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The Old Gray Mare Ain't What She Used to Be: The Revolution in Planned Giving Marketing

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I. INTRODUCTION

A revolution is underway in the field of planned giving marketing. Change is in the air. There is a general discontent with the way things are, and the search is on for better, more effective marketing strategies everywhere. Sacred assumptions are being challenged and new best practices are emerging. Things are fluid. There is a lot of experimentation going on. Some things are working; some things are not. It is not yet clear how these changes will shake out, but there is no longer any doubt—the old gray mare ain't what she used to be. The paradigm is shifting. This presentation is about how this revolution is challenging our old assumptions and leading us to new insights and approaches in marketing. First, let's take a look at some of the old assumptions that are under assault.

II. THE OLD MYTHS ARE DYING

A. MYTH #1: Planned giving donors are old (age 65+)

This is one of the hard core assumptions of our trade, but it has been under fire for some time. The Planned Giving Company's own analysis of over 4,600 planned giving donors in 40 charitable institutions shows the following age distribution:

Table 1

Age of PG Donors (Sample=4,024)*		
Current Age	Number of donors	Percentage of total
<45	234	5.8%
45-54	394	9.8%
55-64	629	15.6%
65-69	453	11.3%
70+	2,314	57.5%
	4,024	100.0%

This is a snapshot of an existing pool. Many of the donors in this pool made their commitments long ago. Nevertheless, almost one-third (31.2%) of them are still under the age of 65, and 5.8%% are under the age of 45! If you consider the age of donors at the time they actually made their commitment, the age distribution shifts dramatically.

For example, the following chart (Table 2) was published by NCPG in 2001 indicating the age of donors at the time they made their commitments. Almost two-thirds (65%) of the bequest donors and over half (55%) of CRT donors in this study were under the age of 65 at the time of their commitment!

Table 2

Age Ranges	Bequests	CRTs
18-34	3%	6%
35-44	14%	10%
45-54	26%	18%
55-64	22%	20%
65-74	20%	23%
75+	15%	24%
Mean Age	58	62

The moral of this story is obvious: planned giving donors are not nearly as old as we thought, and anyone who limits their planned giving appeals to donors aged 65+ is missing at least 50% of the qualified prospects!

B. MYTH #2: Planned giving donors are wealthy

At first glance, the data seems to suggest that this is true. For example, Planned Giving Company data show that 69.3% of planned giving donors make a current gift of $1,000 or more to the charity of their choice.

TABLE 3

Highest gift from PG Donors		
Amount	Number of donors	Percentage of total
$0	144	.3.1%
$1-$99	234	5.0%
$100-$249	394	8.5%
$250-$499	308	6.6%
$500-$999	345	7.4%
$1000+	3,224	69.3%
	4,649	

Upon further examination, however, it turns out that very few of these donors are rated prospects. That is, you won't find them on your wealth screening list. They are generally people of modest means who cannot afford to give an outright gift of any substantial size to your organization. For example, in one study we just completed for a major university, only 15.4% of their existing planned giving donors and 2.4% of their total planned giving prospects had a wealth ranking.

So, if age and wealth are poor predictors, what does distinguish planned giving donors from the rest of the field? In a word, it is long-term loyalty to your institution or cause. Without revealing too much proprietary information, here are a couple of key facts from The Planned Giving Company's database:

FACT #1: 77% of planned giving donors make 15+ gifts to the annual fund.
FACT #2: 41% of planned giving donors give 10+ consecutive years to the annual fund.
FACT #3: Over 90% of planned giving donors exhibit loyal patterns of giving.

Remember all those planned giving donors (69.3%) who made a gift of $1,000 or more to the annual fund? The real significance of that statistic lies in the fact that only 9% of them were not regular contributors. For many of those donors, a $1,000+ current gift is a stretch gift, inspired by loyalty. The bottom line? Planned giving donors are not generally wealthy; they are loyal. Those who <u>are</u> wealthy make planned gifts <u>because</u> they are loyal. Loyalty, not age or capacity, is the best predictor of planned giving donors. And, that only makes sense. After all, estate gifts and other asset transfers to charities require a level of loyalty that approaches commitment to family.

