

BY PAUL LAGASSE

How **prospect research**



can help you fine-tune

More Than Data

Suppose you are a development director at a private university that is preparing to launch a multimillion-dollar capital campaign. Based on a tip from a board member, you arrange for the university president to meet with a prominent local philanthropist to solicit a major gift to kick off the campaign. The meeting goes well until, to your horror, the philanthropist casually mentions that his real passion is cancer research. Oops.

Prospect research provides fundraisers with actionable intelligence throughout the development cycle, from identifying and rating the donor pool to cultivating relationships, making the ask and growing donors' support over time. "Researchers are the development officers on the front line of information management," says the Association of Professional Researchers for Advancement (APRA, www.aprahome.org), "uniquely positioned—and qualified—to gather, interpret, analyze, disseminate and direct data critical to securing support for nonprofit organizations." Skilled prospect researchers know how to find nuggets of useful information from a wide array of publicly available sources online, in libraries and deep inside databases.

However, the stories that data tell are only as effective as researchers' access to fundraisers, planners and other decision makers from the outset of a campaign. "Research is one of the first parts of the cycle, in terms of making sure we're deploying our scarce resources as effectively as possible," says Robert D. Scott, executive director of development at the Massachusetts Institute of Technology (www.mit.edu) in Cambridge, Mass., and president of APRA's board. "It's

(*The Wall Street Journal*, May 16, 2010) claims charities are "using increasingly sophisticated technology [to] survey your salary history, scan your LinkedIn connections or use satellite images to eyeball the size of your swimming pool."

As unsettling as it is to imagine a cadre of satellite-snooping prospect researchers monitoring everyone's promotions and portfolios, the reality is fortunately much more mundane, says Justin Tolan, chief fundraising adviser at ME&V (www.meandv.com) in Cedar Falls, Iowa. "The primary reason you should be seeking information is to determine the interest before determining the wealth," he explains. "Interest is paramount." However, researchers routinely overlook much of what's publicly available simply because it does not tell fundraisers about a prospect's philanthropic interests.

At the same time, there are also legal boundaries as to what researchers can obtain and use. Anything spelled out in legislative privacy provisions, such as Equal Employment Opportunity Commission (EEOC) privacy laws, the Health Insurance Portability and Accountability Act (HIPAA) or the Family Educational Rights and Privacy Act (FERPA), is strictly off limits. Furthermore, the information that is collected must be kept strictly confidential with controlled access. The APRA Code of Ethics identifies four fundamental principles that members must abide by:

- integrity and honesty in the conduct of research
- accountability to applicable laws, standards and levels of discretion
- accuracy, appropriateness and confidentiality of the work
- avoidance of conflicts of interest

your ask, allowing you to raise more money more cost-effectively

about making sure there's successful engagement with what is arguably the scarcest resource—the friends who have the ability to transform the institution."

In the quarter-century since Bobbie J. Strand and Susan Hunt wrote the seminal book on the subject, *Prospect Research: A How-to Guide* (CASE, 1986), the prospect research profession has gradually transformed from being primarily reactive—gathering intelligence on existing donors from newspapers—to heavily proactive: identifying strong prospects based on information about their civic engagements and wealth activities. "The real growth in research," Scott says, "has been in its ability to better focus and deploy fundraising assets as a whole."

What's in Your Donor File?

As people conduct more and more of their lives online, they are putting a great deal of personal information about themselves in places where others—including prospect researchers—can find it easily. This can lead to misunderstandings about what prospect researchers can find and use. For example, the article "Is Your Favorite Charity Spying on You?"

The line for charities, especially for quasi-public institutions such as state universities and public libraries that have access to vital statistics, is quite clear: information such as student grades, medical histories, fines and/or legal violations has no bearing on gauging interest. As for information about bank accounts, loans and credit card debt, that is strictly unavailable. Researchers may learn about many of a prospect's assets, but not his or her liabilities.

Finally, there are professional and ethical boundaries governing what should be collected. Tolan says that researchers traditionally follow a "golden rule" principle. "You should not seek details on a person's private life if you would not want him or her seeking the same about you," he advises. (*The AFP Code of Ethical Principles and Standards* and *A Donor Bill of Rights* also apply, www.afpnet.org.)

