

**It's All About to Change:
How Important Trends Are Driving Philanthropy
In New Directions**

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*Fund Raising Day in New York
Friday, June 12, 2009*

Political (philanthropic)

Economic

Societal

Technological

PEST ANALYSIS

Political (philanthropic)

- Competition is increasing.
- Overall philanthropy is flat.
- Shift from “self-oriented” to “altruistic.”

NONPROFITS ARE FACING EVER-INCREASING COMPETITION:

**PRIOR TO 1900 JUST 12 NATIONAL
ORGANIZATIONS SOLICITED FUNDS.**

**BETWEEN 1900 and 1916 20 MORE
NATIONAL AGENCIES WERE BORN.**

BY 1946, THERE WERE 100,000.

IN 1963 THERE WERE 500,000.

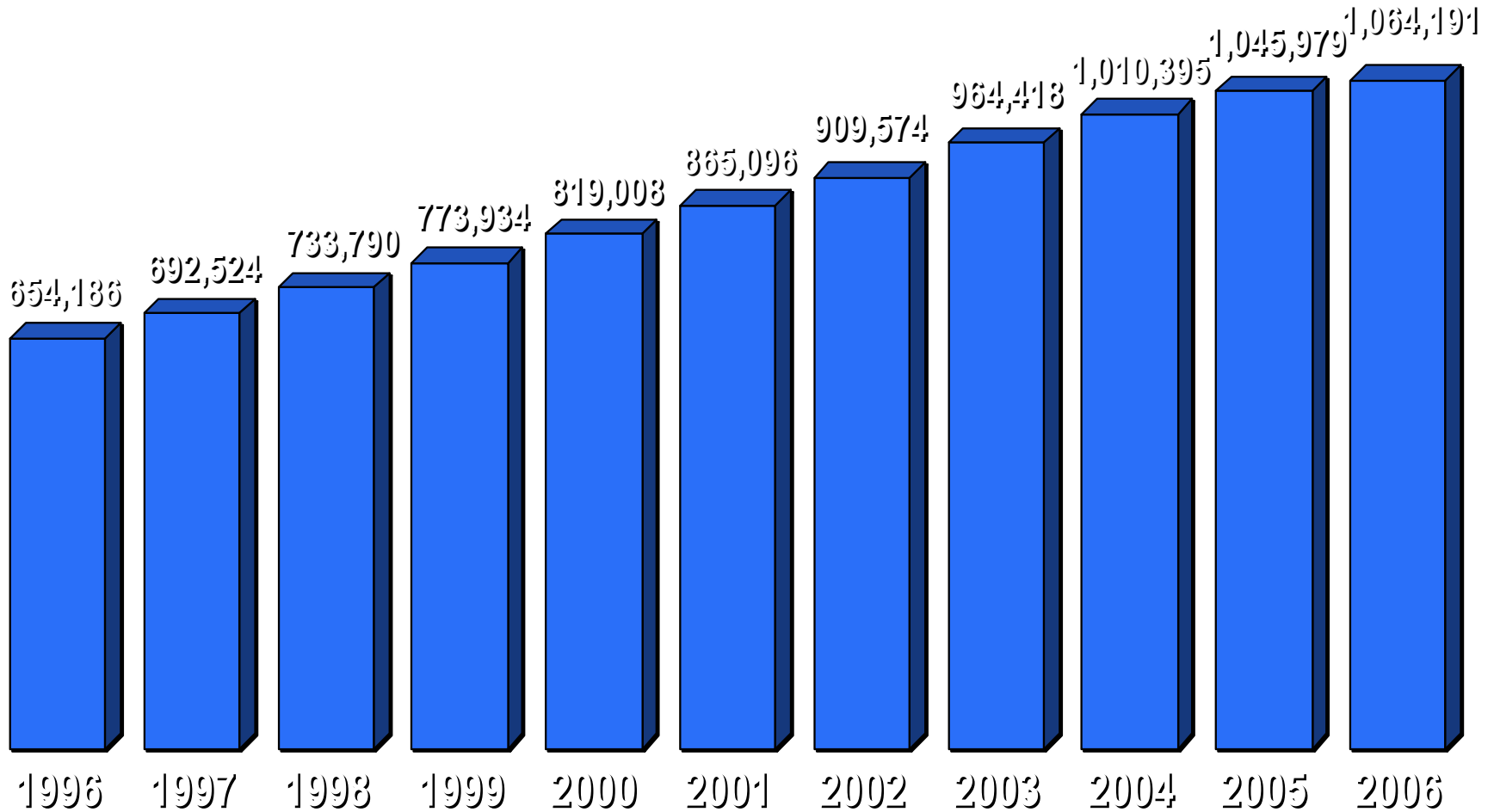
IN 1996, THERE WERE 650,000

A POSITIVE SIDE OF HARD TIMES

- A 40-year (1967 to 2007) study of charitable giving patterns as they relate to recessions and economic slowdowns found that while there was an impact on giving, it wasn't as dire as conventional wisdom might assume.**
- Giving grew an average of 0.8 percent in years with an economic slowdown.**
