

CAPITAL CAMPAIGNS ARE BROKEN

WHAT HAPPENED AND
HOW TO FIX THEM



RECORD-BREAKING CAPITAL CAMPAIGNS ARE THE BEATING HEART OF UNIVERSITY FUNDRAISING

Capital campaigns have generated trillions of dollars for colleges and universities around the country and are responsible for scholarships, new buildings, and program expansions. How could something that has served colleges and universities so well actually be stretched to the breaking point?

The capital campaign has been pushed to its limits

Capital campaigns grow with each new iteration. It's the nature of the beast—goals are considered the signature achievement of the president, executives, and the major gifts team. Since the need for new funding is so great, and resumes are built upon campaign success, no one plans a new capital campaign that's smaller than the previous one. There is tremendous pressure to smash the existing record. Campaigns continue to grow larger and larger.

Why are 'record-breaking' campaigns unstable?

Capital campaign growth skyrocketed in the 1990s. Even as bequests, foundation and corporate gifts remained steady, the number and size of individual gifts exploded. Suddenly it didn't seem crazy to embark on a record-breaking campaign when big mega donors could complete half the campaign with one check.

Relying on individual donors is a huge risk

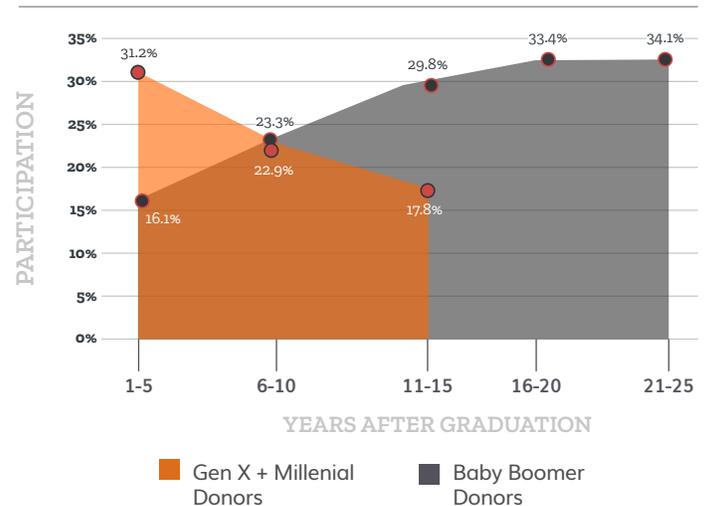
Mega donors tend to be one-time wins. If one campaign goal becomes inflated due to the participation of a generous mega donor, subsequent campaigns are set up to flop. For most schools, it's unlikely that previous mega donors will be able to participate at the same level, or that new mega donors will pick up the torch. Institutions find out the hard way if their campaign goals are actually too big for their constituents to support. If a few key donors never materialize, advancement staff are left trying to develop new major donors on a tight timetable as well as squeeze more from their core supporters.

Alumni participation trends make big campaigns tricky

New alumni participation trends make it even harder to meet big campaign goals without relying on mega donors. We tracked alumni participation for the past 40 years and found that Gen X and millennial donor participation peaks directly after their graduations and then falls off rapidly. For alumni who graduated before 1984, the opposite was true; donor participation actually grew in the years following their graduations. Participation only leveled out once they reached their 40s.

These changing trends mean that a huge swath of alumni in their prime working years are no longer contributing to their alma maters. You've probably noticed these trends impact work in alumni relations, annual giving, major giving and beyond.

Alumni Participation Rate Over Time



Demographic shifts signals big changes ahead

The committed evergreen donors who made campaign growth possible in the 1990s are aging out of prospect pools. The new evergreen donors who are stepping up to replace them are a smaller and considerably older group. Our research shows that the median age for an evergreen donor in 2017 is nearly 20 years older than an evergreen donor in 1980.

This means that you're missing out on 20 years of support from some of your most important, program-sustaining relationships.



Evergreen donors had a median age of 44.5 years old in 1980. In 2017, their median age was 62.

Emerging evergreen donors are a smaller group due to declining participation rates among 20-40-year-old alumni. This smaller, older group cannot provide you with the same level of support as earlier generations could and the impact is only just beginning to show. Schools with inflated capital campaigns have big expectations, but unless something changes, donors won't be able to fulfill them.

In most cases, the donor pipeline has been neglected

Why are younger donors not stepping up to the plate to replace older ones? It's tempting to blame it on changing generational values, but that's not entirely the case. The pressure of large capital campaign has another unintended side effect.

It prioritizes advancement work with donors who will give big now, as opposed to forging connections with those who will become major donors in the future.

Generous, wealthy "top 100" donors are crucial friends and their contributions are much needed. However, our research shows that when advancement teams are working exclusively with these reliable donors, the group will begin to shrink.

This is exactly what has happened at colleges and universities around the country who have not prioritized the development of new major donors.

What happens when your donor pipeline has dried up? Without early attention and support, younger donors are not continuing their philanthropic relationships with your institution. As they grow older, they are not growing into wealthy top 100 donors or even steadfast evergreen donors. Without a pipeline of new donors to carry on the high-performance tradition of the capital campaign, the future of fundraising is at stake.