Joshua M. Birkholz, a partner at Bentz Whaley Flessner in Minneapolis/St. Paul and author of *Fundraising Analytics: Using Data to Guide Strategy*, sees a trend in both the quantity and quality of information being collected. Rather than compiling extensive biographies of prospects, nonprofits are collecting less, but more relevant, information. "It's actually

more costly and inefficient to do detailed research up front,” he says. Initial research should describe a prospect as likely to have a compatible interest with the organization, which a fundraiser can then build on during the initial contact. “Once you meet the donor,” he adds, “all the information you got before the meeting may go out the window.”

For their part, experienced donors understand and even expect that researchers are collecting information about them. However, having too much information up front can get the relationship off on the wrong foot. “It’s awkward to have a conversation in which I know more about them than they think I should know,” Birkholz explains. “Fundraisers should take the high road in the relationship.”

The Right Research for the Right Ask

Researchers today have access to more information, more quickly, than ever before. But are they looking for the right information in the right places? Are fundraisers making the best use of the information? Making sure that the wheat is being separated efficiently from the chaff has become a crucial management function for today’s fundraising executives.

While many fundraisers still think of “research” as the briefing they get before going into the field, research can play important roles in every stage of an organization’s development process. As APRA’s Scott explains, “Think of research-

ers as fundraisers who may not be making the ask, but who are using other resources to bring money into the institution.” Thanks to the efforts of AFP and APRA, a culture of mutual respect among fundraisers and prospect researchers is emerging, one in which the analytical skills of researchers and the people skills and storytelling savvy of fundraisers are being combined to achieve greater success in turning prospects into lifelong donors.

If your organization has a researcher on staff, to whom does he or she report? This may vary according to the size and mission of a particular organization, but a researcher’s place in the organization is less important than his or her ability to work closely with field staff throughout the entire fundraising cycle. In many organizations, researchers are the institutional memory, able to draw on the breadth and depth of collected information about, not just individual donors, but also giving trends and demographic changes.

As critical as the research function is to a successful fundraising strategy, most small organizations and even many midsize ones cannot afford a dedicated prospect researcher. Frequently, such organizations will tap other staff to tackle a prospect research task. However, that may not end up being the bargain that it at first seemed, warns researcher, trainer and speaker Maria Semple, principal of The Prospect Finder LLC in Bridgewater, N.J. (www.theprospectfinder.com).

Prospect Research Tools for Small Organizations in Canada

Many small and even medium-size Canadian nonprofits lack the budget to hire dedicated prospect researchers or contract with data mining vendors. That doesn’t mean that resourceful fundraisers cannot take advantage of online resources. Even if all you have is a list of annual donors, you can perform Web searches to see who has been giving larger amounts to other organizations and who has been gradually increasing their giving over the years. Use this information to build detailed prospect profiles that focus on the donor’s relationship to the organization, the programs they support, and any clues to their capacity for giving.

Beyond the donor database, here are some popular free and paid online resources that are used to find information about Canadian prospects:

Free resources:

- **Real estate data** are available at the neighborhood level from the Multiple



Listing Service® of the Canadian Real Estate Association (www.mls.ca).

- **Public securities documents** that include company stock performance, salary ranges and executive profiles are available from the Canadian Securities Administrators’ SEDAR filing system (www.sedar.com) and the System for Electronic Disclosure by Insiders (SEDI; www.sedi.ca).

Paid resources:

- **Prospect research online (PRO)** by iWave Information Systems (www.iwave.com) is a Canadian-based subscription service that identifies prospects by their individual, corporate, and foundation giving habits.
- The **Major Gifts Resource Centre** by Dig In Research (www.diginresearch.biz) is a membership resource that provides access to donor and giving opportunities, major gift benchmarking data, trends analysis for Canadian and international

giving, and gift levels for naming rights, all culled from public sources.

- **ImagineCanada** (www.imaginecanada.ca) publishes the *Canadian Directory to Foundations & Corporations*, which lists grant makers, U.S. foundations that make grants to Canadian nonprofits and corporate giving programs.
- **BIG Online** by Metasoft Systems Inc. (www.bigdatabase.ca) offers a database of online corporate, foundation and government grant makers in North America, along with grant-writing resources and a database of tax returns from registered private foundations.

