

2009 Index of Higher Education Fundraising Performance

Summary of Annual Fund Key Performance Indicators

July 2008-June 2009

April 2010

2009 Downward Trends More Pronounced than in 2008; Economy Continues to Take its Toll

According to the **Target Analytics Index of Higher Education Fundraising Performance**, the trends that were present in 2008 continue in 2009, while a few more key measures saw declines for the very first time as the economy continued to challenge many annual fund programs. Donor counts continue to erode, with the median change down another 4.7 percent in 2009, as participation rates also continue their decline. Increased marketplace competition, coupled with a stagnant economy, continue to force donors to make tough decisions about which organizations they will support.

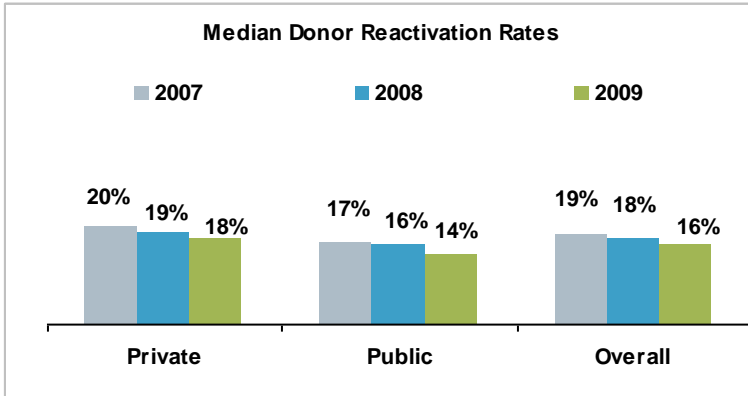
Much like 2008, overall donor retention rates were relatively flat in 2009. This marks three years—which includes a strong economic year and one of the toughest in decades—of relatively stable retention rates. The good news for programs is that donors are continuing to give and be retained at comparable rates. The real challenges for programs are to bring in new donors and reactivate lapsed donors. The overall median reactivation rate of 16 percent is the lowest recorded in recent history and marks a new low for programs' ability to recapture lapsed donors. Overall the median change in the number of new donors was down another 11 percent in 2009.

The most noticeable change in the 2009 Index, however, was the erosion in revenue. After many consecutive years of “donors down and dollars up” for higher education annual fund programs, 2009 marked the first year that revenue actually declined, and did so in a significant way. Overall, the change in median revenue was down 13 percent. For retained donors this median change was 12.9 percent, and for reactivated donors an even starker decline of 15.9 percent. This is the big and all too common story of 2009 for higher education annual fund programs.

Generally speaking, nearly every negative measure in 2009 public institutions had larger declines than private institutions (a general reversal of 2008 when private schools trended to have deeper declines). Overall challenges with donor counts, participation, and reactivation continued in 2009, but the added twist of revenue declines among all populations of donors is a new challenge that programs will need to address in 2010 and beyond.

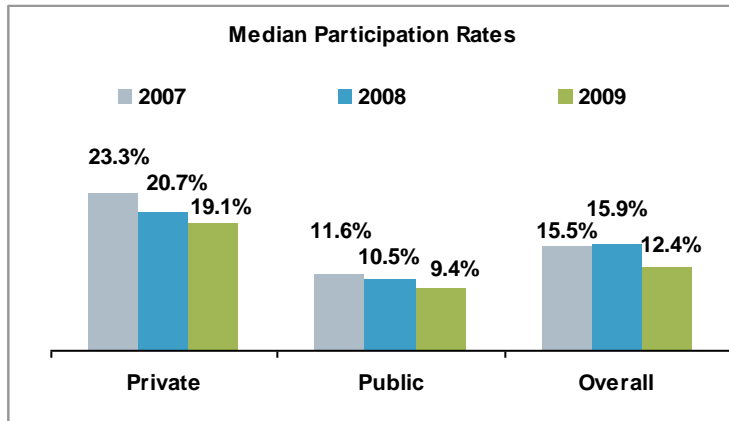
Median Donor Reactivation Rates Declined Again

For the second consecutive year, reactivation rates among lapsed donors dipped for both public and private institutions. The overall median reactivation rate of 16 percent is the lowest recorded in over a decade. While competition for these donors has certainly increased in recent years, the most likely cause for erosion in reactivation rates is the weak economy. Institutions will need to recommit significant resources to recapture lapsed donors in the future. They will also need to refresh the case for support by creating a more compelling message and sense of urgency that will convince these lost donors to renew their giving.



