Benefactor Group Research Report

CHASING A UNICORN: NONPROFITS STRIVE TO SEE A COMPLETE VIEW OF THEIR CONSTITUENTS

benefactor

Does This Sound Familiar?

Angie Connors started giving to your organization in 2013—she mostly donates online, but she sometimes sends checks by mail. She's attended a few events, donated an in-kind item at Thanksgiving, liked your Facebook page, and sometimes volunteers around the holidays. How do you keep track of Angie?

To start, her online giving data lives in the online system. It's integrated with your fundraising CRM system via an upload process, but it's not perfect; there are several duplicates, and you're not certain all the gifts transfer. Angie uses both her work email and personal email to give, and once, her husband gave through his email. There are multiple records under Angie, Angela, and her husband, Bruce. The direct mail gifts are spread across two accounts. Angie's volunteer participation is tracked in a system that is not connected to your main CRM system, and you also have data about her in an Excel spreadsheet because it was easier to track there.

Of course you know who Angie is, but do you really understand what a deep affinity she has for your organization? Her gifts are modest, but she has the ability to move to the next level, and she may be a great planned giving candidate. Among all the names in your database(s), does she pop up? Or, do you treat her like everyone else?

Nonprofits strive to become "donor centric." Does Angie feel like you really understand her?

What Is A Complete Constituent View?

For the purpose of this study, a complete (or "360-degree") constituent view means:

You are able to see in one place—be it a single computer system or a report—all of the interactions a constituent has with your organization.

This includes your communications with them: direct mail, email, phone calls, newsletters, advocacy requests, in-person meetings, tours, and so on.

It also includes their communications with you: gifts, visits, event attendance, sponsorships, or even social media interactions.

Why It's Important

We chose to study the idea of "a complete constituent picture" because possessing a complete understanding of your constituents is critical to donor-centric fundraising. A fundraiser's job is to build intimate and productive relationships with supporters. This, in large part, is a data challenge.

Nonprofits have access to all the data they need to understand their constituents. Yet interactions can still come across as cookie cutter, bland, and uninspiring.

The quality of your data directly affects the money you raise. Yet, a recent Experian Data Quality Benchmark Report showed the following.

51% reported incomplete or missing data

48% reported outdated information

44% reported inaccurate data

32% reported duplicate data

83% believed revenue was lost due to bad data

Inaccurate and incomplete data translates to money left on the table. Data is a part of the fabric of your organization. Do you aspire to polyester or fine linen?

Purpose Of This Project

Through this report, we aim to give a candid overview of the nonprofit technology landscape. We suspect that “a 360-degree constituent view” is treated like the elusive pot of gold at the end of a rainbow—and that very few nonprofits ever reach that gold. As in any sampling, there were outliers in our study: a select few organizations achieving a complete constituent picture, or at least getting close. But these organizations do not represent the sector.

Why Do Organizations Struggle?

The honest, and perhaps obvious, answer is that it’s difficult. Gathering all your information in one place was difficult ten years ago, far before technology and data progressed to their current levels. Today, the amount of available data is extraordinary: we collectively create 2.5 quintillion bytes of data per day. Meanwhile, data management systems have become more available, more user friendly, and less expensive—sometimes even free.

MORE DATA TO COLLECT + MORE ISOLATED SYSTEMS = A MESSY JIGSAW PUZZLE

We don’t think it has to be that way. We want to use this study to understand the current state of data integration in the nonprofit sector, share our findings with the community, and empower nonprofits to get closer to that elusive goal.

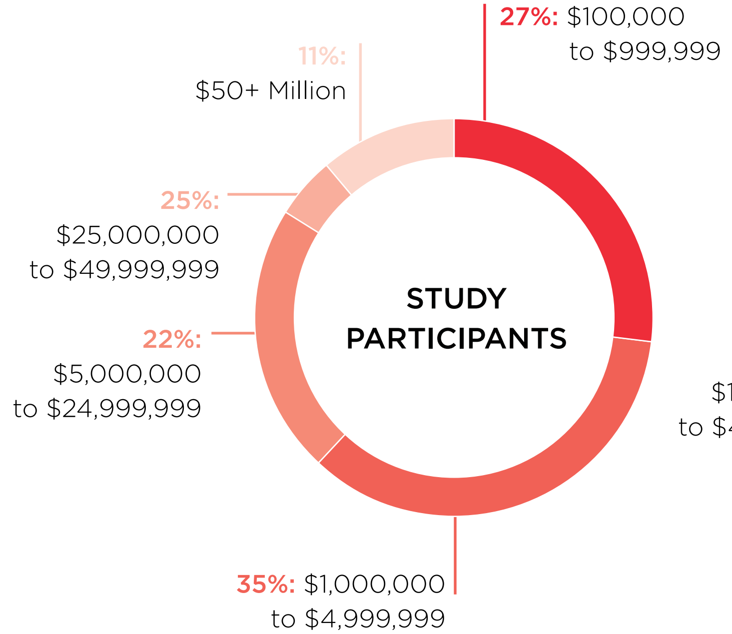
Methodology

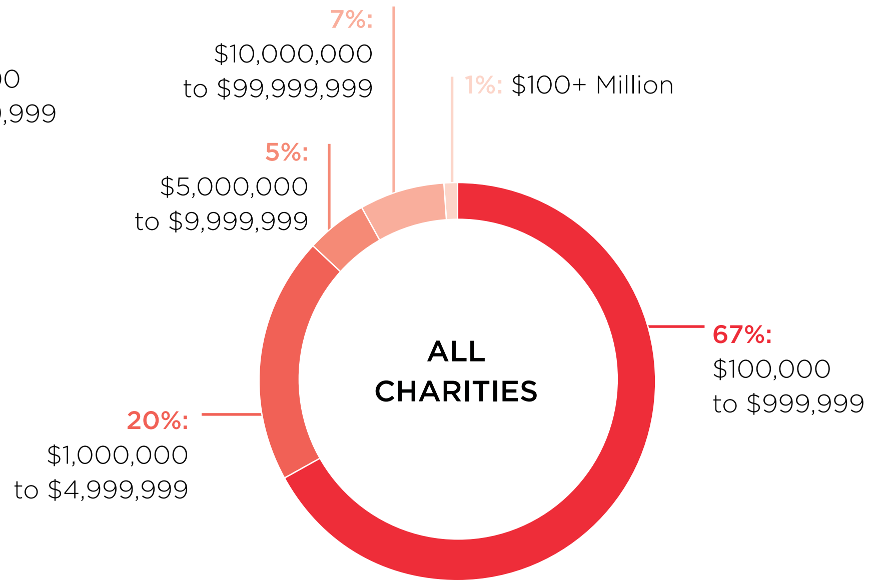
1. Facilitated field survey (n=293)
2. Conducted personal interviews with organizations of varying sizes (n=17)
3. Collected and collated the data to identify trends and commonalties across all participating organizations
4. Shared the findings with others—the Benefactor Group consulting team, strategic partners, selected nonprofit organizations, and software vendors—to gain further insight
5. Identified how traits of nonprofits affected the likelihood of achieving a complete view
6. Mined the information for insights that might be useful for the field