 - In years with eight or more months of recession, total giving fell an average of only 2.7 percent. Individual giving, which accounted for 80 percent of total giving, declined an average of only 3.9 percent. Foundation giving, which accounted for about 10 percent of total giving, dropped an average of only 0.1 percent. Corporate giving, which accounted for 5 percent of total giving, fell an average of only 1.6 percent.**
 - Human services organizations showed growth in giving in recessions (0.7 percent) and even higher rates of growth in longer recessions (5 percent). This may indicate an appropriate response to the level of need in difficult times.**

"Giving During Recessions and Economic Slowdowns" by the Center on Philanthropy at Indiana University. Giving USA Spotlight, Issue 3, 2008, Giving USA Foundation.

The number of U.S. 501(c)(3) organizations climbed to over 1 million by 2006



OVERALL, PHILANTHROPY IS FLAT

**Reviewing data over the past 40 years,
Giving USA has concluded that during
recessions, the average decline in
giving, adjusted for inflation,**

**-- was one percent for short recessions
and**

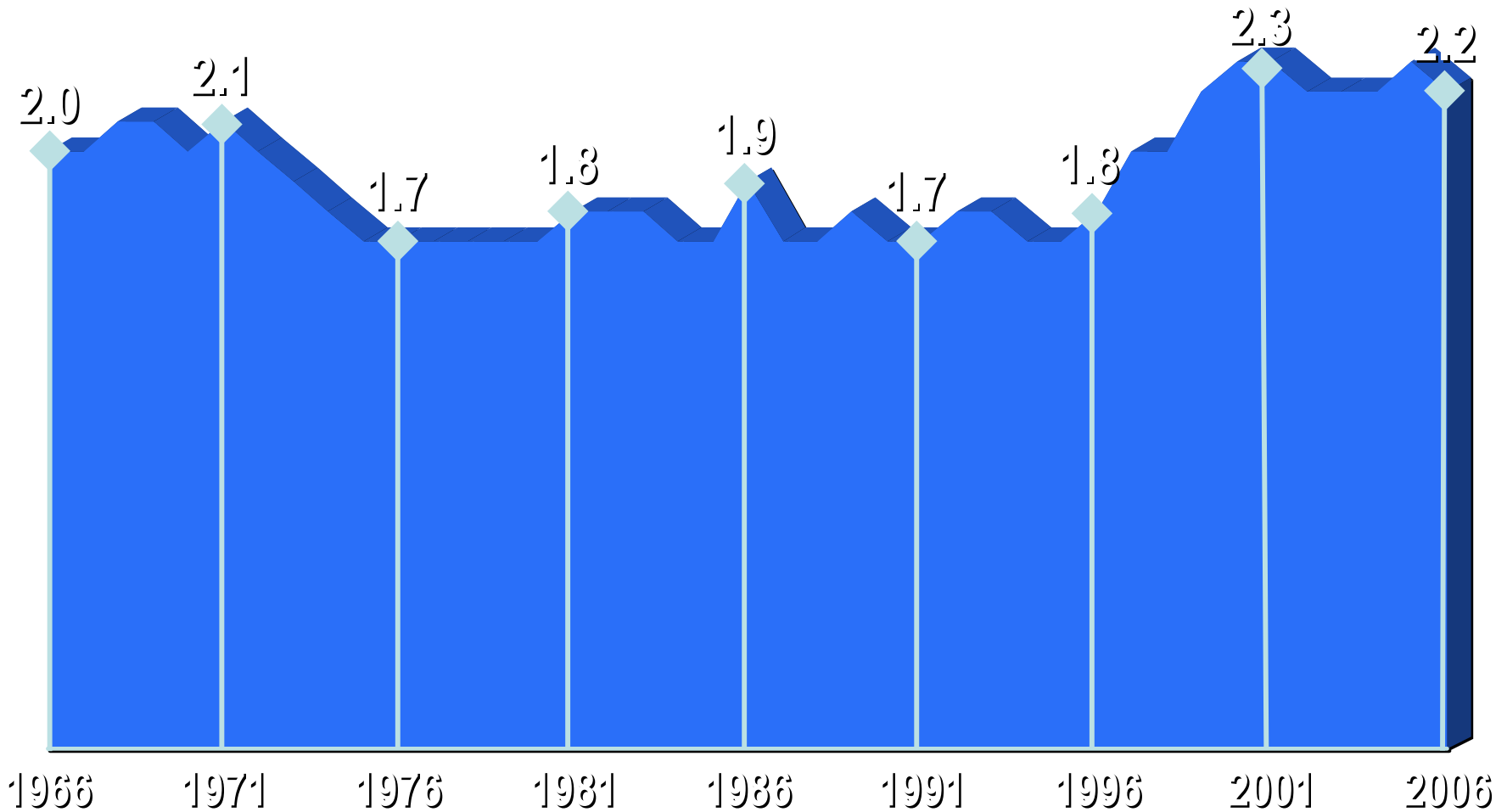
-- 2.7 percent for longer recessions.

