

# The Big Picture

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If you've never come into contact with prospect research before, you may be wondering if it's something you even need. These days, most frontline fundraisers are pretty comfortable searching the web for answers to their questions and may be confident they are finding enough. Why should you spend valuable resources hiring or outsourcing something you could possibly do yourself?

You wouldn't be reading this if you didn't think there were reasons why prospect research is valuable, and of course you're right. Throughout this book, we will lead you through many of the ways research is used today and will show you cutting edge tools that will lead prospect research and fundraising into the future.

Let's start with the big question: What is prospect research?

## **WHAT IS PROSPECT RESEARCH?**

Prospect research is the act of gathering, analyzing/interpreting, and presenting information that leads toward a gift.

Prospect research is a broad term that covers all of the activities employed in fundraising to identify and qualify donor prospects. It is not performed by one individual or a software subscription, but rather is a group of fundraising tools.

Following are some examples of prospect research activities:

- Searching online and offline sources for information about individuals, companies, trusts/foundations, government/municipal organizations, and other funding sources.
- Gathering information directly from donors and prospects.
- Methodically searching a donor database for donors and prospects who are more likely to give to an appeal, make a larger gift, or be a major donor.
- Creating lists for events or mailings.
- Providing speaking points for fundraising staff for prospect meetings and events.
- Creating and managing rating systems to prioritize donor prospects.

In general, prospect research activities fall into three main categories:

1. Prospect identification: Finding new prospects, either within or outside of your database, that have not yet been considered as prospective donors, volunteers, or advocates.
2. Qualification: Once prospects have been identified, evaluating factors to confirm that they have potential as funding or volunteer partners.
3. Relationship management: A system of directing fundraising activity by tracking progress through tasks and reporting. Its purpose is to move prospects toward a major gift.

### Overview of Terms

Prospect research, fundraising research, donor research: These phrases all mean the same thing and are used interchangeably as umbrella terms to describe the activities involved in identifying and researching prospective donors, and managing the relationship between our organization and its donors. Even though the umbrella term is *prospect research*, the activity actually encompasses *research*, *relationship management*,

and *analytics*. Most nonprofit organizations have one or more people performing each of these activities, whether they're aware of it or not. Let's take a look at each one.

On a very basic level, *research* is what happens when a potential new donor is identified and more information is needed to determine the strength of their linkage to the nonprofit organization, their ability to make a major gift, and their potential areas of interest.

Once a prospect is identified and determined to have interest, linkage, and the ability to make a major gift, the prospect is entered into a *prospect management* or *donor relationship management* system. (These terms mean the same thing and are used interchangeably). Very simply, a relationship management system is built to ensure that an organization keeps track of its relationship with each potential major donor. We'll talk more about the hows and whys in Chapter 4.

*Analytics*, also known as *data mining*, *donor modeling*, and *DMM*, involves studying the information in an organization's database to find new prospects. Analytics can be simple or very complex, and its usual purpose is to identify groups of prospects rather than finding prospects one by one. We'll speak in detail about prospect identification and analytics in Chapter 2.

As you can see, although the term we use is *prospect research*, there is a lot more to it than just the research part. Researchers are fundraisers—their work directly enables an organization to raise funds. And frontline fundraisers are prospect researchers, too—every face-to-face visit with a prospective donor provides an opportunity for primary prospect research.

Throughout this book, we'll be providing case studies, interviews, tips, and information to help you understand prospect research better. Whether you are a fundraiser in a small shop who wants to know more about how research can help you, studying for a CFRE and needing to know more about prospect research, or a chief development officer overseeing a department that includes research, our goal is to help you understand what prospect research is and how you can get the most out of it.

Let's begin by looking at the most fundamental question.

## WHY DO PROSPECT RESEARCH?

For a fundraising program to reach its full potential, those working on the front line—major gift officers, planned giving officers, corporate and foundation relations officers, and so on—must have a productive partnership with prospect researchers, whether internal (a prospect research office) or external (a prospect research consulting firm). Prospect research helps fundraising program managers make informed decisions about where to focus resources, especially time and travel of gift officers, deans and directors, presidents, board members, and others involved in the fundraising process. This makes the fundraising program more effective and more efficient.

—RONALD J. SCHILLER, Senior Vice President for Business Development, Lois L. Lindauer Searches

It's hard to think about spending money to save money, but we do it all the time in our daily lives. Let's say for example that you decide to purchase a fuel-efficient automobile. You may end up buying a car that costs more than several others, but its fuel-cost savings and reliability rating means that you will spend less money over the life of that car than you would have for another.