Demographics

ORGANIZATION SIZE BY ANNUAL REVENUE

The majority of public charities report less than $1 million in total revenue. On average, our study participants represented slightly larger organizations. Most of our participants reported annual contributed revenues of between $1 million and $5 million.

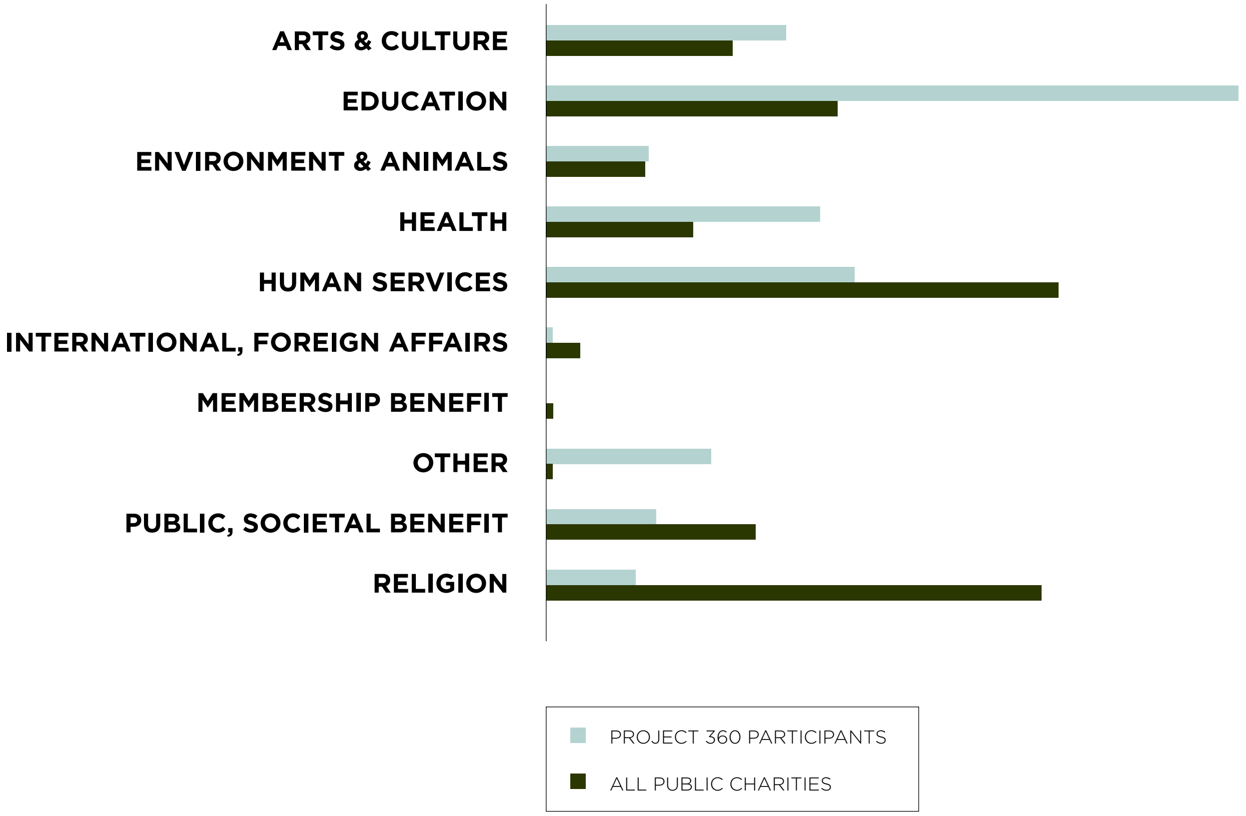




ORGANIZATION SIZE BY CAUSE AREA

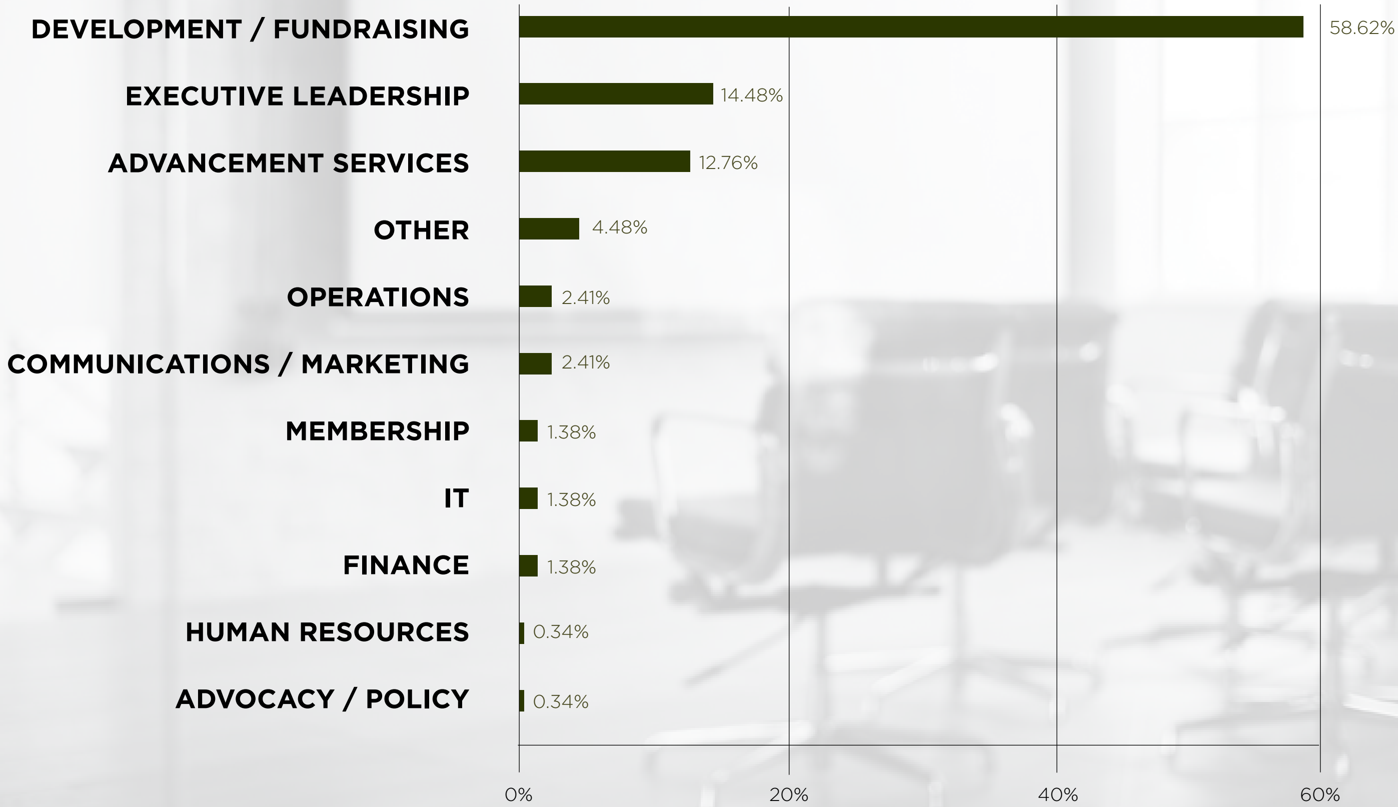
The NTEE classification system divides the universe of nonprofits into ten broad categories, shown below.