EVEN IN “GOOD TIMES” ...

GIVING USA ANNOUNCEMENT:

U.S. charitable giving rose from \$295 billion in 2006 to \$306.4 billion in 2007, *only a growth of 1 percent after inflation.*

Total giving as a percentage of U.S. Gross Domestic Product, 1966–2006



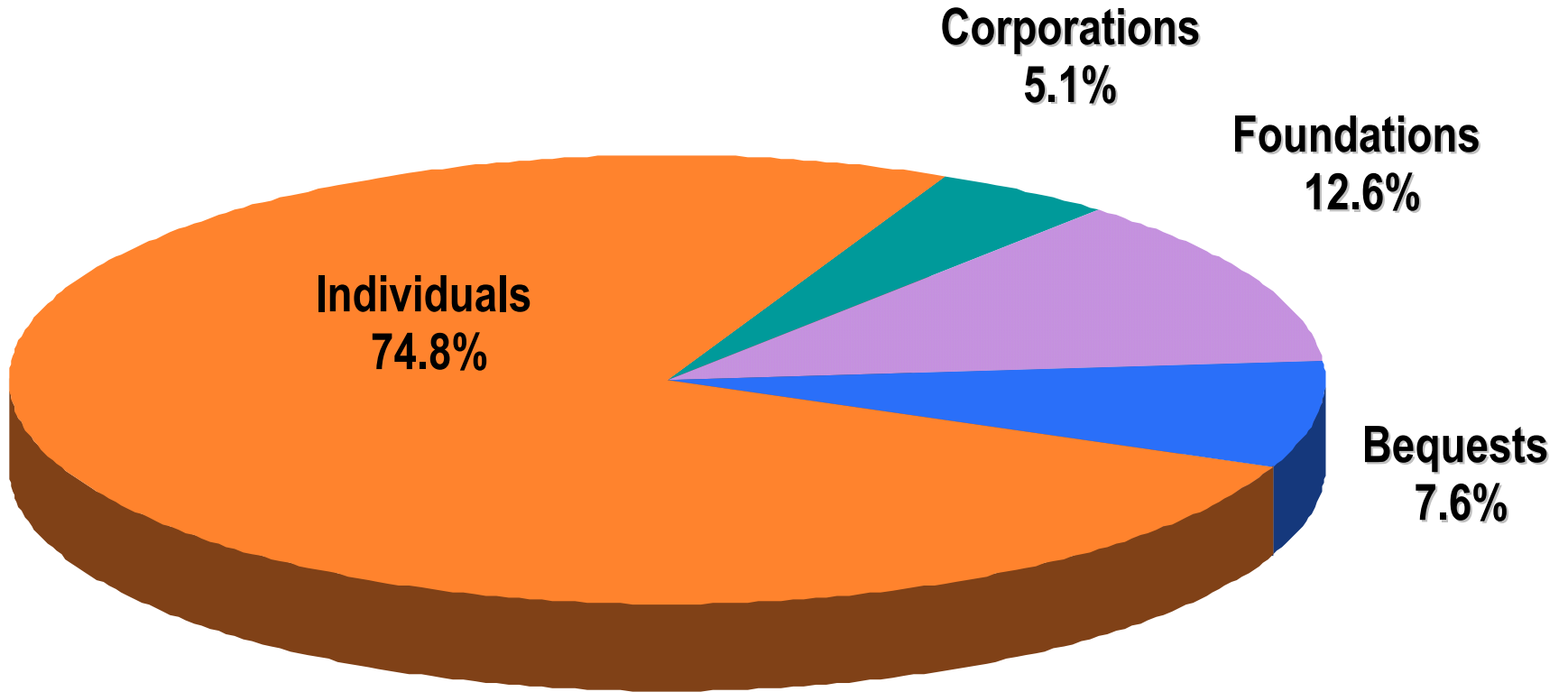
Data are rounded.

The 2007 total estimate of charitable giving of \$306.4 billion is 2.2 percent of the gross domestic product for 2007.

The highest percentage of GDP that charitable giving has ever accounted for, 2.3 percent, was in 2001 after several years of rapid growth in the stock market, and again in 2002 and 2006, when disaster relief was part of the total estimate.

2007 charitable giving

Total = \$306.4 billion



A “REALITY” CHECK - GIVING By INDIVIDUALS

- **By 1990, the average American donor was giving *half* of what the average American gave in the 1920s.**
- **Warren Buffett’s \$37 billion in gifts notwithstanding, the richest and highest-earning Americans have cut back on donations since 1995.**

CHARITABLE GIFTS AS A PORTION OF INCOME

Among those with incomes more than \$1 million, the percentage of their income given away fell from 1995 to 2003.

