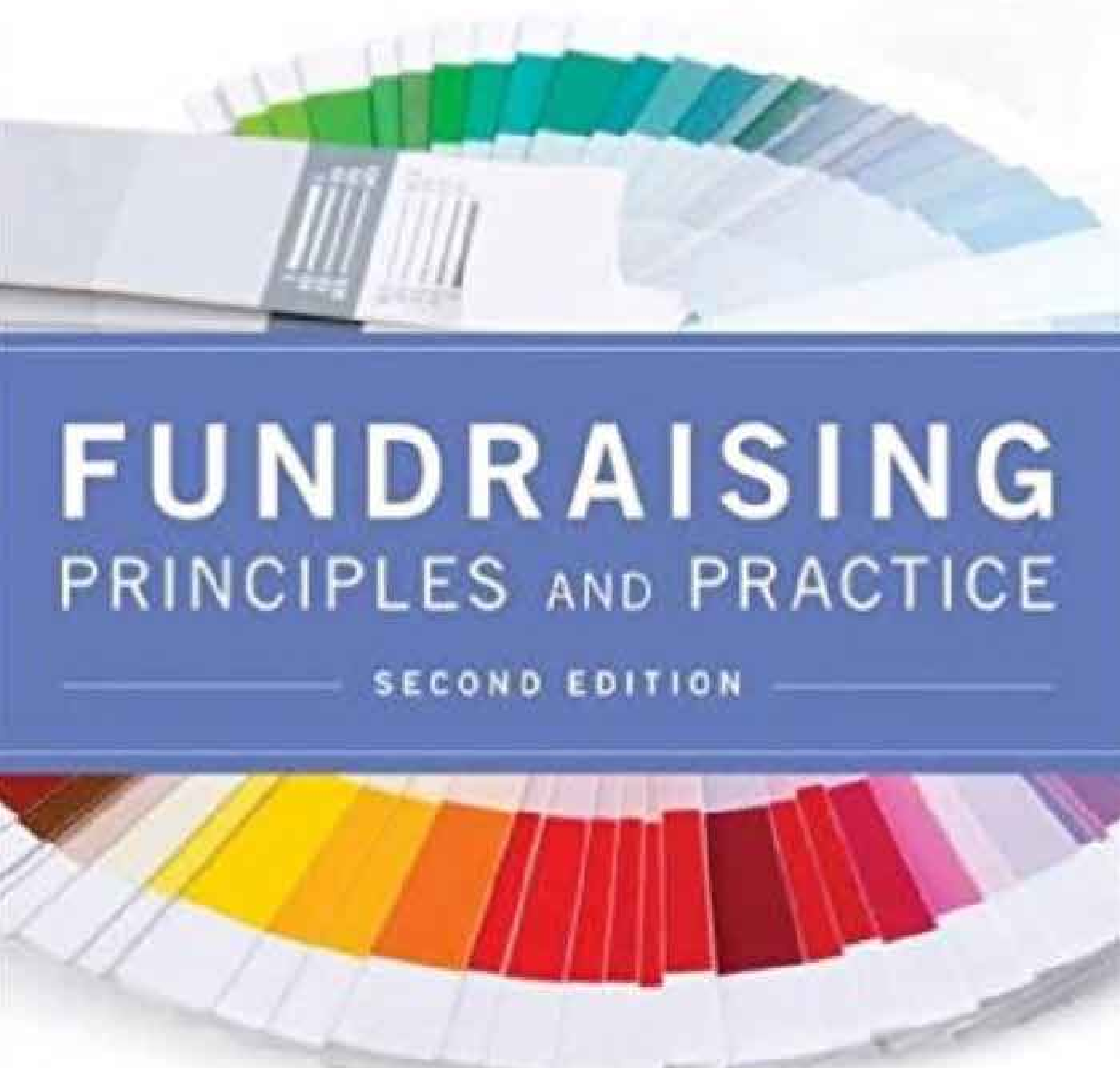

FUNDRAISING

PRINCIPLES AND PRACTICE

SECOND EDITION

ADRIAN SARGEANT, JEN SHANG,
AND ASSOCIATES

WILEY

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To Gwendoline Owen. Our Nan.