Education and health services nonprofits were overrepresented in the study as compared to the overall sector. Human services, public/societal benefit, and religious organizations were underrepresented.



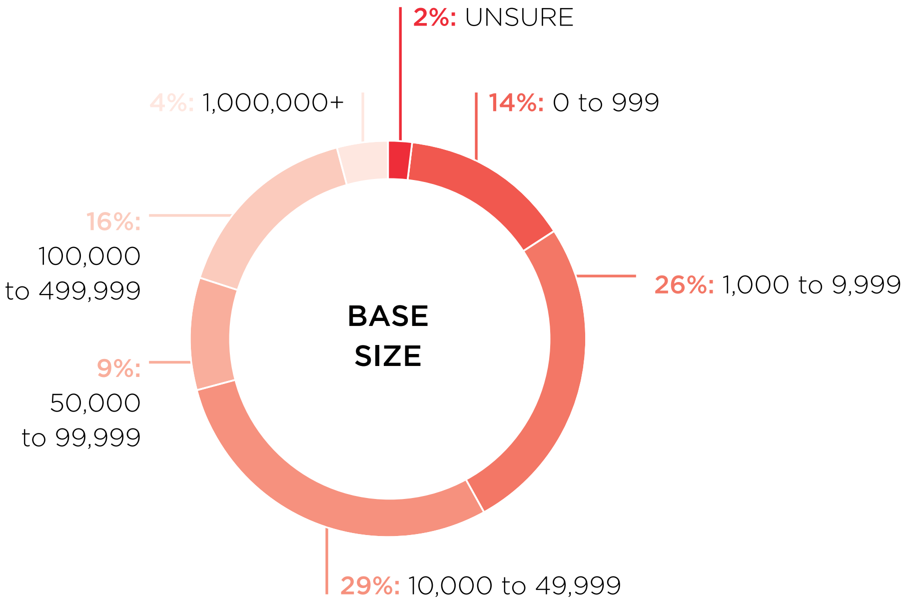
ROLES IN ORGANIZATION

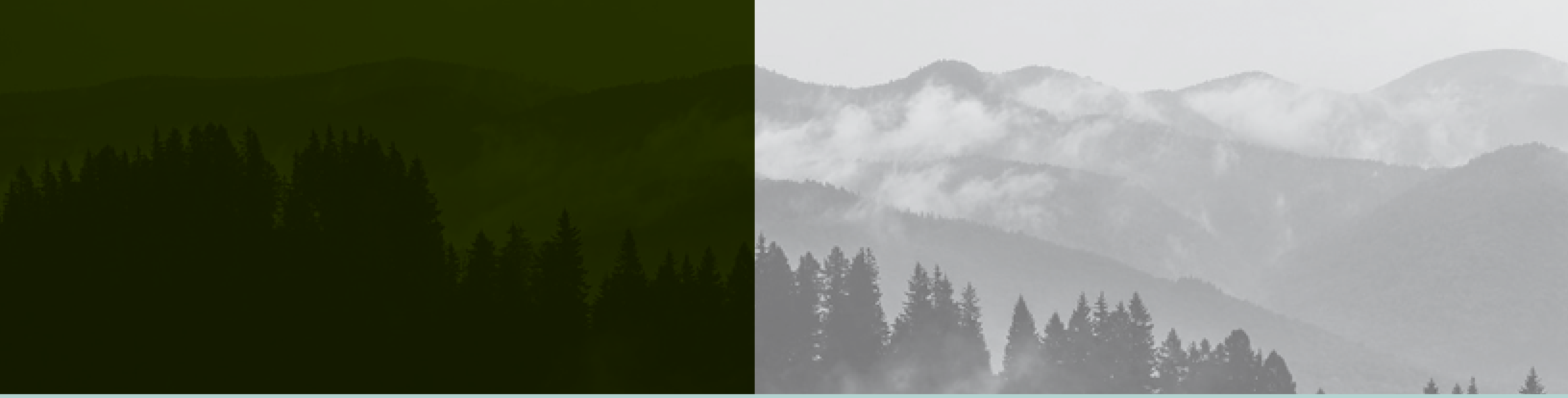
Respondents held a variety of job titles.



CONSTITUENT BASE SIZES

“Constituent base” refers to the number of constituent records an organization tracks. Organizations across the spectrum participated, but over half identified their base as less than 50,000 records.





Findings

EVERYONE WANTS A COMPLETE VIEW

Most nonprofits aspire to capture a complete view of their relationship to their constituents. This was reinforced throughout the interviews and surveys.

The following quotes capture the sentiments we heard.

"We play a critical role in the community; we need to know what's going on. We need to be able to use data for social good."