If your organization has a long-term goal of acquiring prospect research technologies but cannot afford them now, you can boost the case for this objective by making use of these and other free and low-cost resources, then taking your successes to your directors and the board to make your case for acquiring access to more and better prospect research technologies that will help your organization’s fundraising efforts reach a higher plateau of sophistication—and results.

“Very often I find that someone who’s doing grant writing is asked to extend their skills to research individuals in the community,” she says. “But you’re using different skills and data resources.”

Semple warns that the job can be overwhelming to someone who lacks the combination of organizational knowledge, technological skills and resource access of an experienced prospect researcher.

When looking for outside research consultants, consider their expertise and skill sets. Do they have broad knowledge or a single focus, for example on government resources? How long have they been in business? What resources do they have access to, especially fee-based databases? How will the information be delivered? Everyone on the fundraising team should always request and carefully review sample outputs, such as reports or prospect profiles.

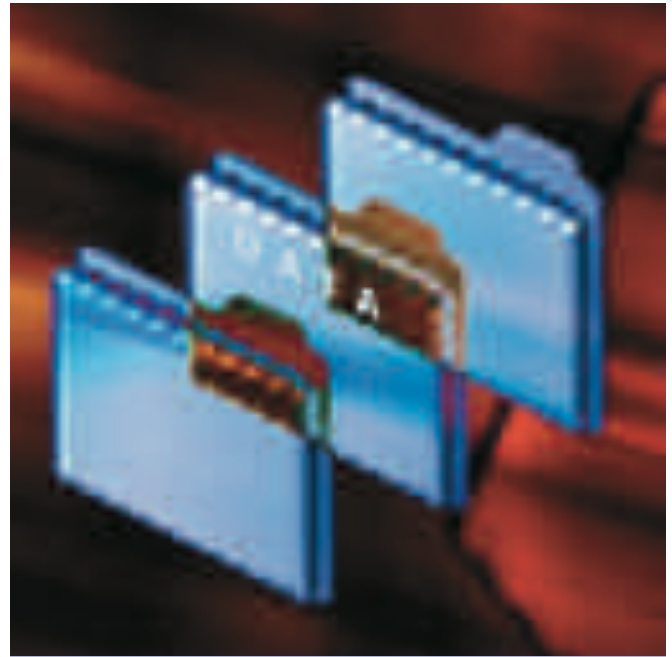
The level of research should always be commensurate with the task at hand, Semple advises. If you already have a prospect in mind, it is better to start with a one-to-one conversation and let the research provide initial talking points. Too much research, or the wrong kind of research, wastes everyone’s time and money. “If the output is simply going to sit on a shelf somewhere, and the board is not going to solicit the individuals, you should not use sophisticated tools,” she cautions. “The tool doesn’t make the relationship for you.”

The Canadian Perspective

Prospect researchers in Canada face a different set of challenges than do their American counterparts, as well as some unique opportunities. Over the past 20 years, decreases in the federal government’s formerly substantial funding for charities have forced more and more organizations to develop fundraising programs to make up the shortfall. “The charitable sector is in its infancy compared to that in the United States,” says Tracey Church, manager, prospect research at CNIB in London, Ontario (www.cnib.ca), which is a national organization providing community-based services for blind and partially sighted citizens across Canada and a leader in the promotion of vision health. “It’s a growth market for information specialists.”

Canadian researchers operate within a different set of legal and cultural boundaries that define what is and is not considered publicly available information. For example, information about mortgages and real estate transactions, personal assets and wealth indicators including wealth search engines, are simply not available to Canadian prospect researchers. “In comparison with the information available in the United States, being a prospect researcher in Canada is brutally hard,” Church admits. “We have to extrapolate and make a lot of presumptions with what we find from available public resources. However, from a citizen’s perspective, we prefer the privacy!”

The Personal Information Protection and Electronic Documents Act (PIPEDA) of 2004 considers any transaction involving a fundraising list—even if the list is bartered or traded—to be a commercial activity, which requires con-



How Long Should You Keep Donor Records?