PREFACE

Welcome to our textbook! A quick search on Amazon.com revealed that ours will be the 929th book on fundraising available through the site. Hurrah! Although on the face of it this might sound like a perfectly respectable total for a profession barely a century old (Cutlip, 1990), it doesn't compare favorably with the 308,975 texts available to practitioners of marketing, a related profession with similar longevity. Fundraising professionals are beginning to build a platform of knowledge, but we have a very long way to go to catch up to our for-profit colleagues. Volume aside, we also have concerns about the nature of the texts that are currently available. Books on marketing fall into either of two broad categories, namely "how-to" books written by practitioners on the basis of their own experiences and opinions, and textbooks, which open up access to scholarly material, summarize the current state of knowledge, and impart that to students. In fundraising there is a similar division, but textbooks are rare.

We believe that both categories of books have a role to play in a modern profession and both are necessary for the health of the field. We readily acknowledge the contributions of the professional literature, in particular the excellent work of leading practitioners such as Tom Ahern, Ken Burnett, Jim Greenfield, Simone Joyaux, Kim Klein, Harvey McKinnon, Hank Rosso, George Smith, and Mal Warwick. We have admired and respected the work of these individuals for many years. What they all bring to the profession is a wealth of practical experience, a spirited enthusiasm for their craft, and a willingness to share their knowledge with others. They also share an ability to write, to make that knowledge accessible, and to impart it with a genuine warmth and passion for the topic. Anyone serious about a career in fundraising would do well to read the classic texts offered by these authors. We reference many of them in this book. Also, in our online resource center at http://www.studyfundraising.info we offer a list of recommended readings to support each of the book's topics.

The picture for textbooks is not so rosy. Presently only three textbooks on the topic are in print (Kelly, 1998; Lindahl, 2008; and from the United Kingdom, Sargeant & Jay, 2004). Added to these, ours is the first to be written by academics from the marketing discipline, and the first to be developed specifically for a university audience, including students enrolled in a program offered by the Nonprofit Leadership Alliance. It has also been written to meet the needs of the new Diploma in Fundraising offered by the Association of Fundraising Professionals. Our text provides the reader with a unique synthesis of the best of professional practice and the latest academic research, drawn from the disciplines of economics, psychology, sociology, philanthropic studies, and of course marketing.

The advent of a comprehensive student textbook is highly significant for the profession, because it draws together, for the first time, the knowledge base that we would expect every competent practitioner to know. As authors we have long felt that every competent fundraiser should have access to the most critical aspects of that knowledge, such as the three key things that drive donor loyalty, an understanding of the relationship between branding and fundraising, and the core psychological principles that underpin why people give. As the body of academic research grows, this knowledge must be fed into professional practice, where it can have an impact on performance. Textbooks and their associated Web resources are an essential part of this process. They offer insight that is complementary to the professional texts we referred to earlier.

Disseminating the latest thinking and research matters because it exposes individual fundraisers to new ideas that should drive forward the quality of their work, but it also matters for the profession of fundraising. The existence of a well-defined and commonly accepted body of knowledge is what underpins our claim to be exactly that: a profession.

As long ago as 1991, Bloland and Bornstein, for example, noted that the most important strategy for gaining professional status is the development of a substantial, legitimate knowledge base. "Creating a theory base that is changed by research, and a research base that is informed by theory is considered by many students of the professions to be the most important tactic in the professionalization process" (p. 117).

Kathleen Kelly (1998), who took the first step in drawing much of this material together, estimated that there were 80,000 fundraisers practicing in the United States. Today we believe the total to be closer to 100,000. In today's competitive fundraising environment, it is essential for these individuals to have access to a body of knowledge they can call their own. Half a century ago fundraisers might have been able to survive with good people skills, but if this was ever true, it certainly isn't today. The current generation of fundraisers must cope with the realities of modern database fundraising, Web 2.0, and an increasingly sophisticated array of planned-giving vehicles that donors may now employ to structure their giving. Possessing good people skills is no longer enough. There is a wealth of facts, tools, frameworks, and theories that fundraisers now need to be aware of. This text is designed to promote their access to this material.