C. MYTH #3: Planned gifts compete with major gifts

If I had $1 for every development officer, business manager or trustee who has actively discouraged planned giving for fear of losing outright gifts, I could take a long vacation. The fear is based on a false premise. As we have said, most planned giving donors are NOT major donor prospects. Typically, they cannot help you with your campaign in any significant way. However, because they are so loyal to your institution or cause, they can and will make sizeable asset transfers on a deferred basis through their estates or with the help of a life income gift. The converse also tends to be true: most major donors are not planned giving donors. They tend to make outright gifts during their lifetimes.

The key insight here is this: planned giving donors are a completely different segment of your donor population. Most of them are not on your major donor list. The bottom line? Planned gifts rarely compete with major gifts. There is nothing, therefore, that prevents institutions from soliciting capital gifts from their major donors at the same time they are soliciting deferred gifts for endowment from their "loyals." That is because they are two different constituencies.

D. MYTH #4: Planned gifts take too long to collect. We need cash now.

This misconception is a cousin of Myth #3. I have seen many situations in which this view prevented any commitment to or investment in deferred giving for decades. We all know cash is king, but there is no reason to make it a tyrant. The truth is that the average time from inception to maturity of a planned gift is 7-10 years—a few years longer than most campaign pledge periods. Our actuarial studies of several planned giving pipelines confirm a "10-40-40" pattern pertains: Up to 10% of the pipeline matures actuarially in the first five years, 40% in the next five years, and 40% in the following five years. In other words, approximately 90% of the pipeline can be expected to reach actuarial maturation within 15 years. Obviously, this can differ from institution to institution, but it is a general pattern that seems to adhere. When one adds to these considerations the fact that not all planned gifts are deferred—gifts of real estate, partnership interests, closely-held stock, and charitable lead trusts are obvious examples—it is hard to understand why anyone would subscribe to this myth. The real reason cash is in such short supply in many institutions is they have little or no endowment. The reason those institutions have little or no endowment is that they are always chasing cash. It's a vicious circle.

E. MYTH #5: Planned gifts are a distraction in campaigns.

Another cousin of the "cash is king" syndrome, this myth is patently false. Nationwide, planned gifts are currently providing up to 30% or more of comprehensive campaign totals, and they are figuring more prominently in the gift designs of transformative gifts. Far from being a distraction, planned gifts are becoming the backbone of public fundraising campaigns.

F. MYTH #6: The real dollars are in current gifts.

This myth has endured, despite much evidence to the contrary. The typical capital gift is 20-30 times a donor's largest annual fund gift, payable over three to five years. Our data shows that the typical planned gift is 200-300 times a donor's largest annual fund gift—ten times the capital gift multiplier!

The reason for this is obvious: planned gifts are asset transfers, while capital gifts are often gifts from income. Asset gifts are larger. Every planned giving donor, by definition, has made the paradigm shift from giving from income to giving from assets. Major donors who make substantial outright gifts frequently give cash and appreciated stock that can be replaced by accumulation and capital appreciation during the pledge payment period. Obviously, there are exceptions where donors make one-time transfers of their net-worth on a current basis, but these are relatively are few in number.

The fact is that, if we put as much energy and resources into raising deferred gifts as we do into raising current gifts, we would be raising much more money. The only difference is that more of it would be deferred.

G. MYTH #7: People read planned giving brochures

I have no real hard data on this, but I have 15 years of personal experience. My experience—and that of many other PGO's I talk to—is that people do <u>not</u> generally read planned giving brochures, even when they receive them in response to an inquiry. Every PGO can recount numerous experiences of sending a brochure in response to a donor inquiry and discovering upon follow-up that the donor has not read it. This typically leads to a series of repetitions of the process until the donor stops taking your calls because they are feeling guilty that they have not read the material. That is a dysfunctional process.