"If you don't track it, you can't leverage it. If you don't track it, you don't know where to invest, you don't know where the need is."

"You have to know your donors. That's how you raise money."

"Data makes us smarter. We use it to inform our services and lift up what is important to people."

"It's a rising trend. We're interested…because we've heard and seen other organizations invest."

"We need to better understand the conversations we're having, influences, relationships."

"We know there is a lifecycle surrounding our constituents. By not tracking this complete cycle and the interconnectivity of our constituents, we're leaving money on the table."

"We have an obligation to our supporters to be good stewards. If you don't track this constituent information, it reflects poorly and shows a lack of gratitude."

FEW ARE ACHIEVING IT

While the majority of nonprofits emphasized the importance of a 360-view, most have not accomplished it. As one interviewee summarized, "Of course we want to—but it's a bit like chasing a unicorn."

ORGANIZATIONS BELIEVE THAT A 360-VIEW IS MEANINGFUL

76% agreed that it is important to their organization.

70% agreed it is important to their leadership.

HOWEVER, ACTIONS DID NOT ALIGN WITH ASPIRATION

36% agreed that creating a 360-view was part of the strategic plan.

29% agreed that they have invested staff time.

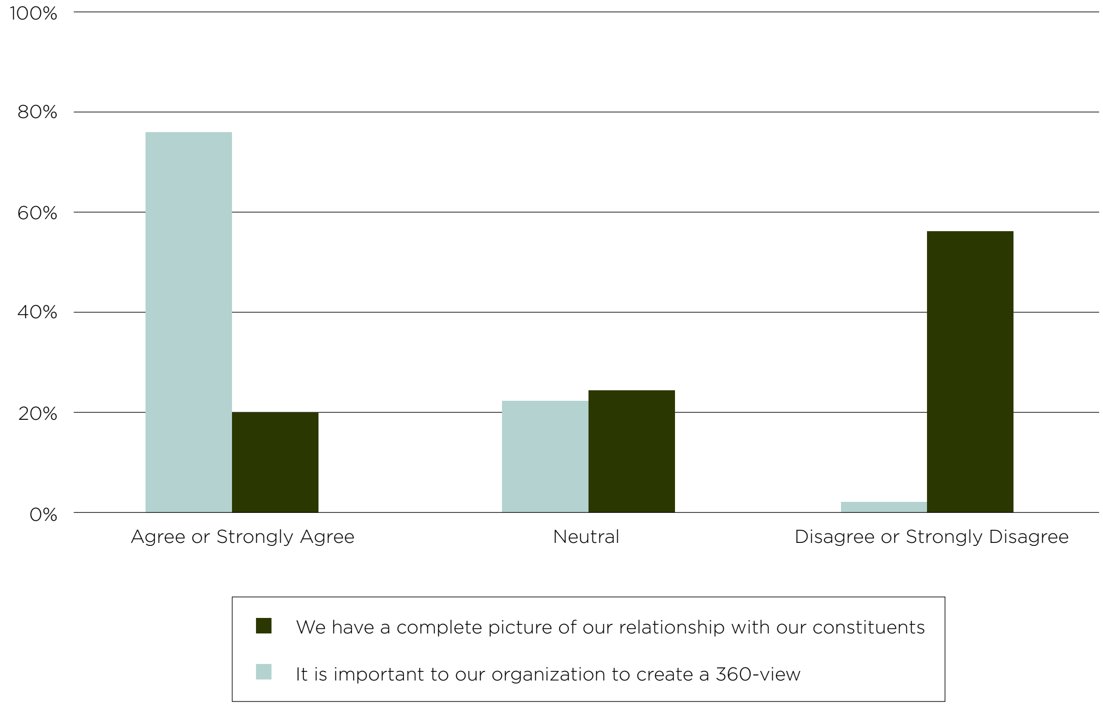
25% agreed that they have invested money.

THE RATE OF SUCCESS IS LIMITED

18% agreed that they have a complete picture of their relationship to their constituents.

2% strongly agreed that they have a complete picture.