Looking for a system to organize your prospect and donor records? You will need an approach that is both simple and robust. One convenient way to organize paper records is by placing them in three broad categories based on the life cycle of a donor’s relationship with your organization:

- 1. active files** for prospects, current regular donors and recently lapsed regular donors.
- 2. semi-active files** for infrequent, irregular and recently lapsed infrequent/irregular donors.
- 3. dormant files** for donors who have not given or responded to queries for a predetermined period that can vary with the organization. Keep these files for at least the minimum number of years specified by income tax laws, then review for key gift-related documentation such as name and contact information, gift agreements and naming rights. Preserve key paper documents, transfer names and contact information to a database and discard the rest.

Before disposing of donor records, consider potential future uses for them. Children of a deceased donor might inquire about their parent’s gift or the data might be needed for long-term statistical tracking. Past experience can be a good guide; always check with the organization’s institutional memory first.

Electronic records, such as databases and PDFs of correspondence and agreements, should be similarly managed according to a donor’s status. Regular backups and content maintenance are essential, as is regular migration, to ensure that the data can be accessed as the organization’s software is upgraded over time.

Follow these tips, and your paper and electronic donor files should be in good shape for researchers, fundraisers and even donors.

sent for disclosure. While the law is aimed primarily at for-profit uses of personal information, most nonprofits adhere to the spirit of the law by offering clear opt-out choices as a way for people to decline further communications. Similarly, hospital patients can opt out of being contacted by the hospital's foundation; of those who do consent, only names and addresses, not phone numbers, are passed along to the foundation. "Foundation and hospital databases are not linked, so the foundation does not know if any donors are, or have been, admitted into the hospital," Church says. "I know this

is a very foreign concept to fundraisers in the United States." Church notes that U.S. prospect research companies looking to offer their services to Canadian nonprofits need to take these factors into consideration.

Many prospect researchers have come from the library field, says Church, who has a Master of Library and Information Science (MLIS) degree. "The natural curiosity of the librarian really fits the charitable sector well," she says. "We're problem solvers and we tend to look at the big picture." Besides, librarians and prospect researchers already



Discovering the Right Prospects

BY RENEE HERRELL, M.A., CFRE

Donors give because they want to make a difference by financially supporting causes in which they believe. Effective prospect research identifies those individuals who have philanthropic tendencies, and the following five easy identification methods will help you find potential supporters who can invest their gifts of time, talent and treasure in your organization.

1. Access technology. Prospect research can be done utilizing a wide range of resources, from wealth-screening technology to free online search engines like Google. Purchased software programs allow you to access detailed wealth information online about potential donors to help determine their charitable giving capacity based on public record assets and donations to other charities. Such programs pull public records and provide a report of an individual's property assets and their value, employment information and wealth indicators, such as retirement accounts and properties. Based on this information, the wealth search software approximates an individual's estimated wealth, major giving capacity and annual giving capacity. Then you can determine if the individual should

be added to your donor prospect list. The downside is that the information does not tell the whole story about a prospect. All of the individual's properties or interests may not be listed in his or her name, and the software may conclude that the individual does not have a great capacity to give when in actuality he or she has significant capacity.

If you are in a smaller development office and do not have access to the more expensive research tools, the World Wide Web can provide you with considerable information. Search engines and social media sites (Facebook, LinkedIn, etc.) can provide information about individuals, including their employment or company information, charities they support, events they attend and business profiles.

2. Investigate similar causes. Often you can find prospective donors at places you frequent, such as community events or charity fundraisers. Look to engage those donors who give to causes similar to yours. It is quite common for individuals to give to multiple nonprofit organizations. Investigate nonprofit annual reports and published donor giving lists to gain additional donor names and their giving levels.

Read the paper! The daily newspaper and other local publications hold valuable information between their pages. There are two potential donations to be gained: corporate and individual. Engage an intern to help sift through newspapers and utilize Dun & Bradstreet (www.dnb.com/dnbi) and Hoovers (www.hoovers.com), if you subscribe, to identify key local companies and corporations and their CEOs. The society columns of local publications do a wonderful job covering charity events and often identify individuals with photos, while connecting them to the charities they support. They may very well be interested in getting involved with your organization, too.