Yes, there are exceptions to this general experience, but the expectation that donors will read standard informational brochures is coming under attack. Add to this problem the fact that printed brochures tend to get out of date quickly, and it is not hard to understand why they end up collecting dust in our closets. It is amazing, however, how stubbornly we have clung to this myth over the years—perhaps fueled by those of us who sell them for a living!

Successful PGO's do not fall for the "send-me-something" routine. They have a qualifying conversation with the donor and move to a personalized gift illustration or proposal as soon as practicable. Sending a brochure is a great way to postpone a meaningful interaction.

In the meantime, a better option is emerging: planned giving websites. We'll talk about that in a moment.

H. MYTH #8: Seniors are not on the net

Most of us are getting over this myth, but it is a question that is still on the minds of development officers when they first consider installing a planned giving website or using electronic media to market planned gifts. The presumption that all planned giving donors are "old" plays into this concern. The facts are these[1]:

--Adults age 55+ are the fastest growing sector of the PC purchasing public.
--70% of seniors who own a computer (14 million Americans age 50+) use the internet on a regular basis.
--65% of Americans age 55+ who are online use the internet for investing and research.
--Seniors spend more time on their computers than any other group—around 12 hours per week.

So, if you are worried about seniors not being on the internet, don't be. In ten years, we will not be having this discussion anyway.

I. MYTH #9: People read planned giving newsletters

It's debatable. Many PGO's are reporting a significant drop in response rates to their planned giving newsletters, and they are beginning to question their efficacy. Traditional print newsletters have been a cornerstone of planned giving marketing for decades, but the concern is that they may have run their course. On the plus side, they are a good medium through which to communicate compelling mission and donor stories. They also offer a good place to expand on the details of planned giving strategies. On the negative side, they are expensive and time-consuming to prepare, and with falling readership, institutions are beginning to question their value. On the consumer side, we are literally deluged with them. People are losing interest.

However it shakes out, the question is now out there: would you rather send two newsletters a year that get 5% readership or five direct mail pieces that get 85%-90% readership. Fortunately, the choice may not be "either/or."

My own take on the matter is that traditional print newsletters will continue to play a useful role in marketing programs <u>only</u> if they are highly customized, skillfully and compellingly

[1] Derek Davis, "The Future of Planned giving: Seniors and the Online Revolution," published by Virtual Giving, Inc., 2006, pp.2-3.

written, and have plenty of personal stories and a strong mission focus. To use the vernacular, "plug 'n play don't pay." There is a reason that most institutions design and write their own alumni magazines. Plug and play outsourcing is simply not an option in this case.

Planned giving newsletters will need to achieve the same standard of excellence to succeed in the future. That may take more time and talent than most institutions are willing or able to devote to it. Nor, by the way, are donors interested in long disquisitions on the latest planned giving technique—another myth that has plagued our industry since the beginning.

J. MYTH #10: PG marketing is too expensive (read "not worth the cost.")

At least two things should be said about the prevalence of this misconception. First, compared to what is typically spent on annual and capital giving programs, planned giving lags far behind. Cash is not only king in most of our institutions; it is a veritable tyrant. Nearly every charitable organization in the U.S. spends proportionately way more on their annual giving and capital giving programs than on their planned giving programs. Planned giving programs are always over-shadowed and under-resourced.

Second, it is axiomatic that a dollar spent on annual giving will yield far less in dollars raised than a dollar spent on capital or planned giving. Nevertheless, annual giving programs receive the lion's share of most development budgets. When one considers that the typical multiplier for planned gifts is 200-300 times a donor's highest annual fund gift, and 10 times a donor's highest capital gift, the decision to under-fund planned giving is extremely difficult to understand.

Third, this myth may also reflect a general feeling that planned giving marketing is not particularly effective. There is enough truth in this to make us feel uncomfortable, but it misses the point. The real explanation is that planned giving is inherently a low-volume business. Even the most successful direct mail programs in planned giving have response rates in the neighborhood of 1%-2%. That's the nature of the beast. The corollary is that it is also a high-dollar business. You only need a few responses to realize some large gifts.