THE ASPIRATIONAL GAP

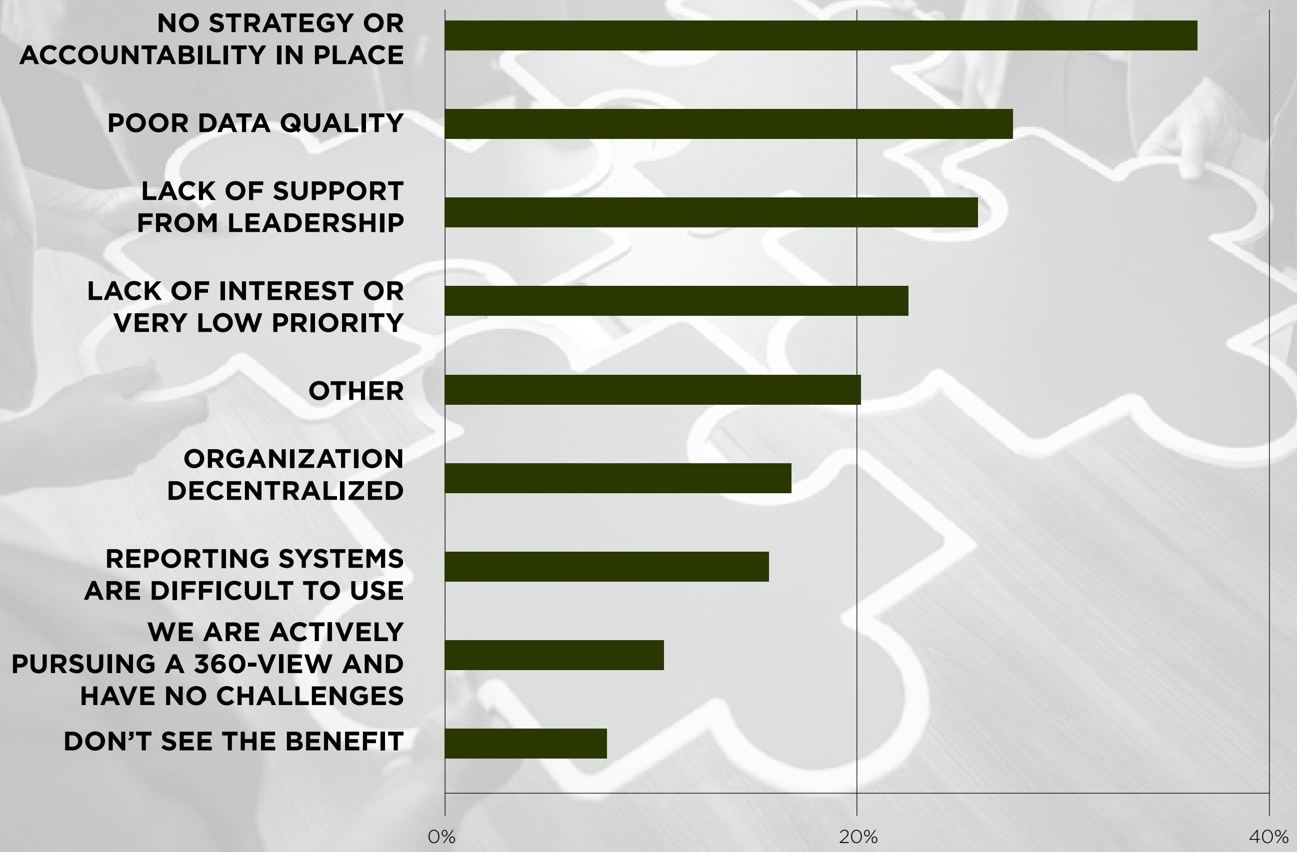


THERE IS AN OVERALL LACK OF STRATEGY AND ACCOUNTABILITY

“Time and money” are universal challenges to attaining a 360-view. Suggesting “find more time and money” is not helpful, so we eliminated those presumptions from our analysis. Aside from time and money, participants reported their primary challenge to be creating a strategy and assigning accountability.

Poor data quality, lack of leadership support, and low prioritization emerged as prominent challenges as well—all which interconnect with strategy and accountability. Without strategy, specific assignments, and measures of success, tasks such as cleaning the donor database or creating meaningful and dynamic reports for leadership meetings slide further and further down a fundraiser’s or organization’s priority list.

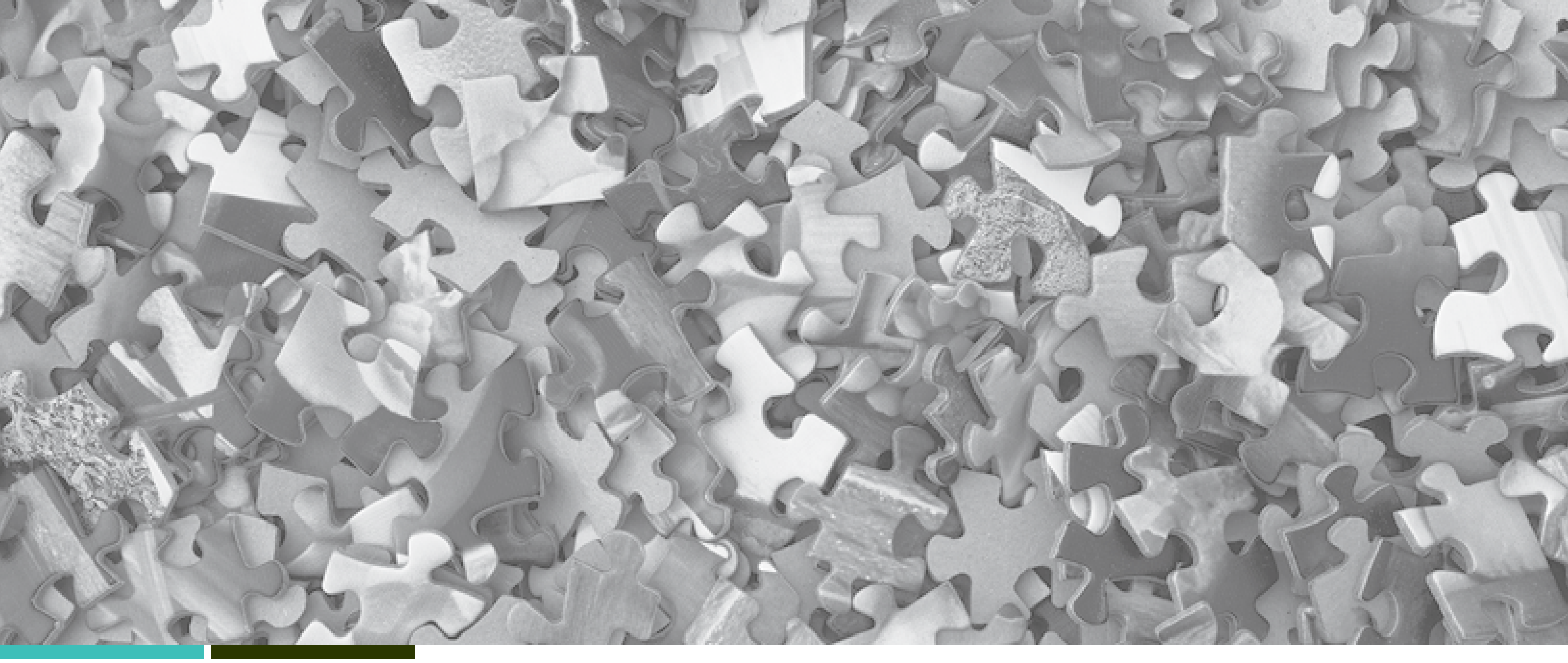
CHALLENGES



RELATIONSHIPS ARE HARD

71% agreed that there is a significant overlap among their constituents.

Like Angie from our story, constituents can be donors, volunteers, event attendees, members, visitors, program recipients, etc. The simple fact that constituents have sprawling relationships with nonprofits makes it both important and difficult to achieve a 360-view.



Observations

SECTOR AND SIZE DON'T SEEM TO MATTER

Organizations across all sectors share in the same challenges. We don't see that there are challenges particular to higher education or health services.

Similarly, the amount an organization raises does not seem to correlate to success in achieving a 360-view.