The generosity of those with incomes less than \$1 million has grown. By 2003, they gave nearly the same share of their income as those in the million-plus income bracket.

	1995	2003
More than \$1 million	4.1%	3.6%
Less than \$1 million	2.8%	3.5%

GIFTS AT DEATH

- Among taxable estates worth \$1 million or more, the percentage of that wealth given to charity fell from 1995 to 2004.
- The share from estates worth \$20 million or more has been declining, from a quarter of the average estate to about a fifth of it.

	1995	2004
\$1 million +	8.8%	7.9%
\$20 million +	25.3%	20.8%

**MOST DISTURBING:
A GREATER PERCENTAGE
OF THE WEALTHY
ARE MAKING NO GIFTS IN THEIR ESTATES**

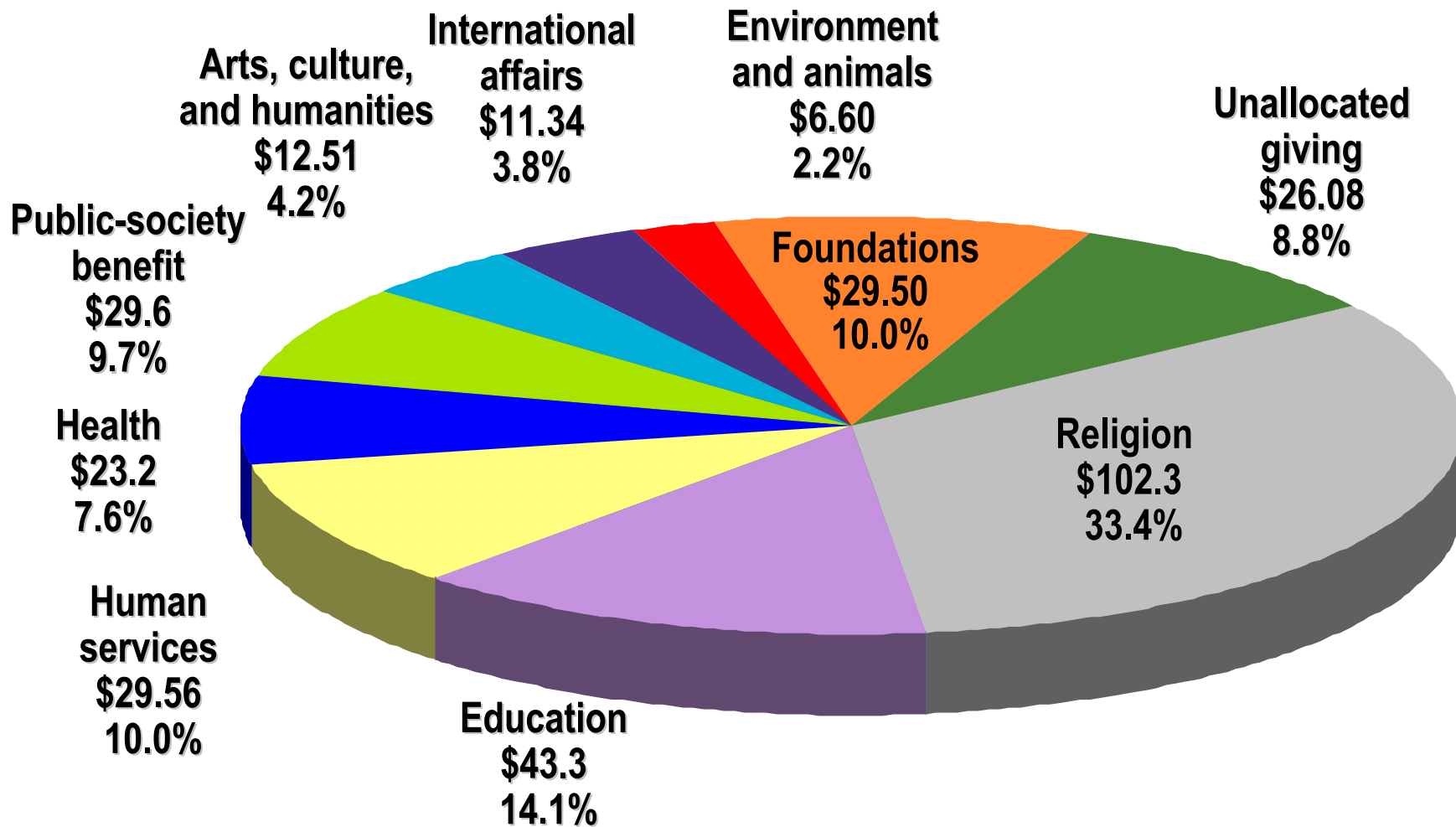
	1995	2004
Estates worth \$1 million +	73.8%	78.1%
Estates worth \$20 million +	42.4%	47.7%

A REALITY CHECK: GIVING BY FOUNDATIONS & CORPORATIONS

- **The top 100 foundations in the U.S. *slashed* their commitment to core operating funding by more than half between 1994 and 2000.**
- **Corporations “giving” is increasingly strategic marketing.**

Types of recipients of contributions, 2007

Total = \$306.4 billion



PEST ANALYSIS

Economic

- Loyalty is gone.
- Less belief in “authority.”
- Longevity brings fear of outliving assets.