The book is structured in four parts. Part One provides an overview of the development of the profession and defines the sector it serves. It then considers donor behavior, examining who gives, why people give, and the social and environmental influences on that behavior. Part Two focuses on fundraising planning, providing an overview of the planning and budgeting process. It also examines how to assess fundraising activity and appraise the potential for future fundraising investment.

Part Three deals with what we term the *methods* of fundraising. It examines various direct response media and the use of the Internet for fundraising, then major gifts, bequest and planned giving, and corporate and grant fundraising. It also looks at the critical topic of donor retention, reviewing in turn each of the major drivers of donor loyalty.

Part Four looks at the relationship between fundraising and civil society. It explores key issues such as the engagement of volunteers and the management of the public trust. It also explores the social role of fundraising, apprising fundraisers of the wider role they play in their communities.

The associated Web resource http://www.studyfundraising.info offers additional case study material, links to relevant fundraising websites (or sources of sector information), additional self-test questions, and reading lists to support each topic. We have selected these resources to offer further insight from around the world. Students of fundraising in every country should find these materials valuable.

We hope that the book and its associated resources will meet your needs.

January 2017

Adrian Sargeant
Jen Shang

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We gratefully acknowledge the assistance of all our coauthors in putting together this textbook. Without the input of your expertise, this text would not have been possible. We also gratefully acknowledge our three reviewers—Simone Joyaux, Tom Ahern, and an anonymous reviewer—who conducted a line-by-line appraisal of an earlier version of the text. Your ideas, corrections, and wit (!) were most welcome. Any remaining errors, however, are entirely our responsibility.

We also very much appreciate the generosity of the nonprofits that have contributed to this book by sharing their resources and allowing us to reproduce them here. Textbooks are only as good as their examples, and we are genuinely grateful for your help. Finally, we say a big thank-you to Emma Bryant without whom this second edition would not have been possible.

Thank you all.

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CHAPTER ONE

INTRODUCTION TO THE NONPROFIT SECTOR

Objectives

By the end of this chapter you should be able to:

1. Describe the differences across the public, private, and nonprofit sectors
2. Understand different perspectives on the scope of the nonprofit sector
3. Describe a variety of ways of categorizing nonprofit organizations in the United States
4. Locate information on the size and performance of different categories of nonprofit or cause
5. Describe the key sources of nonprofit income

Introduction

In this initial chapter we begin our exploration of fundraising by studying the sector that is typically the focus of our activity, reviewing definitions of the nonprofit sector, distinguishing it from the public and private sectors, and examining its primary sources of income. We conclude by exploring how such knowledge of the sector can assist a fundraiser in developing his or her practice.

A "Third" Sector

Over the years many authors have developed widely differing terminology for what is ostensibly the same cohort of organizations. Labels such as the *third sector*, *independent sector*, *not-for-profit sector*, *nonprofit sector*, *charitable sector*, and *voluntary sector* are used with varying frequency in different countries. Unfortunately they are all too often used interchangeably and with different emphasis of meaning, making it impossible to be sure with any degree of certainty that any two writers are addressing the same facet of society. Salamon and Anheier (1997, p. 3) argue that this complexity develops because of the great range of organizations that are included under these umbrella headings, "ranging from tiny soup kitchens to symphony orchestras, from garden clubs to environmental groups."

Our first task in this text must therefore be to begin to navigate a way through this complexity. The logical starting place is the term *third sector,* which is now in common usage and reflects the distinctive role the sector has in society. The notion of a third sector is illustrated in Figure 1.1. The third sector is distinguished by being somehow different from either government or the private sector. All three sectors are important facets of human society, and all three have a role to play in the satisfaction of human need.

The private sector or "market" caters to the majority of human need, certainly in the developed world, matching the supply of producers with consumer demand for goods and services. This market ensures that people can obtain much of what they want and need from others at a reasonable price—or at least those with money are facilitated in doing so! Economists argue that the market works because suppliers are prevented from charging excessive prices by the