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Looking Forward: Protecting Your Nonprofit Fundraising Efforts from the Impact of the Next Economic Downturn

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Many nonprofits were not prepared for the impact of the last recession. Revenue from nonprofit fundraising efforts plummeted, pledges were defaulted on and the impact of the financial crisis was long-lasting. During a downturn, charities face a "double whammy" of impact. With the decline in funding, many nonprofits are forced to cut programs, services and staffing at the very time they're most needed.

While the economy is looking good now, a full two-thirds of economists surveyed by the National Association of Business Economics are predicting a downturn—if not a full recession—by the end of 2020.

We'll examine a few specific strategies to implement now—from major donor stewardship strategy to an eye on diversifying revenue streams—to be prepared for and proactive in response to the varying economic challenges ahead.

1. Craft Your Essential Argument and Strengthen Your Case for Support

First and foremost, take a close look at how you're communicating the importance of your organization's work and the underlying data that proves your impact. Make sure that all board members and key staff can effectively share your story and examples of the difference you make in your field. Create collateral materials that are powerful in showing your work and your outcomes.

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2. Connect Meaningfully with Donors Now

We all know the importance of building strong relationships with donors, but with as busy as things get, donor stewardship can slip by the wayside.

Now is the time to strengthen your ties with donors, focusing on gratitude, education and bringing them closer to your mission.

Be completely up front—let donors know about what happened to your organization during the last economic recession and what your strategies are to remain strong and providing efficient and effective service for the future.

Engage your donors and leverage their expertise on your behalf. Major donors have a vested interest in your success and will be glad to help you strategize. Ask them for advice and how they'd like to help. That could be by introducing new donors while the economy is strong, preparing for matching/challenge gifts to drive more donations when things get rough or helping you with in-kind professional services (tax, investment, legal, accounting, marketing) to reduce costs.

Have good discussions with your foundational donors and grantors as well. Do they have strategic plans and priorities for funding when resources are strained? How can you be best positioned to make the case for your cause as a priority?

Finally, ask your regular donors to consider becoming monthly givers to create financial sustainability during the coming crisis.

3. Look At Ways to Power Up Your Corporate Giving Value Proposition

Businesses feeling the pinch will be reviewing and reducing their budgets and looking for ways to maximize any outlay of resources. Take a look at how you currently work with your corporate donors and find new ways to add benefit to their donations. How are you helping them to communicate their commitment to the community and build customer loyalty through their Corporate Social Responsibility efforts? When offering sponsor benefits, are you asking your donors what they value or deciding on your own? Does your value proposition to the businesses investing in your organization include how you can visibly and positively impact their profile in the community, in addition to your essential reason for existing?

Plan quarterly face-to-face meetings with the decision makers of your corporate sponsors, and come prepared with a portfolio containing as much data and detail as possible about how you benefit individuals/groups/community and specifically, their business. Outline how your efforts can warrant a look at allocations from a company's marketing budget as well as from their philanthropic fund.

Most importantly, ask for, and be open to, new ideas to create an irresistible, mutually beneficial proposal.



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4. Review Your Revenue Streams, Create

Efficiencies and Diversify

Examine your current revenue streams and calculate the true return on investment for each. Be absolutely sure to include the cost of staff time when evaluating the net success of a campaign, program or event. Look at your outcomes and ask the hard questions: Would your time be better spent in major donor development than planning a special event? What do you do really well, and what is a struggle, taking more time and resources than you see in return? Are there ways to create more efficiency in your fundraising efforts?

While you want to be sure to play to your fundraising strengths, you also need to make sure you have balance in your plans. Think of that famous three-legged stool analogy—and then consider what would happen if one of those legs disappeared completely. What will take its place to keep your organization afloat? One example is being overly reliant on foundation funds, only to see them unexpectedly slashed in a time of need. Another might be focusing on one large event that brings in a significant portion of your operating budget and which requires a financially healthy community to meet your revenue goals.

A set of outside eyes can be absolutely invaluable in reviewing your existing plans and making recommendations about how to become more efficient, effective, diverse and successful.

5. Do Not Fall Into the 'Crisis Messaging' Trap!

You've seen the pleas for help before—an organization is in urgent need of funding to avoid closing their doors or ending programs. While this can be an effective last-ditch strategy, it's rarely a wise one, and it's a bell you can only ring once.

Donors do not want to invest in organizations that are teetering on the precipice of going under. They need to trust that you are managing their contributions in a way that creates long-term success for everyone involved. Yes, be honest with your donors about the challenges you face, but alongside that come your thoughtful plans for successfully continuing your work. Inspire, inform and collaborate—don't use scare tactics!

Ultimately, preparing for an economic recession boils down to taking the time to have a full grasp of whether your existing fundraising efforts can weather the storm—and making necessary adjustments before the dark clouds roll in.

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