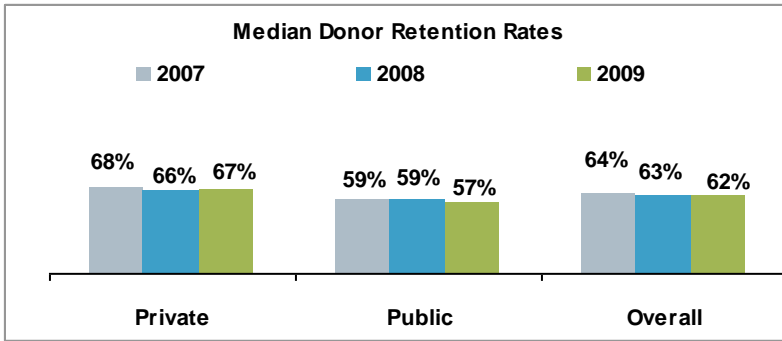
Median Participation Rates Continued Downward

Alumni participation rates continued their downward trend again in 2009, with a significant overall drop of 3.5 percent (to 12.4 percent down from 15.9 percent). Both public and private schools saw declines in alumni participation. While this has been a trend in recent years, even during positive economic climates, it is no surprise that participation is down in 2009 given the current economic climate and national trends that demonstrated a dip in overall philanthropy. This trend will likely continue as younger generations become the primary solicitation pool for annual giving programs, and older generations die or suspend giving. Younger graduates increasingly view their education as a financial transaction, not a transformational experience as their parents and grandparents did. This trend poses a significant threat to higher education annual giving programs.



Median Donor Retention Rates Held Steady

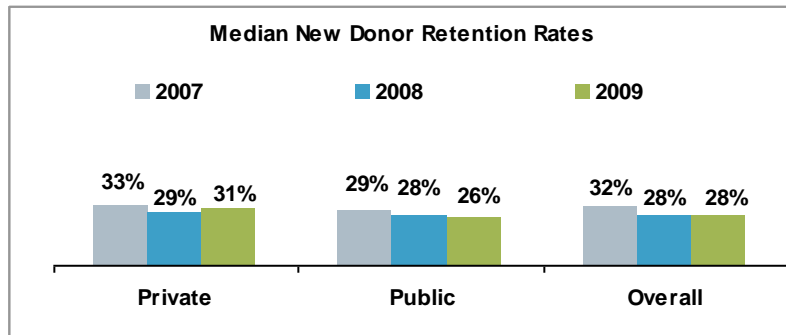
The good news in 2009 is that overall retention rates were relatively flat compared to 2008. The two year trend shows only slight erosion, down from 64 percent in 2007 to 62 percent in 2009, despite the tough economic climate. In fact, in 2009 retention rates increased by one percent for private institutions. This trend should bode well once the economy bounces back, and we might even anticipate retention rates to begin climbing again for the first time



in 3+ years. During recent tough budget cycles many programs decided to invest heavily in retaining donors as a primary goal of the annual giving programs—these efforts appear to have worked.

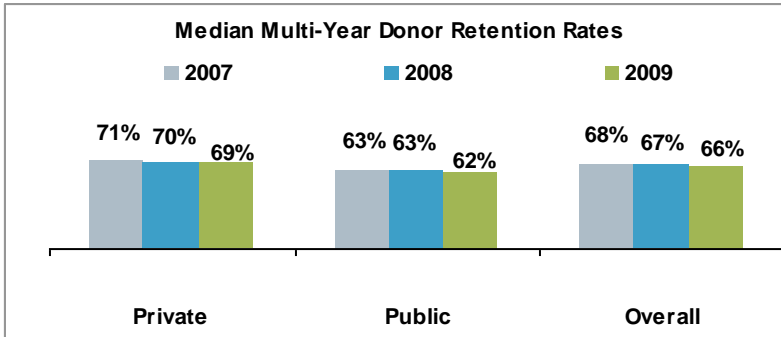
Median New Donor Retention Rates Remained Even with 2008

Even among new donors in 2008, the overall retention rate of 28 percent was even with 2008 and down 4 percent from 2007, a strong economic year. While the trend of the last two years has new donor retention rates below 30 percent for the first time in recent history, the fact that the rate was even with 2008 is a positive sign that even new donors understood the importance of continuing their giving despite the economy. Private institutions actually saw their new donor retention rates go up two percent and again go above 30 percent (31 percent in 2009).