III. EMERGING DIRECTIONS IN PLANNED GIVING MARKETING

So, what does all this ferment mean for planned giving marketing? Here are some of the trends:

A. PROSPECT IDENTIFICATION

There is a growing awareness that donor loyalty is a more reliable indicator than wealth, age or other demographic factors in identifying planned giving prospects. The primary loyalty screening tool on the market, PGFinder™, has over 90% tested predictive accuracy on average across institutions and market sectors. Nevertheless, the old methodologies still persist. Wealth scoring and other demographic screening techniques—used for decades to identify capital campaign donors—are still used by most database screeners to screen for planned giving donors. In most instances, only a nod is given in the direction of loyal patterns of giving—such as three gifts in the last five years. Life-cycle analysis has been an improvement, but this is primarily a way of segmenting the database for more targeted approaches. It does not improve predictability.

In the meantime, most PGO's continue to employ their own home-grown methods for segmenting their databases—usually based on the same kinds of criteria. As a consequence, a strong case can be made that we have been marketing to the wrong people (or, at least, to some of the wrong people) for years! The revolution in planned giving marketing is beginning to change all that. My prediction is that within 5 years, loyalty screening will be the primary way in which planned giving prospects are identified.

B. PLANNED GIVING WEBSITES

Since I wrote the first Virtual Giving website 10 years ago, planned giving websites have become ubiquitous. A signature feature of the revolution in planned giving marketing, PG websites offer a far better way to deliver planned giving information than traditional brochures and other print materials. Here are a few of the reasons why:

- They are inexpensive to install.
- They are easy to use.
- They are easy to update.
- They are loaded with helpful features.
- They are searchable.
- They are interactive.
- They have “print” buttons.
- They measure readership.
- They push out electronic responses.
- They allow for immediate contact.
- And, they are available 24/7.

If you don’t have a planned giving website, you are definitely missing out. Nevertheless, there are a few cautionary signs to be observed. First, the initial expectation that planned giving websites would be the Holy Grail of marketing has not exactly panned out. They are a great repository of easy-to-access information, but they are not a stand-alone marketing tool. People do not wake up in the morning and say, “I think I’ll Google planned giving at XYZ Charity.” Instead, you have to drive them to the information with carefully crafted marketing messages. Planned Giving Company data shows that 65%-85% of the traffic (page views) on planned giving web pages are direct links—in other words, visitors type in the discreet URL from a referring marketing piece. In this respect, planned giving websites are a lot like print brochures—if you don’t drive people to them, they sit in the closet unread. This fact has spawned a whole new generation of planned giving marketing materials and strategies, including over-sized post-cards and electronic media, which are radically changing how planned gifts are marketed. More about that in a minute.

Second, there is a growing tendency to forget who the audience is. Unable to resist the urge to flex their technical muscles and impress their professional peers, many providers are loading their websites with such a bewildering array of options and such a plethora of technical information that ordinary donors are completely overwhelmed. More troubling is the trend toward loading sites with information aimed at professional advisors, instead of donors—more evidence of a basic confusion in the marketplace. A hallmark of our profession and a legacy of a more traditional marketing mindset, the old tendency to focus on technical and legal information, rather than on mission and opportunity, must be resisted if planned giving websites are to reach their true potential. The “K.I.S.S” principle is a good place to start.

C. A NEW GENERATION OF MARKETING MATERIALS

New times call for new approaches. As newsletter readership declines, planned giving websites replace traditional print brochures, and prospect identification has shifted the focus to a new market segment of “loyals,” a new generation of marketing materials is emerging.

