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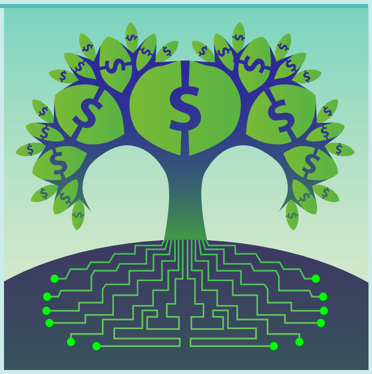
VOLUME 27/NUMBER 2 ▪ MARCH/APRIL 2008



SPECIAL ISSUE: FUNDRAISING DATABASES

Grassroots Fundraising Journal

The *Grassroots Fundraising Journal* is published six times a year: January/February, March/April, May/June, July/August, September/October, November/December.

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Periodicals Postage at Oakland CA 94615 023-243 and at additional mailing offices

Postmaster — send address changes to:
1904 Franklin Street, Suite 705
Oakland CA 94612

ISSN No. 0740-4832

LETTER FROM THE EDITOR

STEPHANIE ROTH

I'm writing this issue's Letter from Montreal, Quebec, where my partner, Kim Klein, and I are currently living (through the end of June). Kim is working at Concordia University's Institute in Management and Community Development, and I'm telecommuting to my job with GIFT and the *Grassroots Fundraising Journal*. When we've been here a bit longer, I hope to share what I learn about nonprofits, fundraising, and social justice work in this part of Canada.

Getting settled here has not only involved unpacking my suitcase and figuring out where to get the best chocolate in the neighborhood (oh, and of course fresh produce), but also making sure I have all the technology I need for my telecommute and that I know how it works! I've learned about USB hubs and Skype, international cell phone calling plans and what software will give me access to GIFT's computer server back in California. Setting it all up has been a powerful reminder of how much of what we do centers around the technology we use.

This special, themed issue of the *Grassroots Fundraising Journal* will help you get a handle on some of that technology as well. It concentrates on one form of program or service that is critical for the long-term success of any organization's fundraising program: fundraising databases.

We start out with a revised and updated article by Maria Petulla, a long-time, New York-based fundraising consultant, on what fundraising databases are, why they're so important, and what they can do for you. Then two of the most respected database consultants in the Bay Area take the topic further. Robert Weiner orients you to the research you should do to find the fundraising database that works for you — and why you probably should not build your own. Eric Leland provides an analysis of trends in the fundraising software business — some more positive than others for small nonprofits. In doing so, he illustrates how, even with an enterprise as seemingly non-political as choosing a fundraising database, you'll encounter the reality of profit-driven corporate interests that aren't always in sync with the service and social change values of the nonprofit sector.

We sincerely hope this issue will help you choose your first fundraising database or improve on what you're currently using so that you have the program that will allow you to focus on the most important part of your fundraising program — the relationships you're building with your supporters and constituents.

And for more ways to learn how to improve those relationships (and much more), be sure to plan to attend Raising Change 2008: A Social Justice Fundraising Conference. Produced by GIFT and the *Grassroots Fundraising Journal,* this year's conference will take place in San Francisco on July 25 & 26. As the 2006 conference sold out early, I urge you to register as soon as possible. Check out the program, registration details, and more at *www.grassrootsfundraising.org*.

Hope to see you there!

Making Order out of Chaos

How a Good Fundraising Database Can Help You Raise More Money

BY MARIA PETULLA

Here's a nightmare: All of the clothing you have ever owned in your entire lifetime is in piles on the floor of your walk-in closet, unfolded and disorganized. Socks, shoes, tights, jogging pants, underwear, pajamas, shirts, tank-tops, t-shirts, shorts, ties, earrings, rings, hats and coats — everywhere and chest-deep. You have to get dressed and think, "This is not an efficient way of dressing! It's too overwhelming. I just need everything to be in its place so I can get what I want when I need it!" You realize you have to organize it. You wake up in a cold sweat.