Median Multi-Year Donor Retention Rates Affirm Loyalty

Multi-year donors—those that are the most loyal—had retention rates that were relatively flat in 2009 compared to 2008, down only one percent to 66 percent overall. Both private and public institutions experienced a one percent drop and overall the retention rate is

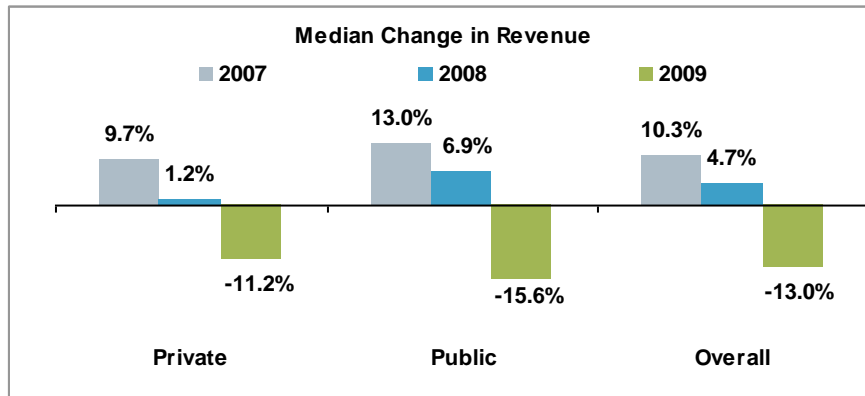


down only two percent compared to 2007 (a strong economic year). This is also good news for institutions and again demonstrates the need to continue to invest time and financial resources in donor retention—the hallmark of any strong annual fund program.

Median Change in Revenue Declined Starkly

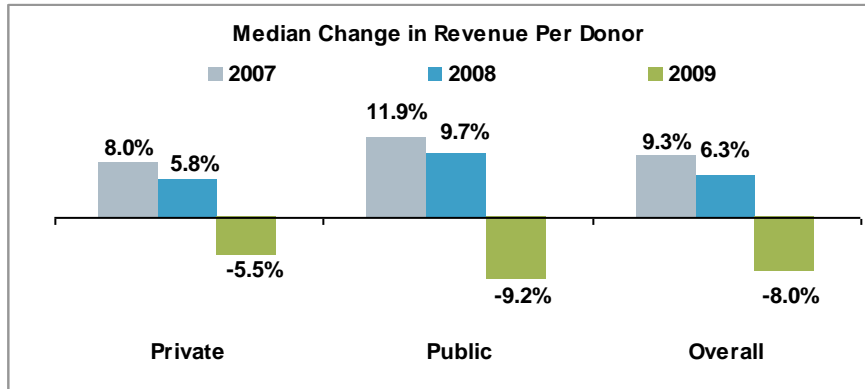
After many consecutive years of seeing revenue increase for annual funds (often double-digit increases), and despite participation rates dipping during this same period, in 2009 the change in revenue saw a stark decline, down 13 percent. This represents the first time overall revenue has declined for both public and private institutions. While donors continued to give,

they definitely gave less in 2009 than in 2008. This double digit decrease in median change in revenue marks one of the most significant and impactful trends in 2009 for annual fund programs.



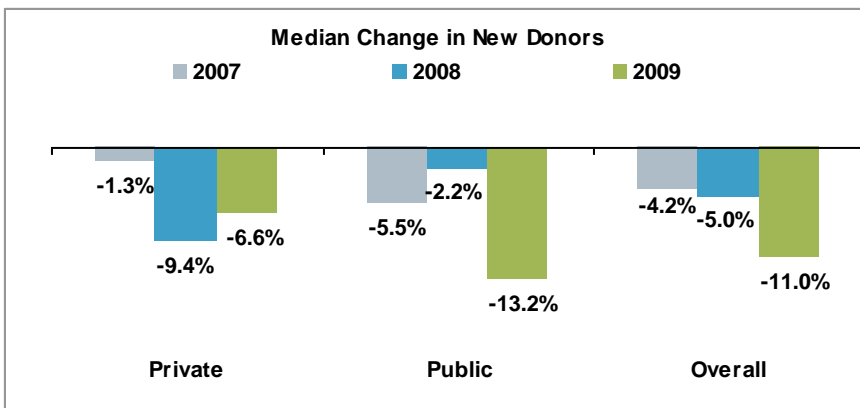
Median Change in Revenue Per Donor Down Alarmingly

As further evidence of just how challenging 2009 was for annual fund programs, the median change in revenue per donor was down 8 percent, with private schools dipping 5.5 percent and public schools down 9.2 percent. Some institutions reported using softer ask levels in 2009. But even those institutions that continued to be aggressive with ask levels, for the most part, still saw decline in revenue per donor. Again, with revenue per donor measures increasing every year in recent memory, this trend is alarming. Institutions should return to aggressive ask strategies in the current and future years to begin regaining ground from these losses.