3. Utilize board members, staff and key volunteers. Elicit board members, staff and key volunteers who have donor prospect information that cannot be found through technical means. Sit down one-on-one and ask them about which individuals should be added to the prospect list.

- Who is currently philanthropic in the local community?
- Which philanthropist would be passionate about your cause?
- Whom have you invited to your organization's past events as your guests?
- Who is already connected to your



use many of the same tools for their respective jobs.

Currently, two of Canada's MLIS programs offer prospect research classes, and Church teaches one at the University of Western Ontario. She notes that the quality of prospect researchers coming out of these programs is high, and non-profits are reporting success with students hired right from the program. Furthermore, library schools tend to have a high proportion of mature students who bring valuable real-world experience with them. "The students give as much to me as I give to them," Church says, noting that students often

suggest new research tools that she had not heard about. "It's amazing what they come up with."

Higher Pressure for Higher Education

In an increasingly competitive giving climate, it is not enough for skilled researchers to provide information about just the wealthiest prospects. "The things we know about the people who will take a meeting with us are probably not true for the majority of our constituents," says Shelby Radcliffe, executive director of campaign administration at Bucknell



organization and has the financial capability to make a donation?

- Which annual donors would like to get more involved?
- Who could give more than their current annual donation, if asked to do so?

During the meeting, show board members a list of prospective donors you have gathered and ask them to identify individuals on the list who have financial philanthropic capability. Ask them if they know any individuals and if they can provide any background information about them. This allows you to gather personal information, such as a spouse's name, number of children, whether these children are in college, what charities they like to support, the new house they just bought or the wonderful vacation they just took to Europe.

Once you work through the list of prospective donors, ask who else should be included on the list. Often you receive additional names that did not come from your initial research that can significantly grow the size of your donor prospect list. Track relationships with your board members in your database, and all other information learned, so you can follow up with your board members later.

4. Engage friends of friends. An effective way to identify potential donors is to

introduce new individuals to your organization in a comfortable setting. Elicit your board members and current donors to host their friends and colleagues at small informal receptions in their homes. At such gatherings there should be a short presentation about your organization, along with a compelling testimonial from an individual who has been positively changed through the programs. This is a low-pressure way to expose a group of local people to your organization and to determine whether these individuals have an interest. Facility tours are another great way for board members to engage their friends by allowing them to see your organization's programs and recipients firsthand. If you are able pique the interest of new individuals, add them to your prospect donor list so you can continue to engage them in the future.

5. Rate the donor prospects. Once you have gathered a qualified list of prospective donors, you want to rate the potential donor's capacity. The capacity rating is a combination of a financial rating indicated with numbers and a relationship rating indicated by letters. For example, a financial rating of "1" may indicate that the donor can make a donation between \$500,000 and \$1 million, while a rating of "5" may indicate a gift under \$10,000. At the same time, a relationship rating of

"A" may indicate that the prospect donor is very close to the organization—a current donor, board member, key volunteer, etc.—while a rating of "E" may indicate that the prospect has little or no knowledge of your organization.

The third way you may want to rate your prospect donors is by how ready they are to make a donation. Group together those who may be ready to give a donation in the next six months, those who may be ready to make a gift in the next seven months to a year and those who may be ready to make a gift more than a year from now. A rule of thumb is that you will need three donor prospects for each gift that comes to fruition, so make sure you have a long list of potential donors to ensure success.

Effective donor prospect identification is about engaging all of your resources—technological and human—in order to find a large enough pool of supporters for your organization. With diligence, you will successfully discover the right prospects in your community who will enable you to achieve your organization's fundraising goals.

Renee Herrell, M.A., CFRE, is a consultant with RCH Consulting in San Diego, Calif. (www.reneeherrell.com).

University in Lewisburg, Pa. (www.bucknell.edu). “They are less than 1 percent of our constituents. Prospect research analytics can help us develop an understanding of the other 99 percent.”