**The average consumer
receives
about one million marketing messages
a year – about 3,000 a day.**

**In light of today's information glut,
that means
there's a vast shortage of attention.**

**People have been desensitized by years
of media message bombardment.**

The percentage who say they have “high trust” in not-for-profit groups is not impressive:

- **Religious organizations** 47%
- **Police and firefighter organizations** 41
- **Veterans organizations** 39
- **Animal-welfare organizations** 38
- **Social-service charities** 37
- **Educational organizations** 35
- **Youth-development organizations** 33
- **International-relief organizations** 28
- **Arts and cultural charities** 25
- **Health organizations** 24
- **Not-for-profit hospitals** 24
- **Environmental organizations** 19
- **Civil-rights and community-action** 16

**Roughly one-third of U.S. adults
(32 percent)
has less than positive feelings
about charitable organizations.**

**And the same number also believe that charitable
organizations are "off in the wrong direction."**

***The closer Americans get in age to being those
who will transfer wealth,
the less they trust the nonprofits who seek to receive
that wealth.***

Harris Interactive Survey, January 2006

**In one developed nation after another,
we're provided the gift of longevity.**

THE "FLORIDA EFFECT"

- **Middle aged Baby Boomers**
- **The general aging of the population**

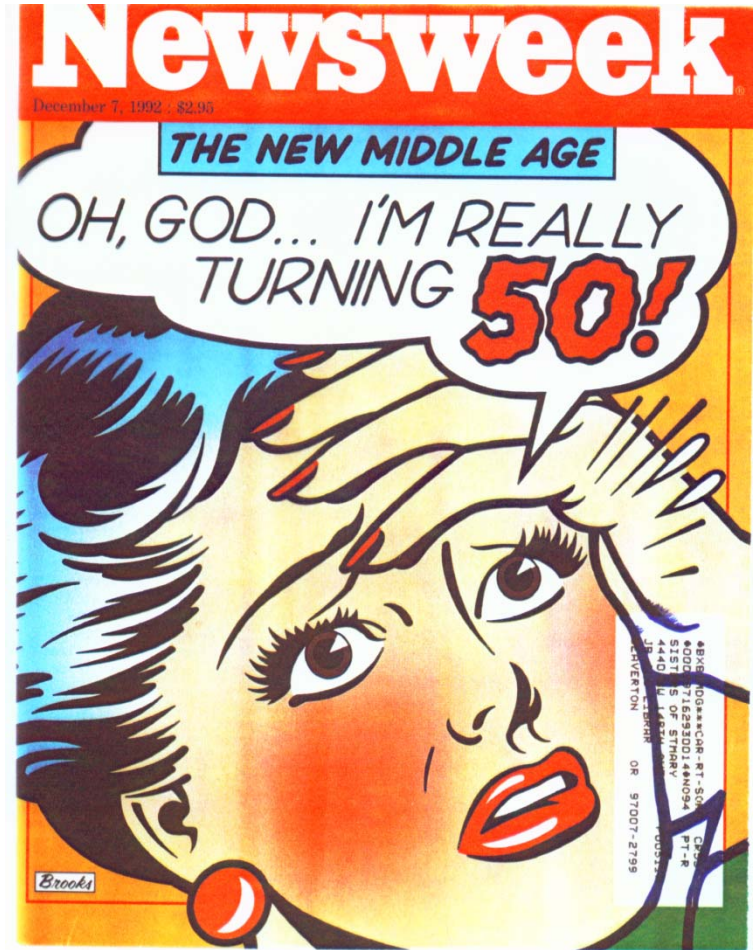
THE "SQUARING OF THE MORTALITY CURVE"

- **Increasingly female elders**
- **Growth of the super old (85+)**

**One Boomer
turns 55
every 7.5 seconds!**

**When the United States
was created,
just one in every 40 persons
was over 65.**

- **Today, one in seven is over 65.**
- **By 2030, one in four will be over 65.**



BOOMERS RULE!

- **In 2000, 38.5 percent of the U.S. adult (18+) population was over 50;**
- **By 2010 that percentage will rise to 43 percent.**
- **As of 2009, the majority of U.S. households will be headed by someone over the age of 50.**

A GROWING LONGEVITY IN AN AGING WORLD

COUNTRY	Life expectancy for today's adults	True Life Expectancy
Canada	79 for women 73 for men	85.26 years
Germany	77 for women 70 for men	83.12 years
Japan	81.9 years: 81.4 for women 75.6 for men	90.91 years
United Kingdom	77.6 years: 77 for women 71.3 for men	83.79 years
United States	80.1 for women 75.5 for men	82.91 years

LIVING PAST 100 IS BECOMING COMMONPLACE!