Median Change in New Donors Continue Downward

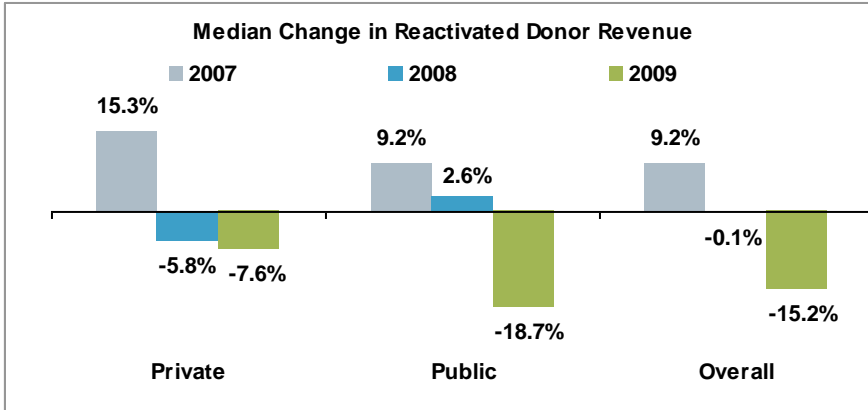
Acquisition is even more challenging during tough economic times. Many programs suspend acquisition efforts or dramatically reduce solicitations to non-donors. Institutions that continued trying to acquire new donors found it even more challenging in 2009. The overall median change in the number of new donors was down 11 percent, with private institutions faring slightly better with only a 6.6 percent decline compared to the 13.2 percent decline for public institutions. This is the third consecutive year that acquisition—the



number of new donors—had dropped. Some of this is attributable to the economy, but the challenge of converting young alumni into donors has been occurring for some time.

Median Change in Reactivated Donor Revenue: Getting Smaller

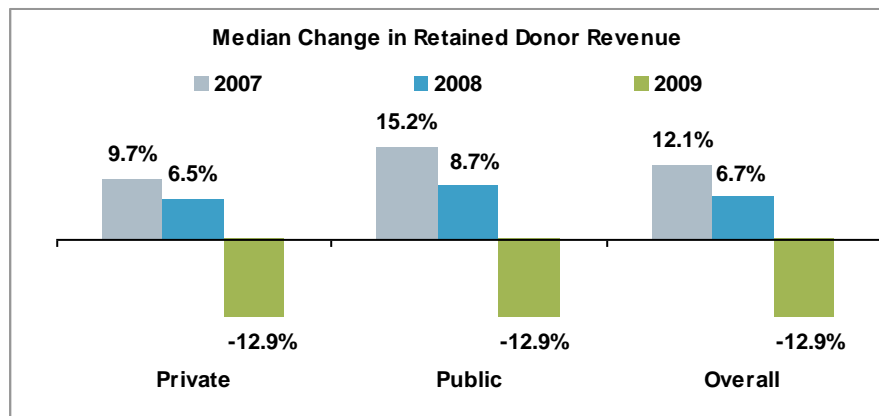
Reactivated donors, much like retained donors, chose to give smaller gifts in 2009. The median change in reactivated donor revenue was off 15.2 percent overall. For private schools this marks the second year of declines in this measure, while it's the first year in recent history that public schools experienced a decline—a startling 18.7 percent. A positive trend had been that reactivated donors were very willing to upgrade their support



with larger reactivation gifts. But this recent trend reversed in 2009. Programs should continue to use aggressive upgrade strategies with lapsed donors to correct this negative trend.