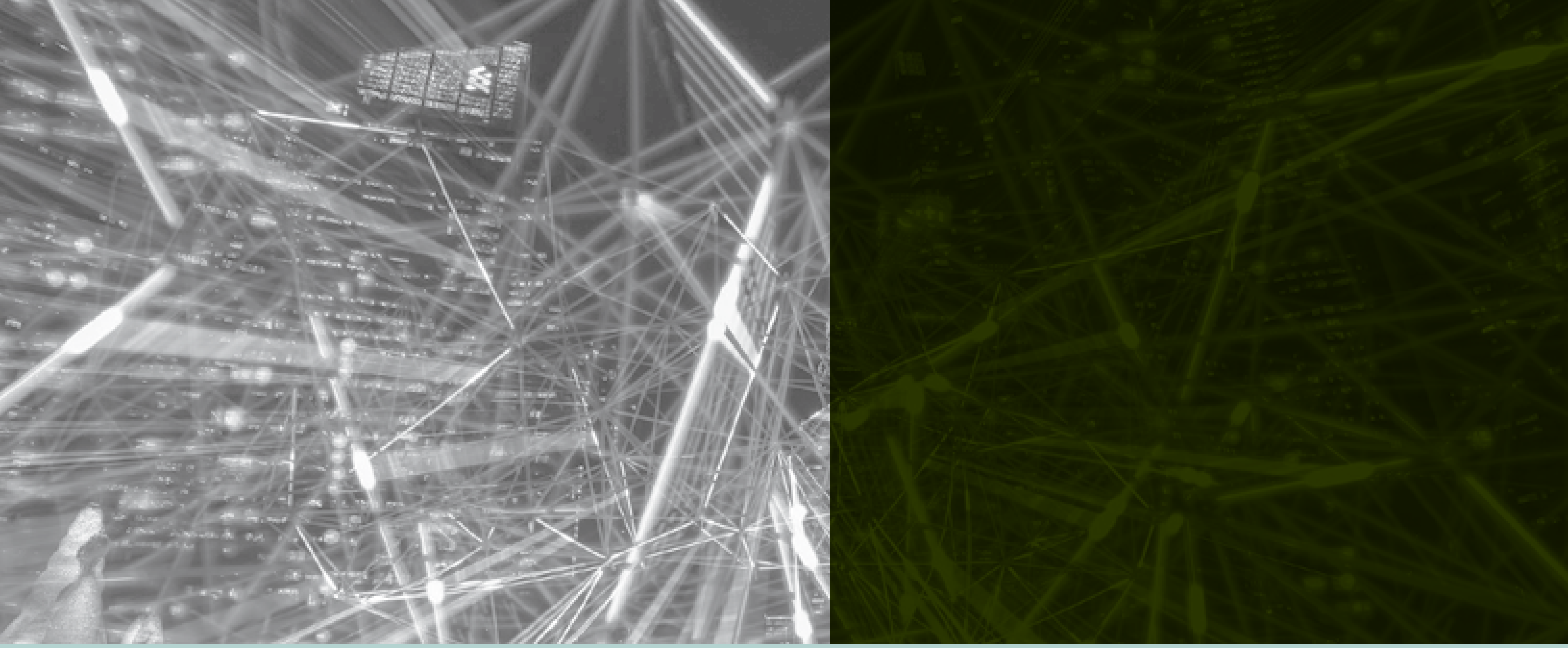
MOST PEOPLE ARE OKAY WITH THEIR CRM SYSTEM, YET...

72% felt neutral or satisfied with their CRM system.

This surprised us. It's common for fundraisers, who comprised a significant portion of the study, to criticize their CRM system—whether it's the difficulty of adding contact reports, the lack of quality capacity or affinity ratings, or the cumbersome nature of queries and reports.

Yet, while few reported having a 360-view of their constituents, most were happy with their CRM system. CRM stands for "constituent relationship management." You can see the paradox.

As way of explanation, we believe that most people equate CRM with specific systems like "The Raiser's Edge" or "Salesforce" or "Tessitura." Most do not consider the broader definition of CRM, which would include the full scope of a constituent's relationship. We understand this feedback to mean that most respondents generally liked their donor records database, but do not expect these databases to do more than they have become accustomed to. To put it more frankly, they set the bar too low.



Technology Is A Limiting Factor

SYSTEMS ARE NOT INTEGRATED

The study participants collectively used more than 25 different CRM systems, but despite the range of available technologies, the majority said their systems were not fully integrated.

Systems integration refers to the process of physically or functionally linking together different systems or software applications with the end result of a coordinated whole. Systems integration is a key tool in creating a 360-view.

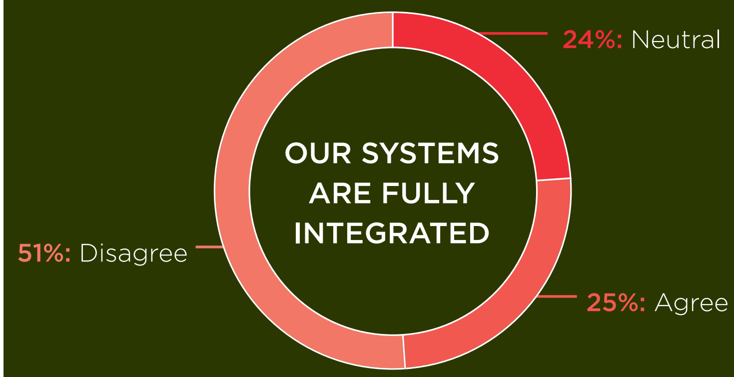
Without integration, organizations find themselves stuck in a maze of data silos. For the purpose of this report, *a data silo is:*

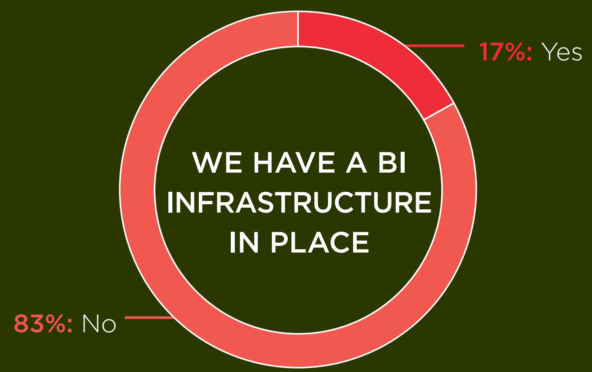
1. **A data repository (Raiser's Edge, Salesforce, Excel)**
2. **Under the control of one person or department**
3. **Typically used for a discrete functional purpose (fundraising, online giving, admissions, marketing, accounting, etc.)**
4. **Isolated from the rest of the organization**