What comes next?

Let's re-cap:

- ✔ Capital campaign goals have grown rapidly and are now at unsustainable levels
- ✔ Generous mega-donors do great work, but make it hard to replicate campaign performance
- ✔ Current donors are aging out of prospect pools
- ✔ Younger donors are not participating long-term
- ✔ Campaign pressure has prioritized short-term wins over donor pipeline development

It's time for a new more sustainable fundraising model so that higher ed institutions and their supporters can continue to do important work.

The Future of Fundraising

Healing the Campaign Model

Creating a sustainable, long-term campaign model requires building a strong, self-perpetuating donor pipeline. It's time to rethink how the advancement office works together to execute successful campaigns.

Gift officers are most useful when they're developing relationships

It no longer makes sense for gift officers to spend a majority of their time with wealthy top 100 donors, or with committed evergreen donors. Reduce gift officer face time with these donors and develop a separate stewardship program to keep them involved, informed, and committed without taking away from the impact gift officers have on perpetuating your program.

Gift officers are valuable resources for developing and enhancing the relationships that will sustain the campaigns of tomorrow. Reorganize gift officer portfolios to focus on younger, emerging donors. To maximize their impact, gift officers should increase their number of first time visits and up their proposal activities. Gift officers pick up the baton and move relationships along. Their activities are crucial towards developing evergreen donors as well as nurturing the people with the wealth and the inclination to become top 100 donors.

A developing pipeline needs good prospect research

Sustainable, forward-thinking campaigns require a deep, nuanced understanding of emerging donor prospects. A strong prospect research department keeps a pulse on constituents and identifies new prospects who may be ready to take next steps. Good intelligence on prospects means the difference between a robust donor pipeline and an anemic one. Accurate, timely information will help gift officers usher in the next generation of evergreen and top 100 donors.

Prospect management activity takes center stage

A sustainable campaign model will need to find donors earlier in their lives and maintains a relationship with them for longer. We call this the "lifetime value model" and it involves managing relationships for the lifetime of a constituent's relationship with you—far longer than the current model necessarily demands. The lifetime value model accounts for a prospect's changing age, interests, inclination, and wealth level. A lifetime value model requires a concerted long-term effort to track donor relationships and to be there at the best moments to further your relationship.

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Strengthen the handoff between annual giving and major giving

Organizing fundraising around a lifetime value model requires increased coordination between annual giving and major giving. Many devoted annual fund donors could be developed into major gift donors over the course of their lives. Coordination between the two departments ensures that when a donor "graduates" from annual giving monetary thresholds, there's someone over on the major gifts side ready to pick up the relationship and continue cultivating it.

Alumni relations improves stewardship and strengthens engagement

A lifetime value model requires a robust alumni relations program to keep donors engaged. Alumni are looking for different things from their alma mater at different times in their lives. The better an alumni relations team provides this, the more engaged and committed a donor pool will develop.

For example, younger donors can't commit much financially to your institution, but they may be looking for socializing, mentoring, or networking opportunities. Providing the right programming at the right moment in the lives of your alumni helps strengthen their bond to you.

Since alumni relations activities can also be a form of stewardship, alumni relations activities and advancement stewardship opportunities should be more carefully coordinated to maximize impact and increase efficiency. Alumni who are active—reading the alumni magazine, engaged with you online, volunteering, visiting their classmates at events, attending college events—feel a connection with you that's incredibly valuable once they become donors.

Generational Leaders—your secret weapon for the future of fundraising

Engaging donors for lifetime value is a big undertaking—how will you know you're investing in the right constituents who will go on to become evergreen or top 100 donors?

We've done the research to identify markers of future evergreen and top 100 donors. If they're properly cultivated over the length of their lives, these leaders will mature into your strongest supporters.

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Generational leaders represent an overlooked donor base that feels genuine loyalty to its school and enjoys a higher-than-average affinity for giving. In fact, the average gift size of a generational leader is 9.5 times greater than that of their peers, according to data we collected from 130 schools and almost 35 million donors. Identifying these committed donors and starting relationships with them when they're in their late 20s and early 30s should be the first step in building a strong fundraising pipeline.

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Taking your first steps forward

Advancement teams have a tremendous opportunity to rebuild the capital campaign into a sustainable, healthy fundraising avenue. Hard work and culture change now will ensure that fundraising streams are available for future students.

Remaking the future of campaigns is an enormous undertaking requiring buy in from many different institution stakeholders. Organizations looking to take the first, most manageable step, should start with gift officer portfolio management. Make sure your gift officers are carving out more time in their schedules to make first time visits. Pay more attention to young generational leaders and develop a strategy to reach them. These first, forward-thinking steps will help you develop a stronger, healthier fundraising stream that will last as long as your institution does.

Do you have questions about the future of campaigns? Let us know at info@reeher.com. Our partnership with colleges and universities helps them gain insight into their data and plan strong, sustainable futures.