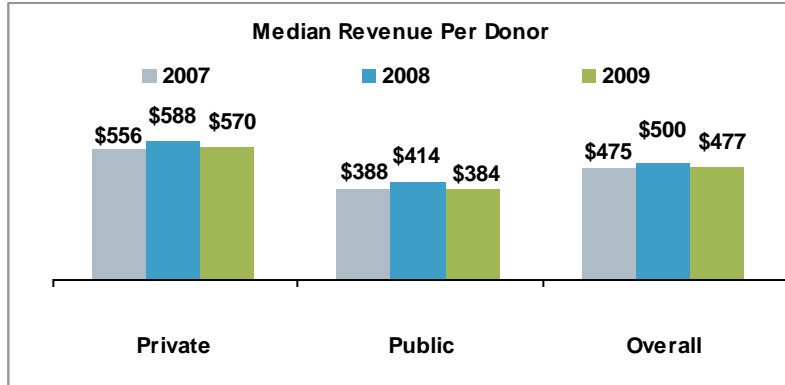
Median Change in Retained Donor Revenue Reflects Smaller Gifts

Among retained donors, revenue was also down much like it was among reactivated donors. This marks the first year that retained donors had a negative median change in revenue—down 12.9 percent overall. As mentioned earlier, while donors continue to give and actual retention rates were relatively flat—they gave less in 2009 than in 2008. Programs should in 2010 and future years begin to reintroduce aggressive upgrade strategies.



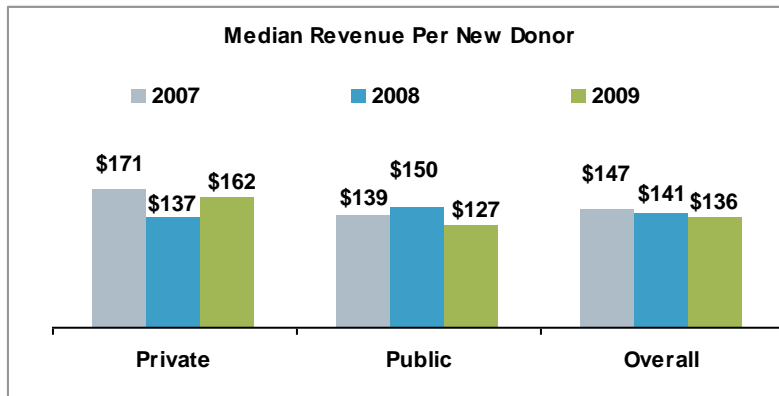
Median Revenue Per Donor: Back to 2007

The median revenue per donor dropped from \$500 to \$477 in 2009 compared to 2008. For private schools the median dropped from \$588 to \$570. For public schools it dipped from \$414 to \$384. This reverses a positive trend in 2008, where both public and private institutions saw revenue per donor go up compared to 2007 (despite the tougher economy in 2008 relative to a booming economy in 2007). Overall the revenue per donors in 2009--\$477—compares favorably with the strong economic year of 2007 when the revenue per donors was \$475.



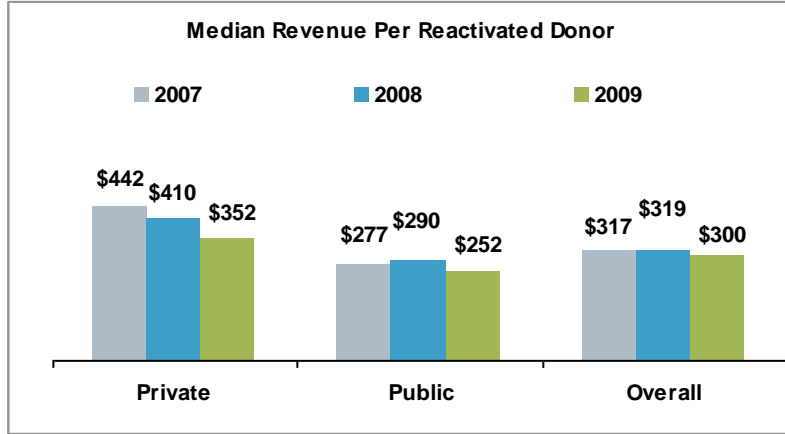
Median Revenue Per New Donor: Public Up, Private Down

Among first time donors, the revenue per donor was down in 2009 for public institutions, dropping from \$150 to \$127. However, for private institutions, the revenue per donor among new donors actually went up in 2009 from \$137 in 2008 to \$162. The revenue per new donor for both public and private schools combined was lower in 2009 than in 2007.