Using prospect research is exactly like buying that car. Chances are good that before embarking on your car purchase, you would do research to determine the best features to meet your transportation, comfort, and lifestyle needs. You might purchase a subscription to a consumer's group website or magazine to give you access to test results and trusted advice rather than relying solely on brochures from the dealership. You may have made up a grid or used a spreadsheet to track your findings and rank your choices. Even though you can never know what the future will bring, you make your decision based on the best information available.

Prospect research is an investment in making the best decisions possible. Researchers identify promising prospects on which fundraisers concentrate their efforts. They purchase access to subscriptions that

provide more reliable or deeper information than what is available solely through search engines. They track information in reports, spreadsheets, and databases to record data and decisions. This informed approach is an investment in personnel, training, and subscriptions (or in outsourcing) that helps an organization be effective and efficient at fundraising.

#### CASE STUDY

After a long period of cultivation, an alumnus of a midsize university was going to be asked for a gift of \$100,000 to support the capital campaign. Before the solicitation call happened, the fundraiser in charge of working with the donor asked for updated research to be done so he would be sure the prospect had the capacity to make the gift.

What the researcher discovered was that the donor's privately held company had in the past month been awarded a significant government contract. In addition, the prospect's spouse had recently made a quarter-million-dollar gift to her alma mater in another state.

Based on this information, the team revised their target ask upward, and the \$500,000 gift that resulted was significantly more than the original ask would have produced.

### Prospect Research Informs Fundraising Strategy

We use prospect research to answer strategic fundraising questions. Consider how the prospect research activities described above answer fundraising questions:

- Who are our best donors?
- Do we have enough donors and prospects to reach our campaign goal?
- What is the best way to engage this donor?
- Where else is our prospect involved/affiliated?
- Is this company a good corporate citizen and potential partner for us?

- What size gift should I ask for?
- To whom should I send an appeal?
- Are we raising money efficiently and effectively?
- Is my organization moving our best prospects toward a major gift?
- Which trusts and foundations support organizations like ours?
- Do we qualify for local or federal government funding?
- Which of our donors are good planned giving prospects?

Without questions, we would not have research! Asking good questions and getting equally good answers provides many benefits to fundraising, such as:

- Focusing resources on the prospects most likely to bring the best results.
- Helping to provide confidence to fundraising staff.
- Helping us to get it right: the right person, at the right time, and for the right ask.

Research can be used to inform fundraisers about individual donors and prospects or entire campaigns. The following case study is an example of how an organization can be transformed through prospect research.

#### CASE STUDY

Liz is the new chief fundraiser at Cliffden College. Soon after her appointment, the board approves a plan for a major fundraising campaign, the college's first. Liz hires Bethann, a five-year prospect research veteran to help build the pipeline of prospective donors.

Bethann decides to hire a vendor to undertake an electronic wealth screening to help identify the college's best prospects. Because the fundraising database is rich with years of donor information, Bethann also uses her analytics skills to mine the database for additional groups of prospects.

Bethann and Liz use the information from the screening and analytics work, combined with firsthand information Liz gathers

from trustees and key volunteers, to create a master list of best prospects.

Based on this work, Bethann and Liz are able to see the total potential capacity of their constituency. Using industry averages, they can use this information to project campaign totals and share it with the board. They track each prospective donor through their newly created relationship management system so that each one receives the attention he or she deserves and none are forgotten. Liz can use this system to see where individual donors are at every stage of cultivation and to forecast income by quarter or fiscal year for the entire campaign.

## HOW DOES RESEARCH FIT INTO MY WORK AND INTO THE GIFT CYCLE?

This is the key point that we hope you'll take away: Research fits into every aspect of the development cycle and, used strategically, cannot only enhance, but exponentially transform your fundraising results. Prospect research:

- Identifies a universe of prospective donors and volunteers to be pared down and prioritized through research and face-to-face qualification visits.
- Provides further information on the likeliest prospects and helps develop donor/volunteer cultivation plans.
- Tracks the relationship process with each prospect to ensure that each relationship progresses on schedule.
- Supplies key leadership and volunteers with information needed to assist them in making the ask for financial support.

### Prospect Research in the Gift Cycle

Each organization's prospect research needs are different. Large organizations hire staff dedicated to prospect research activities. Smaller

organizations might have only one prospect researcher, might have each of their staff doing various prospect research activities, or might outsource. Regardless of size or type, every organization has the same gift cycle. A donor may enter the gift cycle in different places, but the general process is constant.

At the center of the gift cycle are the donors and, from a prospect research perspective, the donor database. Even if your donor database is still on a spreadsheet, all successful organizations have some method for keeping track of gifts and other information about their donors and friends of the organization.

A visual representation of prospect research tasks combined with the gift cycle might look like Figure 1.1. Note that the ovals represent the traditional gift cycle stages and the rectangles represent typical prospect research tasks.

