

The Rationale for Market Research

An appreciation for the rationale to administer a market research study is vital to the advancement of a planned project. The study's findings, conclusions and recommendations must capture the confidence of the organization's leadership. Possessing an understanding for the tenets described herein is the underlying factor for an organization's potential success.

Avatar Company Philosophy

Avatar Company's philosophy is founded upon the principle that substantive earned and/or contributed funding will occur when a nonprofit organization meaningfully serves the needs and interests of its various audiences.

To achieve audience compatibility, we recommend conducting market research specifically designed to measure audience reaction to the nonprofit organization's vision for the future and objectively measure the potential for financial support. The research findings are used to influence the advancement of an organization's vision and fundraising strategy.

Summary of the Market Research Procedure

1. In advance of initiating organizational strategic change, the nonprofit objectively gathers data to measure the compatibility of its vision for change with the needs and interests of its audiences;
2. The organization uses the research data to influence the strategic decision making process. This culminates in the development of an audience sensitive and responsive strategic plan;
3. The data also defines the potential for earned and contributed income and the fundraising initiatives most likely to attract a desired result.

The above procedure is nonprofit organization risk management at its best. It creates a perfect environment where the organization's programs and audiences are mutually supportive.

As the process matures, the audiences evolve into stakeholders. The organization's reward for this behavior is an audience favorably inclined to commit resources of time, participation, attendance and funding.

Raising Funds Is Nothing More than Process

The summary and the philosophy capture the essence of the following pages. *We recommend that you find out as much as you can about your audiences and use the findings to influence your organization's strategic decision making.*

The notion of knowing your audience is supported by the fundraising aphorism **'Ask for money and you'll get advice. Ask for advice and you'll get money.'** Now, for some background and supporting detail:

The United States practices philanthropy more than any other nation. If you take the next three countries and combine their total philanthropy it does not surpass that of the U.S. Hence, considering the factors that produce this success is a prudent exercise.

Let's consider the nature of the funding sources. Nearly 95% of the total wealth of the United States is in the hands of 20% of its population. This statistic is similar to national research finding that indicates between 15% and 20% of all donors produce approximately 80% of the funding for nonprofit organizations. With this compelling fact in mind, the benefit of understanding this vital audience prior to initiating change or advancement becomes apparent.

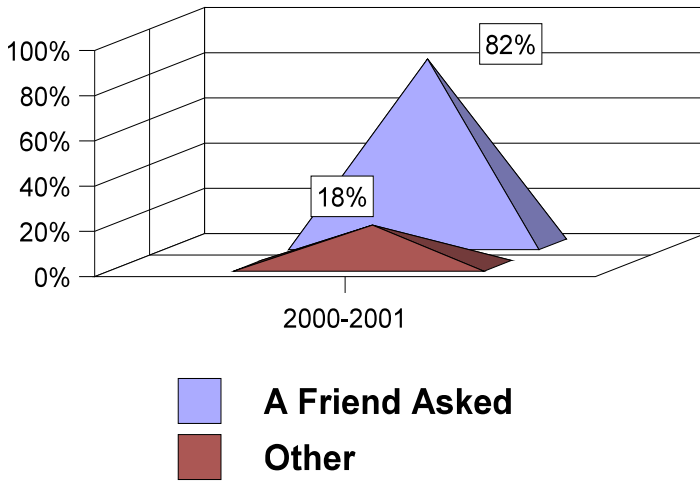
Worldwide, there has been an extraordinary proliferation of philanthropic causes vying for the public's interest (*Over the past decade, there has been a 40% increase nationwide and 58 to 63% in high growth states like California and Florida.*) This factor alone has dramatically undermined the ability of charities to retain and attract funding sources. Over this same period, philanthropists and foundations have reported a tripling of funding appeals.

"In this and like communities, public sentiment is everything. With public sentiment, nothing can fail; without it, nothing can succeed."

— Abraham Lincoln

With so many charities, the contest for attracting philanthropy is worth considering. In other words, what

Reasons for Making a Major Gift



are the factors that make a prospective donor look more favorably on one appeal versus another? The answer is found in posing that question to select audiences you serve in advance of fundraising. The outmoded approach of just asking high level prospects for a donation has given way to objectively assessing the compatibility of an organization's mission, programs and vision with the needs and interests of prospective funding sources. The process likens itself to the proven methodology of product testing employed by the for-profit sector.

For a nonprofit organization to be successful in fundraising its need for or intended use of the funds must be compelling and unduplicated. Its vision must peak the prospective funder cognitively and emotively. So, knowing what motivates a prospective donor in advance of making an appeal is essential.

The Importance of Factors That Motivate Giving Vary from Organization-to-organization and Place-to-place

The process starts with an audience study that is composed of a series of personal interviews with carefully selected prospects. Among other criteria, the prospective face-to-face study participants are selected based upon the conclusion that they are more than likely part of the 20% that produce 80% of the funds. Their responses are treated confidentially to ensure that they express their most candid appraisal of the organization and willingness to provide financial support. A professionally conducted study concludes with a comprehensive report that is used by the organization's governing authority to influence their policy setting and fundraising initiatives thereby managing risk.

A significant portion of the study should relate to discovering the collective responses to the following questions:

- To what degree is the organization's mission, programs and/or strategic vision considered compelling and/or compatible with audiences vital to attaining a financial goal?
- Is there a collective willingness by this audience to contribute at a level that meets the organization's desired goals and reasonably compares to the giving standards of similar initiatives?
- What are the most effective contributed and earned income strategies that will cause this special audience to be responsive?

In tandem with the previously described face-to-face interviews with potential major funding sources, it is beneficial to conduct a mail survey directed to members, volunteers, subscribers, friends and others. When the organization's vision for change is compelling you can expect a response rate of 15 to 35%. The mail questionnaire revolves around the same theme of measuring the compatibility of the organization's mission, programs and/or strategic vision to the needs and interests of the audience. Concluding the mail survey with a question that draws out their willingness to give, renew or increase the contribution level is essential. Once again, allowing for response confidentiality attracts a candid and credible response.

Who Is Responsible for Producing the Contributed Income?

It's the board of directors, albeit some avoidance of the responsibility may exist. The board's responsibility to raise funds is supported by an unchanging nonprofit statistic that has been true for decades. The chart above, indicates that first time major donors are highly motivated by a 'friend asking.' This response usually ranks in the top three reasons expressed. Staff is not a suitable surrogate since staff usually does not fit the profile of a major donor prospect's friend. The role of staff is to act as facilitators to the board in the prospect identification, cultivation and solicitation process.

So, Who Gives?

Generally, during the past decade, total annual giving has increased each year by 10 % or more.

- **Individuals** accounted for the largest portion of total giving, 77% or more approximated \$130 billion or more per year.

• **Foundations**, not including corporate foundation generated approximately 22% or more. Foundation giving totals \$17 to \$20 billion and accounts for 10 to 12 % of total giving.

• **Business and business foundations** account for 5 to 7% of total giving. Business is giving less than it did a decade ago. In total giving, businesses and their foundations are giving about 5 cents of every donated dollar in the USA. After applying the inflation factor, businesses give the least.

• **Government** accounts for 7 to 9% of all giving. Indications are that it has turned away the trend in declining support.

As suggested in the adjacent chart, using comparative data to assess your organization's fundraising performance is vital to making the right decision, thus enabling the organization to focus its limited resources of time, volunteers, staff and money on the most likely funding sources.