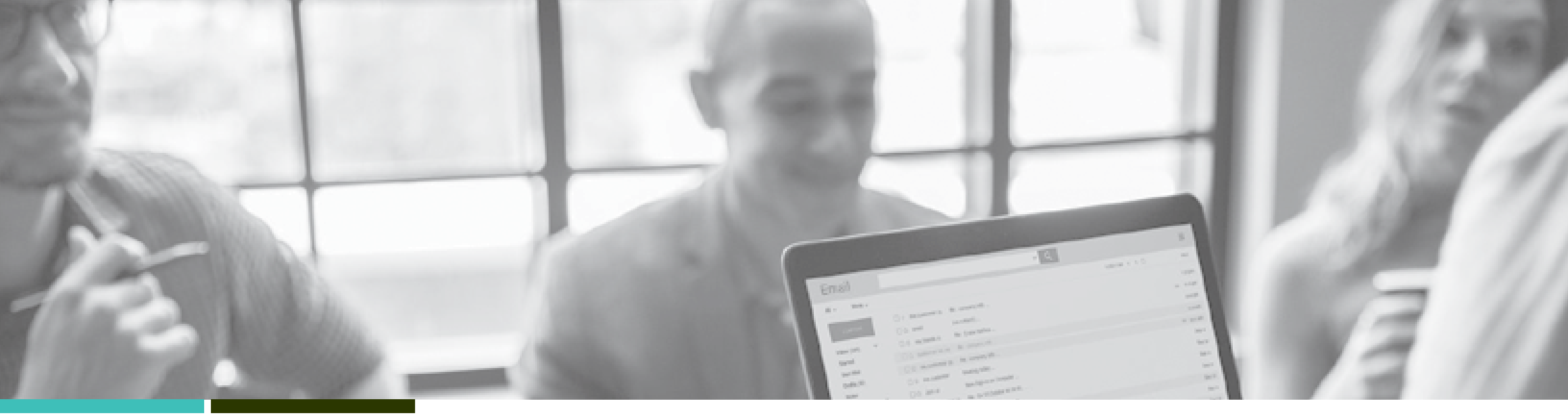
THERE IS NO BUSINESS INTELLIGENCE IN PLACE

83% do not have an effective BI structure.

Depending on who you ask, Business Intelligence (BI) can mean a number of things: reports, dashboards, data marts, data warehouses, and so on. We define BI as a structure that combines data from key business systems in a way that allows staff to answer questions effectively and efficiently. In other words, you can create reports and queries that span two or three databases without the databases being directly integrated.







REPRESENTATIVE COMMENTS:

"We have information everywhere; our main challenge is bringing it together."

"Our systems don't talk, but our humans do. We compare lists and connect the dots."

"We don't have a strong structural way of tracking all of the different conversations and interactions we have with donors…we often miss these intersections. When we don't know what's going on, we miss the space for an equity transfer."

"There is no one, central repository for all of our branches."

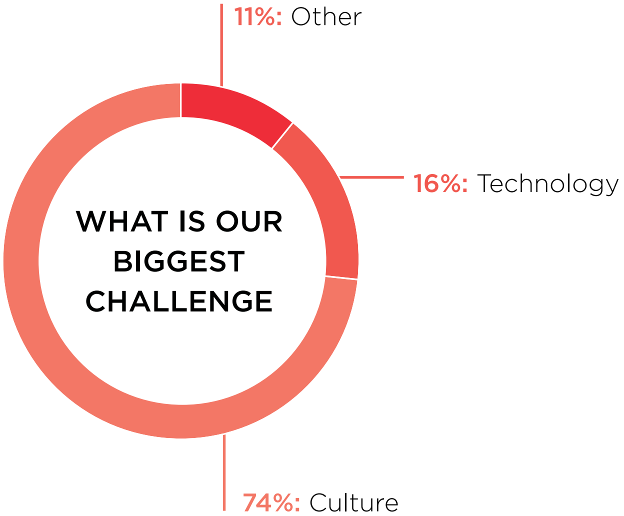
"The solution would be an accessible, convenient system."

"Putting data in is easy. Getting it out is hard."

These pain points are important. When the systems don't work together, data management becomes frustrating and tedious. And when systems don't integrate, organizations miss the full, nuanced picture of their constituents. You may only see the parts, when the sum is much greater.

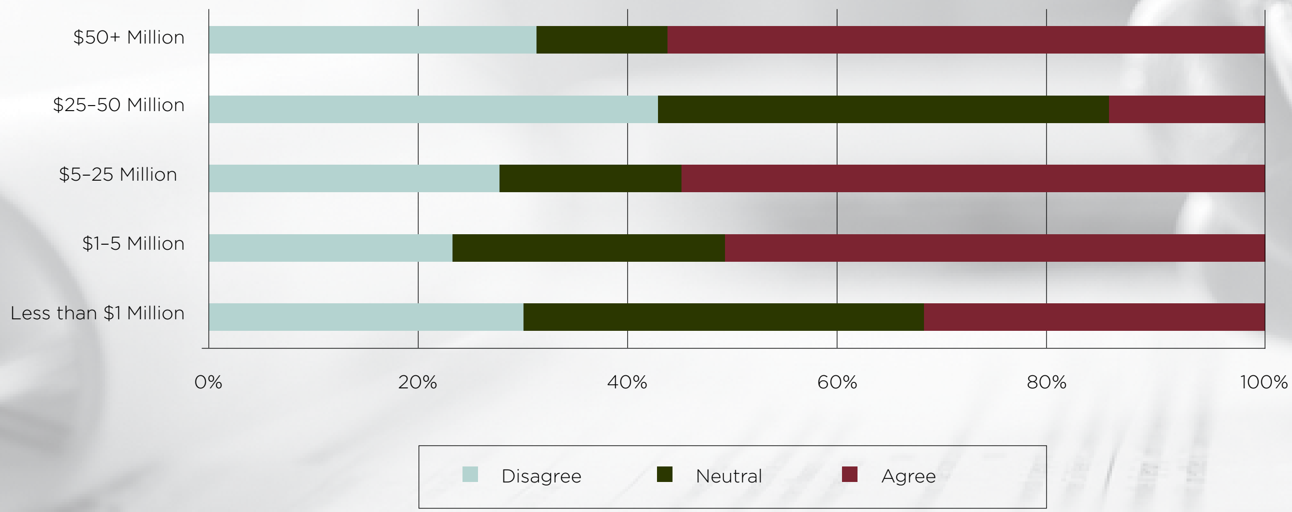
A LACK OF COMMITMENT IS AN UNDERLYING CHALLENGE

The variety of challenges we identified fell into three main categories: "technological," "cultural," or "other." A technological challenge, for example, would be difficult reporting systems; a cultural challenge might be a lack of interest or accountability. We found that the cliché is true: culture eats strategy for breakfast.



