



Prospect Research: Importance and Impact

*The value of identifying and
researching prospects*

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Executive Summary

With more information publicly available than ever before, prospect research is becoming an increasingly popular tool for nonprofit organizations to increase their fundraising capabilities. Sophisticated analysis now makes it possible to identify an organization's best prospective donors, as well as better understand how to approach each one and what size donation to request.

Donations begin with relationships, and relationships are based on knowing important details about your prospects

Prospect research can help organizations:

Prospect research can help you identify who has the inclination to give and the capacity to give to your organization

- Identify prospective donors
- Determine potential gift amounts
- Formulate ask strategies
- Segment donors by potential gifts
- Build guest lifts for events
- Efficiently use fundraising/development resources
- Reduce fundraising costs

Prospect Research: Definition and Benefits

Would you ask a total stranger for money? More importantly, would you expect a total stranger to give your nonprofit a five-figure, six-figure or seven-figure donation?

How prospect research helps:

- *More efficient use of scarce fundraising resources*
- *Identifies donors who share your organization's values*
- *Predicts each donor's capacity to give*
- *Helps determine "ask" amount*
- *Helps determine approach and engagement strategies*

A key industry study showed that the prospect research cost to raise \$1 in gifts ranged from 15-24¢, depending upon the type of nonprofit (education, environment, arts, etc.)

Before drafting or trading for a player, sports teams prepare in-depth profiles of each prospect, looking at both past achievements and the factors that are most likely to predict future potential. They use that information to weigh different players against each other, estimate likely salaries, and determine which players are most likely to help their team.

For many nonprofits, annual giving represents the majority of gifts received, surpassing the number of gifts received from major and planned givers and events.

Benefits of prospect research

- Start and develop relationships
- Develop approach/engagement strategies
- Estimate ask amounts
- Uncover "hidden" donors
- Increase gifts from existing donors
- Segment donors by likelihood of giving, capacity to give, and type (annual, major, planned) of likely gift
- Identify potential board members and organization champions
- Find more donors who share your values

Potential ROI

The key metric for prospect research is ROI (Return on Investment): that is, what will every dollar spent on prospect research return to your organization in terms of revenue?

According to the Center on Nonprofits and Philanthropy, the average amount spent to raise \$1 in contributions ranged from 15-24¢, depending upon the type of nonprofit.

What You Can Find

A wide variety of information is available from public databases on philanthropic activities and wealth.

The most important predictor of a donor's likelihood to give is past philanthropy. Statistically, past behavior is the best predictor of future behavior.

Wealth markers predict a donor's capacity to give; sophisticated metrics weight different factors to arrive at a more accurate estimate. Real estate, for example, is not as liquid as stock ownership, and so it should be weighted less when estimating capacity.

The more wealthy and philanthropic the individual, the more information that is publicly available. The data that can be publicly accessed includes philanthropic history, wealth indicators, and general background information about education and employment, business affiliations, and nonprofit connections.

Philanthropic markers

- Number of gifts
- Amount of gifts
- Dates of gifts
- Types of organizations supported
- Names of organizations supported
- Events supported
- FEC (political) donations
- IRS 527 donors

Wealth markers

- Real estate ownership
- SEC insider transactions
- Pension amounts (for public company directors)
- Boat ownership
- Plane ownership
- Neighborhood demographics

Background information

- Nonprofit affiliations
- Professional biographies
- Business affiliations
- Business descriptions
- IRS 527 directors
- Who knows who (nonprofit board partners)

Turning Research Into Action

Prospect research alone has value, but it becomes even more valuable when the data is processed in different ways.

Prospect research should include sophisticated analysis based on known correlations of giving patterns. Research shows, for example, that substantial political giving indicates substantial charitable giving.

Prospect research firms analyze the data to make predictions about donor behavior. For example, statistically there is a strong correlation between political giving, as reported by the Federal Elections Commission (FEC) and charitable giving: a donor who has made multiple political gifts totaling \$15,000 or more has almost certainly made at least a five-figure gift to a nonprofit organization. More importantly, prospect research can show that a prospect has given significant gifts to other organizations that have similar or complementary missions to yours, making that person a stronger prospect for you.

Prospect research can uncover shared interests and engagement strategies, and help you find hidden connections between your donors and your organization.

Prospect research can also help formulate an ask strategy. For example, a prospect may have a relatively low income, but large amounts of real estate. That prospect may also be someone whom one of your trustees knows. By discretely introducing real estate into the conversation and providing examples of real estate gifts, that donor can be persuaded to make a larger gift than one based on income alone.

The other aspect of prospect research is the old 80-20 rule: 80% of your gifts will come from 20% of your prospects. (Some development officers say the ratio is closer to 90-10.) By identifying the 20% of your prospects who are most likely to make significant gifts to your organization, you can maximize your fundraising/development efficiency.



DonorSearch: Innovation Since Day One

DonorSearch was founded in 2007 with one goal: to provide more accurate, more comprehensive, more actionable data to help nonprofits of all types achieve better fundraising and outreach results.

Headed by industry veterans, DonorSearch is a leading provider of prospect research to non-profits of all types, including charities, healthcare organizations, fraternities/sororities, religious organizations and educators. Using information from 25 databases, DonorSearch uses proprietary algorithms to help clients find the best philanthropic prospects. DonorSearch's data can be easily integrated with most common donor management and general sales software, putting critical donor information at a client's fingertips.

DonorSearch is the only prospect research company that:

- Searches and analyzes wealth and philanthropy databases
- Reviews all information manually for greater accuracy before you receive it
- Can predict both capacity and propensity to give with confidence
- Provides in-depth information to help development personnel formulate approach and ask strategies
- Helps development offices allocate scarce resources most efficiently
- Provides free, outstanding training and technical support

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