PRINT MARKETING

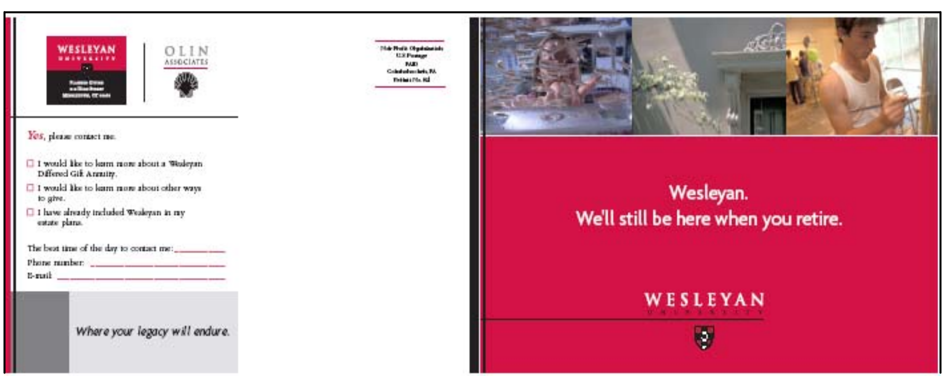
On the print side, this change is being driven by a change in technology that has gone largely unnoticed by the planned giving community: digital printing. Digital printing technology is rapidly replacing traditional offset printing with two major capabilities that fit right into next generation marketing:

- in-line printing, addressing and sorting capability (which means you no longer have to print and store your materials and you can makes changes or substitutions right up to mailing time); and
- variable data input (which allows unlimited personalization and versioning).

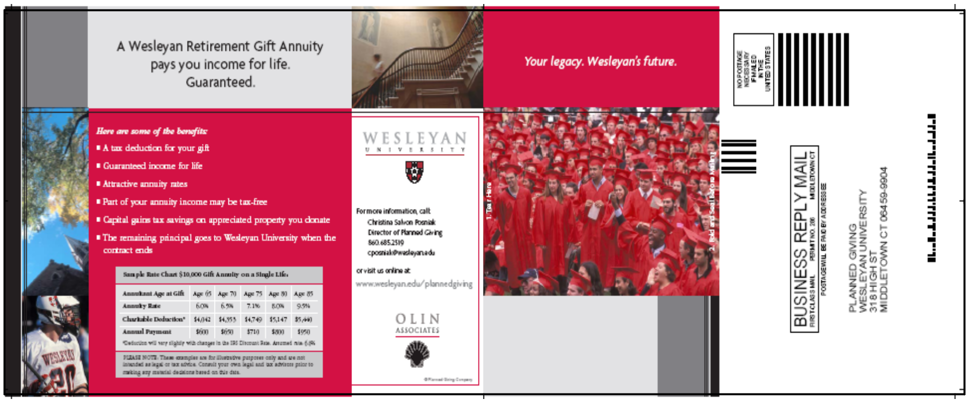
The result? A new generation of full-color, customized, easy-to-read direct mail pieces that pull 85% readership and drive traffic to your website for information and to your office by phone and email. For example, the 6” x 9” oversized postcards below.

Standard format

Reverse side



Reply format



Reverse side

How effective are these new materials? So far, there's good news and there's not-so-good news. The good news is that readership is through the roof (85%) and awareness is on the rise. The reason for this success is that these materials:

- are mailed to "loyals"
- are attractive and easy to read (takes 30 seconds)
- are fully customized and full-color
- are inexpensive to mail (17 cents NPB postage)
- are educational and non-invasive
- present one idea at a time
- drive recipients to your website for more information
- can carry a personalized message to each reader
- can be versioned for multiple centers or constituencies
- can be sent more frequently (4-6 times a year)

The not-so-good news is that response rates (resulting donor inquiries) remain unimpressive in many institutions—typically less than 1%. The next generation is already in the works, however. Driven by the phenomenal capabilities of digital printing, they feature personalized messaging with individual salutations, variable images and content for different generations or affinities, and even personalized gift illustrations based on donor information in the database—all things that traditional offset printing cannot do and all things that should improve response rates. New formats are also being explored. And, finally, new and more powerful ways of linking print materials to electronic media are beginning to emerge, such as Personalized URLs (PURLs) that take donors to a personal landing page on your website (see below).

It is important, however, to keep one thing in mind: no matter how far we push direct mail, it will never come close to matching personal contact in terms of results. PGO's who sit back and expect direct mail to drive donors to their doorstep are dreaming. There will never be a substitute for good old-fashioned shoe leather in our trade.