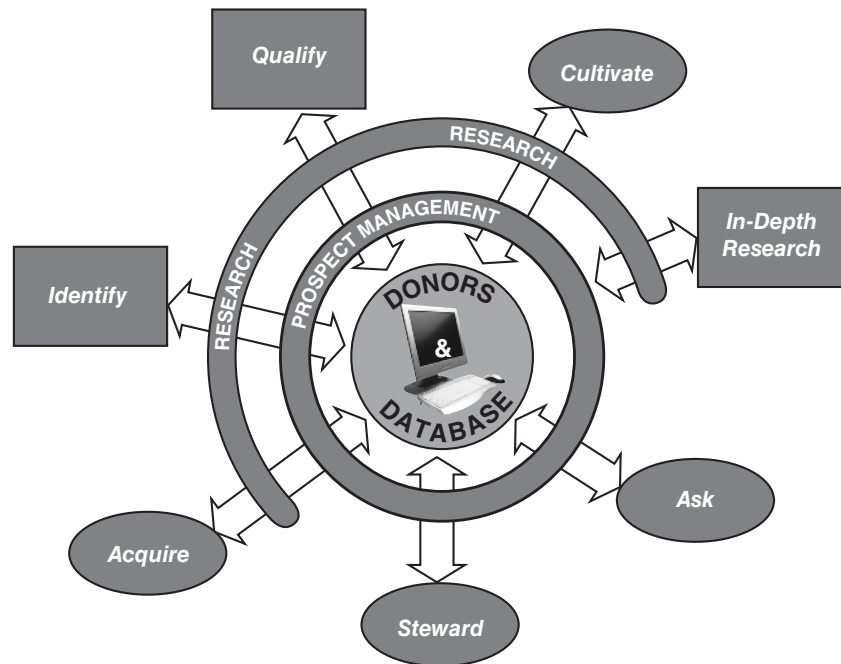


FIGURE 1.1 Prospect Research in the Gift Cycle



As you can see from Figure 1.1, prospect research touches nearly every stage in the gift cycle. This makes sense when you think of prospect research's central role in the gathering, maintenance, and use of information. In order for information to be useful, it must be presented in a meaningful format. Where does prospect research fit into the fundraising plan?

Now that you know what prospect research is, why we use it, and how it relates to the gift cycle, you can begin to see how it can help you increase the quantity and size of gifts to your organization.

Take a look again at Figure 1.1. Everything revolves around the donors and the donor database. Each of the prospect research pieces identified in the diagram support and enhance your ability to raise money in each of the main fundraising program areas:

- **Direct appeals:** Using prospect identification techniques, you can segment your donors and create messaging that is more personalized. You might also identify a group of donors capable of making gifts smaller than what would be considered major gifts, but at the high end of your direct appeals. This raises more money and lowers mail costs.
- **Special events:** Using prospect identification techniques, you can identify people to invite to an upcoming event or attendees of a recent event with the ability to make large gifts, and/or those who make gifts your organization or to others. Brief research on those attendees can provide talking points for your president and board members.
- **Corporate, foundation, and government:** Frequently having connections with individuals at these institutions makes these relationships most successful. Researching to find connections and identify interests and giving areas goes a long way to help you achieve success.
- **Major and planned gifts:** Major and planned gifts are the primary focus of this book. When you invest in the people and resources needed to identify, qualify, and perform deep research on individuals, your major gift program can reach new levels of

fundraising. The emphasis on major gifts in this situation is not just about raising more money overall; it is about creating an intense, personal focus on the small group of individuals who will likely give as much as 95 percent of your fundraising total.

## COMMUNICATION

Good communication between fundraisers and researchers is important all the time, but it is especially crucial when there is critical information you need to know, there is a tight deadline, or the potential for wasting precious resources exists—for example, when going through an expensive prospect identification, screening, or data analytics exercise. Here are some tips for collaborating with a researcher on an in-depth prospect identification project:

- Meet with the researcher working on the project and provide them with all of the information you know and what you would like to know about the prospects identified or researched. Be clear about what you would like to receive back in your report and what format would work best for you.
- Come prepared with key words, phrases, donor types or groups that the analyst can use as a starting point.
- Discuss what your ideal prospect or prospect group would look like and why.
- Discuss your plan for involving and cultivating this new group of prospects; that may give the researcher more ideas about the types of prospects they should seek.
- Agree to a timeline for when the project will be completed and delivered to you.
- Agree additionally on a post-delivery meeting where you will discuss the successes and challenges of the project or process.