By 2050, the Census Bureau projects that the number of Americans age 100 or older will increase by more than 22 times the 1990 Census estimate.

In 1990, there were **37,307** Americans who had lived past 100.

In 2050, there will be more than **834,000** Americans age 100+.

CONSIDER THIS:

**Hallmark sold 85,000
“HAPPY 100th BIRTHDAY” cards
in 2007!**

CAUTION!

In 2006, charitable bequests dropped by 8.6 percent to \$17.4-billion, reflecting what researchers said was a “*steep decline*” in the number of deaths over the past two years.

PEST ANALYSIS

Societal

- **Switch from pre- to post-World War II focus.**
- **Diversity in ethnicity and generations.**

INCREASING DIVERSITY

- **GENERATIONALLY:**
 - Moving from “Mature Civics” to “Idealists”, “Pragmatics” and “Global Civics”
- **ETHNICALLY AND RACIALLY:**
 - Moving from “White, Non Hispanic” to a “Diverse Majority”

**Today, more Americans are alive who were born
AFTER World War II rather than before.**

Generation	Years	Age in 2009	U.S. population (in millions)	Percent of U.S. population
PRE-WW II			58.7	21.3%
GI Generation	Pre - 1930	80+	25.3	9.1
Depression Kids	1930 - 1939	70-79	17.8	6.5
War Babies	1940 - 1945	64- 69	15.6	5.7
POST-WW II			224.0	78.7%
Baby Boom	1946 - 1964	44-63	77.4	28.2
Generation X	1965 - 1976	33-43	44.9	16.4
Generation Y	1977 - 1994	15- 32	70.7	25.8
Millennials	1995+	Birth - 14	22.9	8.3

SURPRISE!

POST WW II AUDIENCES ARE BETTER DONORS!

**Boomers (born 1947-65) are 42 percent of adults
BUT 47 percent of all donors.**

**Generation X (born 1965 – 77) are 25% of adults
and 13 percent of donors.**

**Mature Civics (pre-1947) make up 25% of adults
but comprise 16% of donors. They give only
about \$20 more annually than do Gen Xers,
on average.**

Post-boomers may surprise us with their giving

- **While currently Generations X and Net donate less than the older groups – an average of \$791 per year – and 52 percent gave nothing, 56 percent plan to increase their donations in the next five years.**
- **54 percent say they will leave money to charity in their wills (compared to 40% of boomers and 26% of older Americans).**
- **More of their dollars – 41% -- go to advocacy and political campaigns.**

“Boomers! Navigating the Generational Divide in Fundraising and Advocacy”, DonorTrends Project

**"The new demographic realities
mean that soliciting funds
from diverse communities
is no longer optional
for nonprofit organizations
-- it is a matter of their future survival."**

Emmett D. Carson, former CEO, the Minneapolis Foundation



**Today, diverse Americans,
African Americans,
Asian-Pacific-Americans,
and Hispanic-Americans
make up 25 percent of the
U.S. population.**

By 2010, this figure will be 33 percent.

By 2040, it will be 53 percent.

United States Population Projections

	2000	2050	Increase
Total population	281.4 million	403.7 million	44%
African American	34.7 million	53.5 million	54%
Asian American	10.9 million	35.8 million	228%
Latino	35.3 million	98.2 million	178%
Native American	2.3 million	3.2 million	39%
White, Non-Hispanic	194.5 million	213.0 million	10%

TRUE AFFLUENCE*
IS
FOUND IN *ALL* SEGMENTS
OF OUR POPULATION

(Defined as a household income of \$75,000 and greater)

- ✓ **11.0% of White, non-Hispanic Americans**
- ✓ **10.0% of Black Americans**
- ✓ **9.5% of Hispanic Americans**
- ✓ **34.0% of Asian Americans**

PEST ANALYSIS

Technological

- Differences in communication styles and preferences.
- Move from “reactive” to “proactive” decision making.

**Technology is transforming choice,
and choice is transforming the marketplace.**

- Your donors are deciding the pace and timing of communications.**
 - **How often? When?**
- Your donors are deciding their preferred communication vehicles.**
 - **Direct mail? Phone? Email? In-Person?**
- Your donors are deciding how to make gifts.**
 - **Cash? Checks? Credit Cards? EFT?
Real property? Securities?**

**Consumers have an increased need
to gain control over their environments.**

THANKS TO THE INTERNET:

**We have entered the age
of “the new consumerism”
with the organization itself functioning
as consumer advocate
and the consumer installed
as the organization’s “CEO”.**

Thinking out of the Box, Kathy C. Yohalem

Political (philanthropic)

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Economic

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Societal

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- Diversity in ethnicity and generations.