ELECTRONIC MARKETING

The revolution is also bringing exciting new developments in electronic marketing. Here are some of the most promising innovations:

- "Echo emails"—follow-up emails that "echo" a direct mail piece and provide donors with push-button access to more information or a personal contact. Studies show that these contacts can increase response rates by as much as 30%. Unfortunately, this approach is limited by lack of email addresses in many institutions. With the advent of online communities, however, this problem is diminishing.

- Online Chat—allows donors access to your office through online "chat" technology. A quick way to initiate contact and get questions answered. This service is limited by availability of personnel and may not be appropriate for smaller institutions with a low volume of business. One interesting sidelight on this is that the standard submission forms on planned giving websites are not working. Donors simply are not using them. Interactive chat features may be more appealing.

- Electronic fulfillment—push-button access on planned giving websites to printed brochures, white papers and other information requested by visitors online. When combined with an opportunity for personal contact or follow-up, this can be a powerful "touch" in the marketplace.

- PURLs—Personalized URL programs provide an individual web address (www.XYZcharity.org/johndoe) to each donor that lands them on their own personal web page with customized options driven by their data profile. His is one of the most promising developments in the field. The advantages are enormous, including:

    - a much more personal experience for donor
    - the ability to identify and track the preferences and responses of donors who visit (an administrative dashboard and full reporting capabilities)
    - the ability to push out customized information to donors
    - the ability to gather and/or confirm data
    - the ability to poll visitors
    - more opportunities for direct contact

Like other aspects of next generation marketing in planned giving, there are a number of caveats worth noting about electronic marketing. First, everyone reads their email with a finger on the delete key. Overly aggressive e-marketing can lead quickly to an "unsubscribe" and/or adverse donor reaction. Second, there is still a significant population that will not be reached through this medium. This will probably not be the case in ten years, but it is now.

PLANNED GIVING CALLING PROGRAMS

Once you know who your planned giving prospects are, why not call them? That is exactly what several companies are beginning to do on behalf of charities, including IDC, Legacy Leaders, and RuffaloCODY. Still in its early stages, this new model has enormous potential. In early tests with which I am familiar, calls were made to long-term "loyals" and there was a 10% response rate to an invitation to talk with a gift planning specialist. A high percentage of those gift planning conversations yielded a planned gift commitment. Advantages include:

- "loyals" almost always take your call;
- personal contact by highly trained, personable representatives is always better than direct mail;
- allows you to qualify large numbers of prospects when they can't be visited;
- integrates easily into a comprehensive campaign (remember, most planned giving prospects are not major donor prospects—this is a different kind of call).

For a time, a mood of extreme caution is likely to prevail in respect to these programs (they are expensive and they incite every myth that has been addressed in this presentation), but I predict that within a few years these programs will be a firmly established and trusted tool of planned giving marketing—as common as annual fund leadership or campaign clean-up calling efforts.

IV. GETTING IT ALL IN PERSPECTIVE

The revolution in planned giving marketing has opened a new period of innovation and experimentation in a field that has traditionally been cautious about change. The old paradigms are changing and new best practices are emerging. Whatever the outcome, planned giving marketing will soon bear little resemblance to the days of old. Hopefully, it will be far more effective in attracting long-term support to our deserving institutions.

In closing, there is one danger that lurks on the edges of this movement, and that is the comfortable notion that all we need is more and better marketing. Nothing could be further from the truth. I make my living providing marketing and consulting services to non-profit institutions across the U.S., but I would like to go on record here: planned giving marketing will never be more than 25% of the effectiveness quotient, no matter how sophisticated our marketing efforts become. In the end, it will always come down to good old-fashioned shoe leather. The full-time PGO who does not make at least 100 to 125 face-to-face visits a year will never succeed, no matter how much marketing he or she does. The corollary of this truth is that PGO's who spend too much time obsessing about their marketing campaigns will never have enough time left to make the visits that bring success.