my mailing or see who has RSVPd for my event.

And then worst case, the vendor goes out of business. If the vendor goes out of business and you've got the database on your own server, the database will keep running. If the

vendor is a Web vendor and they go out of business, the database could be switched off the next day. So, again, getting access to backups on a regular basis is critical.

Katya: OK. We have a batch of questions. I want to tell people, if we don't get back to you on your questions, we will be coordinating with Robert to make sure you get an answer. But real quick, if you could fit in two. We've gotten a couple of questions about QuickBooks.

Specifically, Bob asks, "Small organizations such as ours use a bookkeeping service rather than keep books in house, thus we are not able to take advantage of donor software that interfaces with QuickBooks or other financial software. We'd be interested to know what export solutions might exist from donor software that might allow us to give an electronic file to Book Minders, our firm, so that this entry can be done accurately and quickly and the two sets of records can be coordinate well."

And relatedly, Ann asks, "Any comments about interfacing with QuickBooks in general?"

Robert: Pretty much any -- I can't think of a donor database on the market now that can't export data. And to me, that would be a deal-breaker. If I came across a database that could not export data, I would not pursue it, because it would mean you would be locked into that database forever.

So you do need to be able to export data for all kinds of purposes, one of which is feeding your general ledger. As far as whether your bookkeeping service will accept, or your controller or CFO, will accept an electronic feed into the accounting system, that to me is a religious issue that I think it like the Mac versus PC issue.

I am working with a controller now who says, "Under no circumstances will I re-key donations. It's electronic or nothing." I've worked with controllers who were exactly the opposite. They have to see every transaction, which they feel that their reentry of that donation is more accurate than it would be if they got it electronically. I don't understand that point of view, but I do come across it fairly often.

So you need to make sure that your bookkeeper or your CFO will accept electronic feeds, but you should certainly be able to give them one. And then there are certain flavors of electronic feeds. A lot of bookkeepers may just want a summary by fund. So there may have been 100 donations that day all to the same fund. They just want an amount and the fund number.

Some bookkeepers or controllers want the detail. And sometimes all the detail, including the donor name, address and phone number. So, again, it's a preference driven by your controller and sometimes by your auditor. I generally prefer the summary by fund, but it's really up to your controller or your bookkeeper.

Katya: Great. Last question, if you can spare 30 more seconds. Several people asked about consultants, one specifically about consultants to help with Salesforce. Another

said they aren't even sure how to go about the needs assessment, and is there help out there for that. Are there resources that you can point people to that you haven't already covered?

Robert: As far as Salesforce, the Salesforce Foundation has a list on their website of business partners—consultants that specialize in Salesforce and have been trained to do that by the Foundation. So if go to SalesforceFoundation.org, you can find that list. You could also email me and there are several I know. They're all in San Francisco. I'm sure that they're all listed on Salesforce Foundation's website.

You could also go to TechFinder.org. And I assume if you search for Salesforce, you would find those partners there. And I would do the same finding consultants to help with the needs assessments. I certainly do that. But if you need somebody that's closer to you, I would go to TechFinder, which is a TechSoup database of nonprofit consultants. And you can click on the donor database category and then you can put in your zip code and the number of miles of range to search, and find people who work on donor databases.

Not all the people who work on donor databases do needs assessments. A lot of them build databases. And a needs assessment has to be part of building the database, but that's different than buying a database. A lot of them are vendors who sell you databases or implement databases, so you need to look at those entries and see what you can get.

On the resources page of my website, there are a lot of articles about how to go about buying a donor database. And there is a link, both in this presentation as well as on my website, to that NPower Donor Management Toolkit, that will guide you through with several different forms you can fill out, guide you through the needs assessment process.

Katya: Great. And, Lauren, we can also send you an additional list of Salesforce consultants that we work with for our own Salesforce products.

Robert, thank you so much for your time. This has been tremendous. Again, there area couple of questions that we didn't have time to get to, but we will follow up with you via email, if you email those to us.

And I want to let people know this is the first in a series on donor databases. You don't need to re-register for the other three parts. You'll automatically be registered and we'll send you the information if you'd like to participate. If not, you at least have the links. You can go back and listen to it another time.

Our next call is Tuesday, April 22: "Help, My Donate Button Doesn't Work: A Rookie's Guide to Online Fundraising." So if there's anyone out there who has their donation button up there, or even has a database, but they're not having enough dollars flowing through that, this will be sort of beginning level call on things to get people to your site, get people clicking on your button. Again, that's April 22, more information at www.fundraising123.org.

Thank you, everyone, so much for joining us. Again, www.nonprofit911.org is where you

can find all the notes, contact information, links to Robert's site, which is full of resources. And I want to take this opportunity to thank him again for donating his time. This has been incredibly helpful. And judging by the response, I think helpful to everyone on the phone.