Technological

- Differences in communication styles/preferences.
- Move from “reactive” to “proactive” decision making.

THE CHANGING (PEST) PARADIGMS ARE REDEFINING FUNDRAISING STRATEGIES

LONGEVITY
CHANGES
FR METHODOLOGIES

- **An increasing reluctance among donors to make current, sacrificial gifts**
 - Renewal and upgrading rather than acquisition
 - Affluence rather than wealth
 - Donor gears replace the donor pyramid

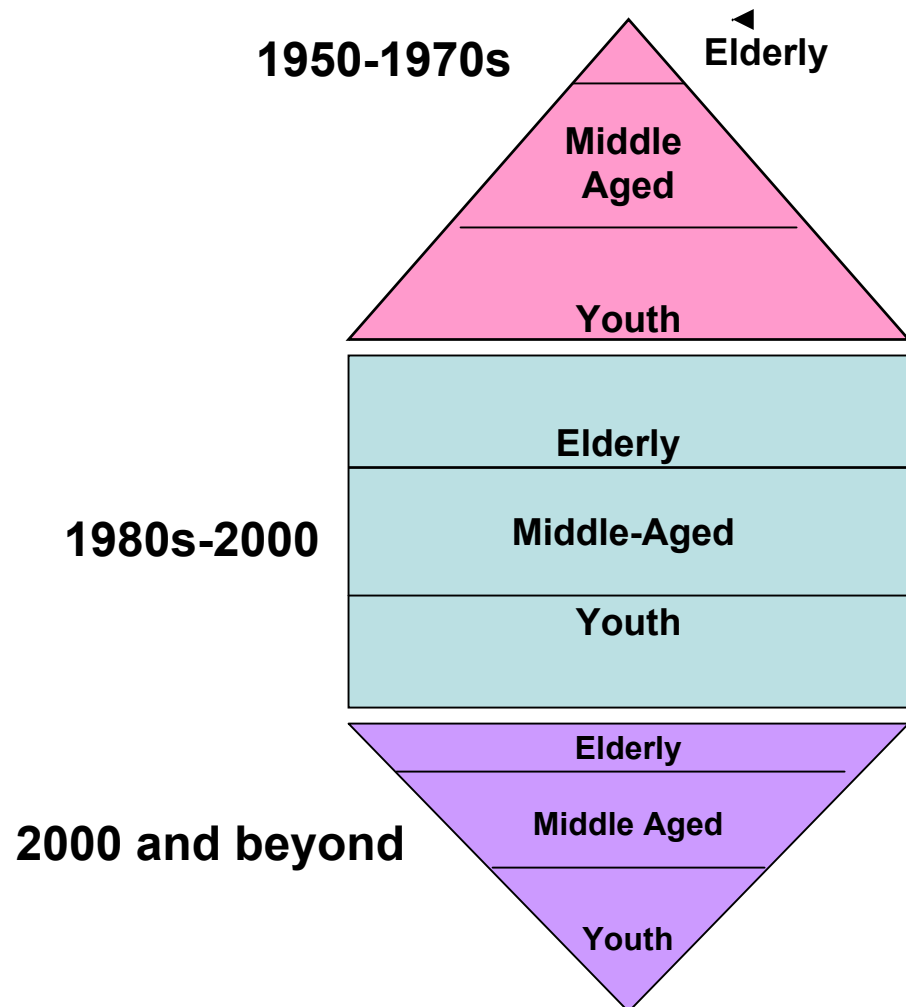
DIVERSITY
REDEFINES
OUR “BEST” PROSPECTS

- **A less homogenous prospect pool**
 - Marketing by demographics and/or psychographics
 - The “Rubik’s Cube” school of prospect selection

LONGEVITY CHANGES FR METHODOLOGIES

Renewal & upgrading versus acquisition

- People are living longer.
- After marketing promotes donor loyalty.
- It takes 5 times as much work to acquire a new donor than to renew an existing one.



LONGEVITY CHANGES FR METHODOLOGIES

WEALTH

- There are 7 million millionaires worldwide.
- Just 514 are worth \$30 million or greater.
- Average millionaire has a net worth of \$3.7 million (\$350,000 of which is a home) and an annual household income of \$131,000.

69% of people with a net worth of at least 1 million feel obligated to give, down from 79% in 2001.