We all work better as individuals and as a team if we have buy-in to the process, a sense of closure, and knowledge of the success or failure of our endeavors. Prospect researchers are asked to provide information that informs a philanthropic approach but rarely receive the closure

of that loop. Information that is helpful to ensure continued success includes: Was the information provided useful? How? How could we do this better next time? Did the project contribute to building stronger relationships with prospects? Did one or more gifts result from this work? Providing this feedback will enable you and your research team member to attain even greater success in the future.

## DISPELLING MYTHS AND CORROBORATING EVIDENCE

Now that you have an idea of how research fits into the development cycle, we'd like to dispel a few myths and validate information you may already know:

1. *Anyone can find everything they need using that big search engine.*

No, we can't. Measuring the amount of information available on the Internet is, at this point, like trying to measure the size of the universe. According to IBM, "Every day, we create 2.5 quintillion bytes of data—so much that 90 percent of the data in the world today has been created in the last two years alone."<sup>1</sup>

It's expanding every second and it's a moving target. Imagine you're looking up at the night sky. What you see is pretty vast, isn't it? And yet it's only a fraction of all of the stars, planets, and galaxies out there. The information stored in search engines is *exactly* like that: vast, and yet only a tiny percentage of all of the information in web pages out there. And just like in stargazing, what you see may be current or may be refracted information from many moons ago.

Free and fee-based subscription databases (like Factiva, Hoovers, and LexisNexis) are the telescopes that help us see deeper. They provide very reliable information, but they still only add a portion of all the data available. Primary (in-person or telephone) research can add another portion of information into

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<sup>1</sup>"What is Big Data," IBM, [www-01.ibm.com/software/data/bigdata](http://www-01.ibm.com/software/data/bigdata).

the mix, which is why the information that frontline fundraisers add is critical to getting a more complete picture of a prospect's capacity, interest, and likelihood to give.

2. *Can prospect research tell me someone's net worth, or exactly how much to ask a donor for?*

No on both scores. Net worth is calculated by subtracting someone's liabilities from their assets. Since prospect researchers can only see assets that are publicly available, they will never be able to provide a net worth figure.

Researchers can discover (in many cases) major gifts that a prospect has given to other organizations or provide an estimated gift ask amount based on wealth factors. The product of this research is a strong factor to be considered—just as longevity of the relationship and depth of involvement are—in determining the right gift ask amount.

3. *I can do prospect research on my own; I don't need to pay someone else to do this for me.*

This is true; you don't need to have a researcher on staff or hire a consultant to help you. And when you're out on a call visiting with a prospect, you are doing primary prospect research. The more time a fundraiser sits in front of his or her computer doing research, though, the less time he or she is interacting with donors. What are your annual targets and responsibilities, and how much is your time worth? It's likely that a researcher's time is less expensive than a frontline fundraiser's and that their expertise in prospect research can get you the answers you need more efficiently.

## SUMMARY

Prospect research is a great strategic tool to have in your development office's toolbox. But just as you wouldn't use a hammer to saw a board, research isn't the perfect tool in every situation, and sometimes it can miss the mark. If you understand research's value and limitations, using this power tool can help catapult your fundraising efforts from just getting by to substantially succeeding.

Prospect research gathers, analyzes and interprets, and presents information that leads an organization to stronger relationships with philanthropic partners and increased income. Fundraising asks the questions and prospect research answers those questions. It is up to you, the frontline fundraiser, to know what strategic questions you want to have answered. Do you need to know what size gift a prospect could possibly give to your organization? Do you need to find the most capable donors in your database? Do you need a system to keep track of your major gift prospects?

Although prospect research can benefit all areas of a development program, this book emphasizes individual major gifts. We wrote this book to give you, a person involved in securing support for a cause, a guide to the most important prospect research tools being used in major gift fundraising. We want you to know how these tools work so that you can make informed decisions about the following:

- Who fits best in the prospect research role.
- What role research plays in helping an organization meet its goals.
- Where prospect research fits into the gift cycle.
- Why research has been taking on an increasingly large role in fundraising over the past several years.
- How organizations are leveraging the power of research and its accompanying metrics to benefit their bottom line.

If you have been avoiding prospect research or feel at all uncomfortable around it, we hope this book gives you the kind of confidence that comes with understanding.

## FOR FURTHER READING

Sonia Gilewicz, "Making the Case for Research," *APRA Connections* 23, no. 1 (Winter 2012).

"Measuring Fundraising Return on Investment and the Impact of Prospect Research," *WealthEngine*, May 2010, [www.wealthengine.com/knowledge-center/whitepapers/measuring-fundraising-return-investment-and-impact-prospect-research](http://www.wealthengine.com/knowledge-center/whitepapers/measuring-fundraising-return-investment-and-impact-prospect-research).