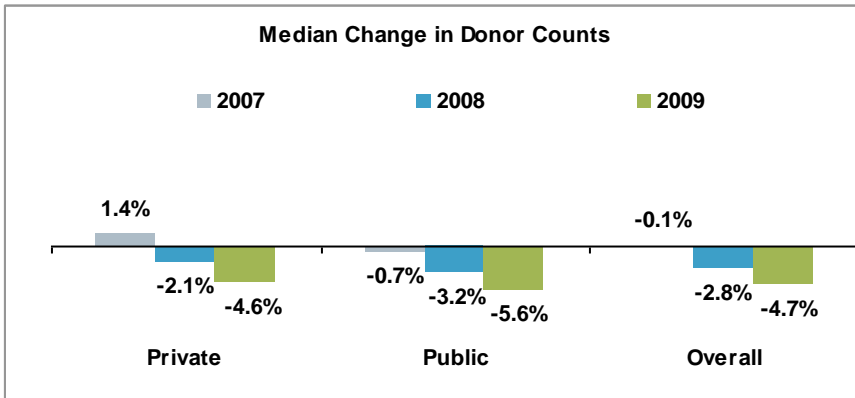
Median Revenue Per Reactivated Donor Hits Three-year Low

Median revenue per reactivated donor was down from \$319 to \$300 in 2009. This is the lowest level in the past three years. Private schools have seen significant erosion in this measure, down from \$442 in 2007 to \$352 in 2009, a \$90 drop. More aggressive ask levels to capture upgrades from reactivated donors should be implemented in 2010 and beyond.



Median Change in Donor Counts Turned Downward

After many years of increased numbers of donors for most programs, the last three years have been more challenging in this measure, with 2009 being especially difficult. Overall the median change in donor counts was off 4.7 percent, with both public and private schools experiencing negative changes in donor counts. For public schools—who tend to graduate large



graduate large volumes of student each year—a three year negative trend in number of donors is counter-intuitive since their pool of solicitable alumni grows fairly rapidly.

Closing Remarks

Not surprisingly, 2009 Annual Fund performance among schools in the Target Analytics sample reflect a perfect storm of shrinking portfolios, high unemployment, low consumer confidence, and general economic anxiety. Whether or not or where Higher Education suffered more or less than other economic sectors is an informative statistical exercise. However, the more important question for schools is how to effectively make a compelling case for the Annual Fund through better messaging and fundraising practices in changing conditions. As the economy turns upward, schools should review past strategies and tactics to determine if they are compatible with the increased wariness or, at best, cautious optimism of their constituents in a post-recession recovery.

Further Information

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Findings from recent and future reports can be found at www.blackbaud.com/targetanalytics.

Index Methodology

Target Analytics applied the following rules to standardize data from each of the institutions participating in the 2009 Index:

Soft credits and matching gift payments are excluded. Direct mail and telemarketing are by far the dominant revenue sources for most schools; however, web, telemarketing, event, and other sources are included. Indicators are calculated on a cash payment basis, as opposed to a pledge basis. Gifts or donors are defined as new, retained, or reactivated according to relative gift dates rather than organization-specific business rules or source codes. Retention rates are calculated by dividing the number of donors giving in the current year who also gave during the previous year by the total number of donors who gave in the previous year. Revenue per Donor refers to the cumulative giving per donor per year.

Definitions

Medians are the middle values in a ranked order of numbers. The Index utilizes this statistical practice to measure trends because it minimizes distortion caused by the wide range of organizations' file size or extreme changes at a few organizations.

Participating Private Institutions

Bentley University
Brown University
Carnegie Mellon University, Tepper School of
Business
Clark University
College of St. Benedict
Concordia University St. Paul
St. Catherine University
The College of William and Mary
Cornell University
Dartmouth College
Gustavus Adolphus College
Hamline University
Holderness School
Illinois Institute of Technology
Johns Hopkins University
Luther Seminary
Massachusetts Institute of Technology
Niagara University
Northwestern University - Kellogg Graduate School of
Management
The Principia
Rhodes College
Rice University
Salve Regina University
Smith College
Southern Methodist University
Syracuse University
Tulane University
University of Chicago - Booth School of Business
University of Notre Dame
University of Pennsylvania
University of Richmond
Vanderbilt University
Wellesley College

Participating Public Institutions

Colorado School of Mines
Indiana University Foundation
Iowa State University
McMaster University
Michigan State University
Ohio University
The Ohio State University
Oklahoma State University
Oregon State University
Pennsylvania State University
Purdue University
Queen's University
Ryerson University
University of Alberta
University of Arizona
University of California, Santa Barbara
University of Georgia
University of Houston
University of Iowa
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of Business Administration
University of Wisconsin, Madison