

## **Bad Economy or Bad Strategy?** Don't let one camouflage the other.

By Tom Harrison, President and Chief Executive Officer of Russ Reid  
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Looking for an excuse for declining fundraising income? How about the bad economy? These days, it's easy to blame the economy to justify poor results — few are going to argue with that, as we've all felt the impact of the recession. However, even though the economy is a factor, the reality is that bad strategy has as much (or even more) of a role in poor fundraising results. Many nonprofits — the ones that have stayed committed to smart strategy — are holding steady on income, and some are actually growing. Their secret is to avoid four deadly mistakes of fundraising.

### **Mistake No. 1:** **Investing in silver bullets instead of strategy.**

Some nonprofits resisted change for so long that they are now making desperate choices in their efforts to catch up. Digital is a key place where this is evident. Nonprofits that were slow to develop inviting and informative Web sites with easy online giving are desperate not to repeat that mistake. So, they're jumping into social media with no clear strategies or performance measurements, betting that if they throw enough at this, they're bound to succeed, right? Wrong. There isn't any silver bullet out there.

When testing social media (or other new channels), smart fundraisers don't check their brains at the door. They keep their focus on ROI to spend wisely and to optimize real opportunities. The answer might not be the shiniest thing out there, but in the long run, it's what consistently brings in net dollars.

### **Mistake No. 2:** **Cutting back on acquisition.**

Acquisition is an easy place to look for cost savings. After all, acquisition often costs more than it brings in. And yes, the pundits are saying that "retention is the new acquisition." Baby boomers are living longer than their predecessors, and they are staying in the workplace longer, giving them more discretionary income to give to the charities they support.

But acquisition continues to be critical for your organization's long-term health. Normal attrition will drain your donor file on an ongoing basis unless you infuse it with new donors. If you acquire donors at an acceptable average gift level, your acquisition costs will be paid back in 12 to 18 months — and the long-term donor value will make acquisition even more profitable.

*One caveat:* Don't settle for acquiring lots of donors at low dollar levels. While the infusion of donors might give you momentary euphoria, the cost to maintain and try to secure a second gift from a low-end donor will drain any long-term gain. If this is your strategy, have a clear plan for how often you will mail to these new donors, what offers you will make to them and if you will recoup your cost of acquiring through list rental.

**Mistake No. 3:**

**Letting program experts dictate the fundraising message.**

Good programs might or might not make good fundraising offers. Donors need to be able to visualize what you're doing and believe it is meeting an urgent, basic need. The reality is that the funding of some programs is best left to one-on-one solicitation.

It's natural to want to trumpet our most sophisticated programs, but more often than not, donors want to give to meet the most basic needs. Let's not bite the hand that feeds us. The simplest offer is often the engine that drives direct-response fundraising. For example, food banks provide education, advocate on hunger issues and help low-income families enroll in government programs. These are all important programs. But they aren't going to tug the heartstrings like telling someone that for a dollar you can provide a meal to a hungry person.

If your income is down in this environment, look at your offers. Have you been faithful to the basic offer that is proven in your fundraising — or have you been capitulating to the program staff and trying to educate while you fundraise?

**Mistake No. 4:**

**Expecting branding efforts to generate income.**

Branding is increasingly important to nonprofit organizations. People can't give to you if they don't know you're there. And people won't give to you until they're convinced of the importance of your work. Effective branding will actually engage donors and prospective donors with your organization.

Count on this: Great branding creates an environment where your fundraising works better. But great branding doesn't actually raise any dollars.

So you do need great branding, but you need to couple it with great fundraising or you'll end up feeling good about your messaging and image, and wondering why your income has plummeted.

Please, invest in branding — and combine it with smart fundraising by tying it to your core offer. And don't forget to make the ask.

The economy has affected every one of us — personally and professionally — in some way or another. But poor strategy has had an even worse impact on our fundraising results. Strategy is never luxury; it's survival.

Are you setting aside time for strategic planning? Are you using your consultants to help shape strategy and not to simply execute?

There's still time. Take a strong stand, and put a stop to the deadly mistakes of any fundraising program. Those who respond today with smart strategy and courage will capture market share and be on a growth curve as the economy improves.

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