This is especially important for institutions of higher education that are experiencing far more competition for the philanthropic dollar than ever before. According to the *Giving USA 2010* report on charitable giving in the United States, contributions to educational institutions declined an estimated 3.6 percent in 2009 (-3.2 percent adjusted for inflation). “I think where institutions can add that competitive edge is on the prospect research side,” Radcliffe says. “Do we know where the next \$100 million is coming from? That’s not a question you can answer one prospect at a time.”

At Bucknell, which is currently in the private phase of a \$400 million campaign, five full-time researchers meet with fundraisers at least monthly to review data and, often, after each prospect visit. Radcliffe’s researchers are encouraged to accompany fundraisers on visits as part of their training, and they must spend at least one evening soliciting gifts with the student calling program. While it took time for Radcliffe to bring enough researchers on board and for the fundraisers to develop confidence in the data, the results have been worth it, she says.

Recent evidence supports Radcliffe’s argument. In its 2009 survey of 539 educational institutions, *Best Practices for Prospect Research in Higher Education Fundraising*, prospect research firm WealthEngine found that institutions that invest more in research staffing and tools are more likely to raise more funds per full-time student than those that invest less. The most successful institutions have up-to-date strategies for screening, collecting, implementing and safeguarding prospect research data and integrating it into the fundraising workflow.

The challenge, Radcliffe points out, is that prospect research technology has not kept pace with the communications revolution. Ponderous relational databases often lack the flexibility to allow fundraisers to update them right after a prospect meeting while key information is still fresh. “As an industry, higher education institutions and nonprofits in the United States are raising a lot of money, but we could be raising more,” she says.

When Radcliffe speaks at conferences, she often meets people who manage hundreds of staff and millions—even billions—of dollars in gifts, but have only the most basic knowledge of sound prospect research practices. “People are meeting their goals, but I think they’re setting their goals too low,” she says. “We need to be more effective in using information management tools to maximize our effectiveness, but it’s hard because we’re an industry that’s built on handshakes and relationships. We’re in a time of transition, and we have a long way to go.”

Paul Lagasse is a freelance writer in Annapolis, Md. (www.avwrites.com).

C Resources

Giving USA 2010

www.givingusareports.org

“Is Your Favorite Charity Spying on You?”

(*The Wall Street Journal*, May 16, 2010)

<http://online.wsj.com/article/SB127396687577792419.html>

The following are available through the AFP Bookstore (www.afpnet.org):

- *Fundraising Analytics: Using Data to Guide Strategy* (The AFP/Wiley Fund Development Series) by Joshua M. Birkholz (Wiley, 2008), hardcover, 240 pages
- *Major Donors: Finding Big Gifts in Your Database and Online* by Ted Hart, James M. Greenfield, Pamela M. Gignac and Christopher Carnie (Wiley, 2006), hardcover, 264 pages
- *Prospect Research: A Primer for Growing Nonprofits*, Second Edition, by Cecilia Hogan (Jones & Bartlett Publishers, 2007), paperback, 420 pages

The following are available through the AFP Information Exchange (www.afpnet.org, login required):

- *2009 Higher Education Report: Best Practices for Prospect Research in Higher Education Fundraising* from WealthEngine
- *All About Lists* by Suzanne Newell, Blackbaud
- *Finding the Most Effective Prospect Research Solution to Maximize Giving Potential* from Blackbaud
- *Identifying Grateful Patients as Prospects* by Cary Colwell, Blackbaud
- *Identifying New Supporters: A Helpful Tool* by Karen Eber Davis
- *Measuring Fundraising Return on Investment and the Impact of Prospect Research: Factors to Consider* from WealthEngine
- *Private Company Valuation and the Prospect Researcher* by David F. Lamb, Blackbaud
- *Prospect Research for the Nonresearcher* by David F. Lamb, Blackbaud
- *To Screen or Not to Screen: ‘When’ is the Question* by Lawrence Henze, J.D., Blackbaud
- *Using Statistical Modeling to Increase Donations* by Lawrence Henze, J.D., Blackbaud

Additional best-practice reports and white papers on prospect research are available for download at no charge from Blackbaud (www.blackbaud.com/company/resources/whitepapers/whitepapers.aspx) and WealthEngine (www.wealthengine.com/knowledge-center).