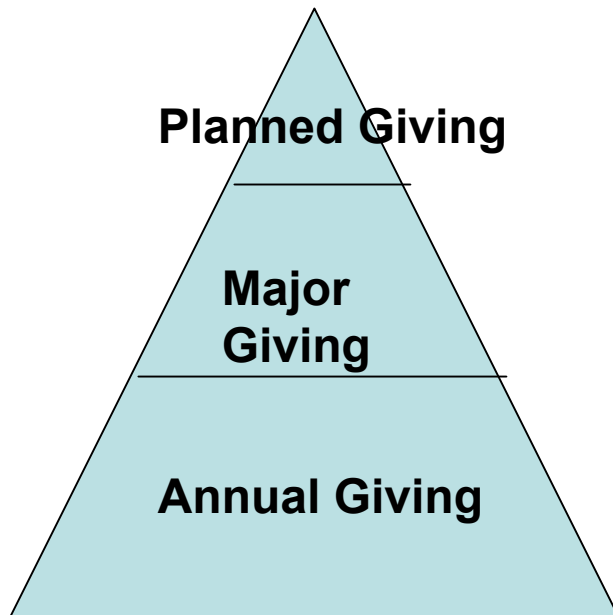
AFFLUENCE

- There are 15.1 million U.S. households that earn \$100,000 or more (14% of population).
- The upper middle class (those who earn \$75,000 - \$99,999) number 11.8 million households.
- Affluence is found in both genders, all ages, and every ethnic/racial background.

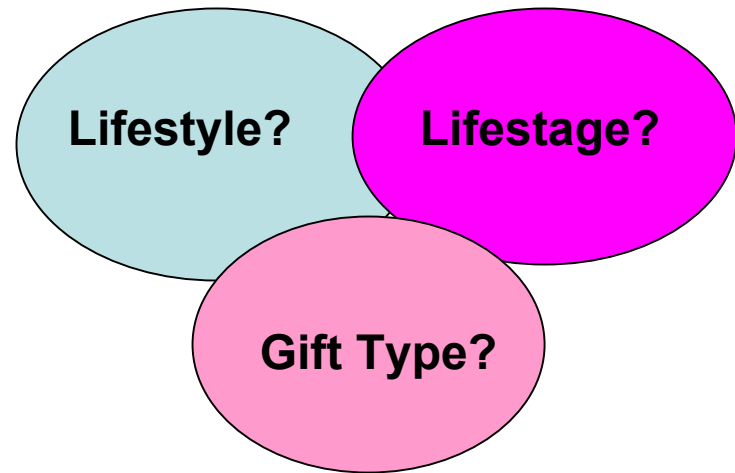
All households earning \$75,000+ have at least \$10,000 in discretionary income to spend.

LONGEVITY CHANGES FR METHODOLOGIES

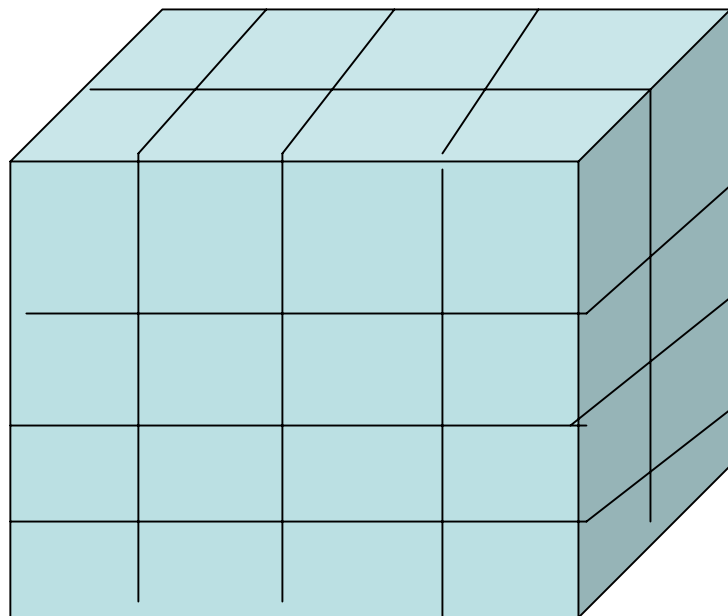
**GOODBYE TO THE DONOR
PYRAMID AND “LINEAR”
FUNDRAISING**



**HELLO TO THE DONOR GEARS
AND “CYCLICAL”
FUNDRAISING**



DIVERSITY REDEFINES OUR “BEST” PROSPECTS



**The “Rubik’s Cube
School of Fundraising**

THE FOUR AXIS:

GIFT DEMOGRAPHICS

- Size, frequency, recency

DONOR DEMOGRAPHICS

- Age, sex, race/ethnic background
- Education, occupation, income
- Household characteristics
- Residence
- Life cycle

DONOR PSYCHOGRAPHICS

- Social Values & Beliefs
- Attitudes, Interests, Opinions
- Lifestyles

DONOR COMMUNICATION STYLE

- Format and frequency

REPOSITIONING FUNDRAISING TO RESPOND TO TOMORROW'S NEW OPPORTUNITIES

FROM

- Methodology driven**
- Homogenous**
- Mass communication**
- Pre WW II dominates**

TO

- Donor Driven**
- Niche Audiences**
- One-on-one**
- Post WW II dominates**

THANK YOU!

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