I AM SATISFIED WITH MY PRIMARY DATA MANAGEMENT SYSTEM

How much an organization raises does not have a clear correlation to how happy staff are with their data management system(s).



PARTICIPANTS COMMENTED:

"Proprietary feelings among departments prevent us from sharing data."

"Tracking data consistently and accurately—aka, everyone's least favorite thing to do."

"The organization does not understand opportunities between members and donors."

"Our data tracking suffers from constant organizational restructuring and reorganizing."

"We don't commit to training and growing our expertise."

"Our focus is often on social justice—things like coding relationship activities correctly and turning information over to the main office are not top of mind."

Now What?

The solution to this problem is not complex—but that doesn't mean it's easy.

NONPROFITS NEED TO BELIEVE THAT THE BENEFITS OUTWEIGH THE COSTS

If nonprofit leaders truly believed that building a complete picture of their constituent relationships was valuable, they would invest. We can only surmise that most don't believe it. The sentiments are there (more than three-fourths agreed that this is important!), but the actions, for the most part, are not.

A complete picture of your constituents can help you...

- Make data-driven decisions
- Understand donor behavior
- Evaluate, revise, and improve your services
- Tailor and personalize your communications
- Incorporate data into your fundraising narratives
- Gain new donors, raise donor retention, and expand your donor network
- Increase your mission impact

A few study participants shared what happened when they acted in accordance with their intentions.

"We had issues getting inputted information out of our systems—so we made it a real priority and are improving."

"Our data input was awful, which skewed our reports. We had to make an internal organizational change—and we did. [Since then] we've had significant improvement."

CURRENT TECHNOLOGY DOES NOT SUPPORT THE NONPROFIT SECTOR—BUT IT'S CHANGING

Simply stated, the nonprofit technology marketplace has not done much to facilitate creating a 360-view.

There are countless options for CRM, online, peer-to-peer, crowdfunding, credit card processing, and so on. It's a perfect storm for multiple, disconnected systems. But, the increased demand for data integration may slowly be moving the technology market forward.

The options are still limited for most nonprofits, but we believe that vendors are beginning to recognize and build toward this need.

Blackbaud is creating better points of integration with its cloud-based NXT product and is aiming to use its Sky platform to further allow it to "play well with others." Salesforce has created a marketplace that empowers developers to create extensions to the system built on the Salesforce platform. Tessitura is building a system aimed at meeting all of its performing arts clients' needs in one place. (And Tessitura clients tend to do better in understanding their audiences.) Companies like Charity Engine are making this a top priority—creating "enterprise solutions" rather than "point solutions."

We believe the movement by these major players will begin to push the overall market forward.

UNDERSTANDING YOUR CONSTITUENT'S JOURNEY MAY FEEL LIKE CHASING A UNICORN, BUT IT'S POSSIBLE

In addition to believing in the benefits of creating a 360-view, nonprofits need to believe in the attainability of it. Given the number of challenges we have outlined above, it wasn't easy to find a 360-view poster child, but we were encouraged by our conversation with Multiple Sclerosis Society of Canada.

CASE STUDY: MS SOCIETY OF CANADA

For most of its history, the MS Society of Canada managed three discrete parts to the organization—fund development, programs and services, and research—and, as VP of Shared Services David Arbuthnot put, “never shall they meet.” Data silos, spread across various systems, created artificial barriers, in particular for the organization’s development efforts. “People experience the MS Society in a number of roles and channels. It is not helpful to pigeonhole people and only see them in one light,” David said.

In 2015, the leadership of the MS Society of Canada made data integration a strategic objective for the organization. For them, this meant transitioning from many systems to one. After a rigorous selection process, they chose to migrate to an industry-leading technology. “For us, a central system was the way to move forward.”

After selecting the right system, the real work began. Merging data and systems is a time-consuming process—and a large financial investment. The transition required an ongoing commitment to the big picture and strong, continued support at the leadership level.

“The change management challenge will always be there,” David commented. “But at the executive team level, we try to demonstrate the value. And we have seen success—when we first integrated members into the database, everyone immediately saw the benefit of seeing members and donors at the same time.” Members and donors don’t see themselves as “members” and “donors.” They see themselves as people that care about the MS Society. By creating systems that supported staff in thinking the same way, the MS Society did more than talk about being donor centric…they acted.

One interviewee described her organization’s process of building a 360-view: “We’re in a constant improvement process, a constant skill refinement. We’re inching toward Eureka.”

WHAT CAN WE DO?

- [ ] Define 360-view strategic objectives that live in your strategic plan
- [ ] Quantify what it means to have a complete view
- [ ] Create a KPI (or two) that quantify how well you are doing against your objective(s)
- [ ] Appoint a Czar(ina)—this person is ultimately accountable for the objective(s)
- [ ] Consider a data governance team
- [ ] Allocate resources, both in terms of staff time and money
- [ ] Be accountable—determine who is responsible for what and when, and then check their progress regularly. Fail fast and often—take a step, learn, adjust, take another step
- [ ] Don’t work alone! Benchmark with your peers, participate in your local AFP organization, join NTEN, and learn from the challenges and successes of others.
- [ ] Call us! We are passionate about helping nonprofits get to the next level. Share your successes, challenges, and ideas.

We are pleased to share these insights that we have gleaned over the last 20 years serving those who serve the common good. In addition to helping our clients make the best use of technology, we help nonprofits wherever they are in their lifecycle.

Capital Campaigns

Planning Studies
Campaign Planning
Case for Support
Coaching and Management

Leadership and Search

Governance Assessments
Board Retreats
Executive Transition
Succession Planning
Recruitment and Search

Annual Fundraising

Development Assessments
Annual Fundraising Plans
Staff Retreats
Membership Programs
Mid-level Giving Programs

Endowment Building

Endowment Planning
Endowment Building
Planned Giving Programs

Strategic Planning

Core Purpose and Mission
Strategic Objectives
Strategic Measures
Ongoing Monitoring

Nonprofit Technology

System Selections
Project Management
Process Improvement
Using Data and Metrics

Do you have questions or something to add? Let's talk.

To speak with the study author to discuss our findings and learn how you can improve your view of your donors, email Steve Beshuk at steve@benefactorgroup.com or call 614-437-3000.

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