Major Giving Alliance
Thinking and Talking Points
February 2008

Fundraising During Times of Economic Uncertainty

There are increasing concerns that our nation's economy may be headed into a recession.

That is already causing a lot of gnashing of teeth among fundraising professionals, but that need not be the case—particularly for major gift officers.

Recently, *The Chronicle of Philanthropy* conducted a live discussion with experts from the Aspen Institute and the Indiana University Center on Philanthropy regarding the outlook for giving in 2008.

Some of the questions directed to them concerned the potential impact on giving by individuals, corporations and foundations as a result of subprime mortgage foreclosures, depressed home sales and values, reduced corporate profits, the decline in the stock market, increased unemployment rolls—and, believe it or not, even the fear that if a Democrat is elected President there will be an influx of federal funding that some suppose will make donors less likely to give.

The experts confirmed that giving does tend to follow the economy, but also felt that there is no cause for excessive alarm. According to their analyses, human service organizations are generally hardest hit during economic downturns. The impact upon giving to arts organizations (and, presumably, public broadcasting) tends to be less immediate—often trailing the business cycle by a year. If that's correct, 2009-2010 may actually be a more challenging year than 2008-2009, which gives us all some time to plan ways we can mitigate or even overcome it.

Corporate giving, always the most volatile sector of support, will be particularly vulnerable. But when we think of a recession as part of the natural business cycle, we should also remind ourselves that not every business is equally affected nor does every business experience a downturn simultaneously with every other business. There will be some companies, large and small, that actually achieve record-breaking profits during a recession for a variety of reasons. With so much corporate giving being done on a "quid pro quo" basis, as long as you have "quo" of value to businesses, they'll pay the "quid."

Foundation giving might be expected to recede during the "double-whammy" of depressed stock prices and lower interest rates, reducing the income on their investments and the size of their portfolios. But *The Chronicle of Philanthropy* panel suggested that foundation giving would probably not be severely affected, due to the continued explosion of new foundations and the historic success of foundations in managing their portfolios. There is some evidence, too, that foundations are starting to respond to increasing pressure from the philanthropic field and government to exceed their minimal legal giving requirements in light of their enormous asset growth over the past decade, as studies demonstrate they can still grow those portfolios exponentially while giving away a lot more than they are now.

What, then, might we expect of individual giving?

It is possible there will be lower response rates to direct mail, telefunding and on-air campaigns during a period of economic uncertainty. The immediate impact would be upon memberships and lower level donors, as their support is generally solicited using those particular tools. Some later impact might be felt in the major giving arena if those entry-level donor numbers fall, since we rely upon that pool to identify prospective major donors as well.

However, it's not counter-intuitive to believe that existing upper level donors, increasingly the bread-and-butter of fund raising, will generally contribute at or above their current levels.

Upper level donors are often insulated from if not immune to the cyclical downturns in the economy because of well-entrenched, diversified, long-term investment strategies and large asset bases that continue to grow—or that are of such substance that their loss of value is felt less immediately.

Thus, the same prescription for successful fund raising in good times applies to hard times: focus on major giving from high net worth, high income individuals who support your station.

Your existing top donors are likely to give as much or more for the same reasons they gave previously: your case for support is **still** compelling and you have actively engaged in "the care and feeding" of these donors, implementing their preferred method of regular personal contact and communication.

There are some exceptions that exist even during strong economic periods, and as they say, "knowledge is power." Donor research is always a powerful tool—and not just for identifying prospective new givers.

Being knowledgeable about the particular financial situations of your major donors has always been an important aspect of donor research, and you should continue to monitor their financial health using all the usual tools—from widely available public information to "the grapevine." These will help you determine reasonable expectations as a result of your continued cultivation and solicitation efforts. While there is always the potential "curve ball"—information you don't learn about until you are already face to face with the donor, asking for money—this comes with the territory, and is no more likely in challenging economic times, and does not always involve monetary issues anyway.

Savvy major gift fundraisers know that CEOs of publicly traded corporations are always under pressure to exceed Wall Street expectations, whether the economy is good or bad, but a recession may intensify that pressure and also make it more difficult for them to achieve even reduced expectations. Knowing how their companies are doing is essential when making your next ask of major individual donors in this category.

Also, it's wise to observe that certain industries are more likely to be experiencing problems right now. Real estate developers, brokers, agents, mortgage bankers, title companies and escrow service companies have been affected by the recent subprime mortgage industry downturn. Conversely, there are businesses that profit from others' misfortunes, and a scan of the business pages identifies companies that are finding success in such enterprises. Being aware of which of your major givers are leaders in these fields of business is important when scheduling your next cultivation and solicitation contacts with them.

Don’t abandon donors experiencing financial challenges, either! Successful major gift fund development is not a fast-buck endeavor but a long-term relationship building endeavor. Major donors’ fortunes may rebound as quickly as they fall, or not, but the fact that the station has continued to regard them as important, treat them with respect and engage with them as friends will always be deeply appreciated, remembered fondly and ultimately rewarded in better times.

Donors feeling the pinch are sometimes reluctant to attend cultivation events or to accept invitations to meet, but that doesn’t mean that you should cease inviting them. Some may never share with you their reasons for declining the invitations, but feeling an obligation to give at higher or even historic levels when they are unable to do so may be why. Maintaining contact with them by phone, continuing to send birthday, anniversary and holiday cards, and sharing good news about your station periodically are entirely appropriate activities for donors who fail to give.

Some donors will be more forthright about their inability to give. It may be as simple as “this is not the right time for me to make a gift” to a more detailed explanation of how “business is bad right now” or “my stocks are doing lousy.”

A good response is to be understanding, “I’m terribly sorry to hear that and hope that things improve for you soon. We’re so grateful for your loyal support and know that you’ll be there for us again when you are able. Please know that we continue to value your friendship and your belief in our mission, and we will certainly keep you well-informed of what we’re up to.”

As good fundraisers know, it’s as much your job to listen to your donors as to tell them how the station is doing. Besides learning of specific financial issues they may be facing or vague pronouncements of it “not being a good time right now,” your conversations with them may reveal reasons that are more directly related to your station. In such instances, perhaps the donor is not eliminating all of his giving in the community but has less to give and, therefore, is prioritizing his commitments. A one-time enthusiastic donor might now believe that it’s less important to give to your station, due to a variety of reasons: changes in programming (however subtle), listening or viewing less due to other time commitments, the perception that his gift is not having a desired impact, or even that in economic hard times his money is better-directed to “heart-strings” charities like soup kitchens and food banks.

Once again, knowledge is power, and if your donor shares such information, it provides you with the opportunity to reinforce the relationship. For example, it may be that the donor was unaware of the possibility of directing support for a particular need at the station, fulfilling his desire to know that it will have tangible benefits as opposed to general operating support. Also, the donor may not be aware of certain activities of your station that fulfill his desire to meet other community needs to which he now feels he wants to divert his giving. Offering opportunities to support your station’s existing news coverage of good charitable works being done in your community or of your station’s outreach programs into the schools can educate your donor and, perhaps, retain his support.

Following the best practices of major gift fund raising will enable you to negotiate the particular challenges of continuing to grow your results during this period of economic uncertainty.