DOES YOUR GROUP NEED A DATABASE? *YES!*

Is this nightmare how you sometimes feel when it comes to managing donor information? Is it frustrating, confusing, overwhelming, and disorganized? Data management is often the last priority for small groups. You're busy changing the world! Data *what?*

If your shoes are on a tree rack and the shirts and pants are on hangers in the closet, you can know if you have an outfit for a black-tie party, or assess which pants look good with what shirt. Right? How does this relate to fundraising?

It is generally understood that the goal of fundraising is to build a base of donors who will give you money every year. In order to make informed decisions and realistic plans about all of your fundraising efforts, you need to know who your donors are and how your group is doing with them. Then can assess and target your fundraising strategies so you can increase your base of donors. You can do all these tasks better and smarter if donor information is organized and easy to capture in a readable report.

One important aspect of creating those reports is to have a database that is used properly and runs efficiently. Just as you can't get dressed if all the clothes you have ever owned are in a big messy pile, you can't do your fundraising efficiently if all your donors are in a big messy pile either.

This article looks at what databases can do for you.

WHAT DATABASES CAN DO FOR YOU: REPORTS AND GROWTH

When a database is running efficiently, it's like having a rosy dream instead of a nightmare. How? Databases do two things that are essential to fundraising:

- Produce reports to help you make informed decisions and develop realistic fundraising plans
- Help you grow in your fundraising efforts

Reports: Proof of Effectiveness

Reports are the core of your database program. Their job is to provide answers to questions about your donors and your fundraising efforts so you can move forward with some certainty. Imagine spending 45 minutes in the nightmare closet looking for a pair of white socks when the only ones there are from when you were five, but you don't know that. In fundraising, if you don't know what donors you have or how long they've been with you or what happened in your past efforts with them, you'll spend time trying things that either aren't a good idea or aren't even a possibility. For example, you wouldn't launch a special event starting at $50 if your average gift is $40.

Different kinds of reports answer different questions:

• ***Assessment reports*** answer, "What happened?" These reports show "the numbers," measuring success so that you can compare fundraising efforts. Some examples: How many donors were mailed to in that last mail or online appeal? How many responded? What was the average gift size? How much giving has a particular board member influenced this year? What had they agreed to do? Are this year's special events doing as well as last year's? Did they bring in a higher ratio of money to expense? Did more people come? How effective is our Major Donor Program? How does our Direct Response Program perform versus our Major Donor Program? Is personal solicitation effective?

Here's another example of how reports help. One group decided to cancel their June appeal mailing when a report showed that for three years running this mailing to active donors not only brought in an incredibly low response (below 3%) and did not raise any money, it lost money.

• ***Donor category reports*** answer, "Who responded?" giving you specific donor information. For a major donor campaign, for example, when you ask, "Who gave $50 or more in the last 24 months for any reason?" a donor category report can print out all their names, addresses, phone numbers, and gift history so that board members can follow up with personal solicitations seeking larger gifts.

• ***Thank you letter reports*** answer, "Who gave in the last week" or "Who gave just to the direct mail appeal?" The report then compiles information to be merged into thank you letters — an important tool as your donor base gets larger and you have more donors to thank within that 48-hour window!

• ***Pledge reports*** answer, "Who made what pledges, who has paid their pledged amount, and who hasn't?" These reports help you maintain a monthly or quarterly giving program and help you keep track of pledges to special campaigns.

• ***Giving history reports*** answer, "Who gave, how much, and in response to what solicitation?" For example, you can show the name, address, phone number, or whatever other information you specify for donors who gave a minimum major donor gift or more in the last three years; you can also find out how much they have given in total over the last three years. You can also track individual donors to see if there are patterns to their giving. This information can help you determine when to ask them for more.

When you know who gives and who doesn't you can stop sending to a segment of donors who never give to mailings or online email requests.

Tracking segments of the donor base and how they give is a sophisticated analysis strategy and gives a major boost to helping a fundraising program grow.

You can select any group of donors based on any criteria and see how they give. The information that results helps with targeting strategies more carefully, from selection of mailing lists to special event invitations to ceasing to ask seriously lapsed donors.

Many groups that are still in the nightmare phase can't imagine having such a concise image of their donor base or such organized information. But you can have all this information at your fingertips. Reports help you plan realistically and make informed decisions.

Helping You Grow

When your old clothes have been given to the thrift store and your closet is really under control, you can move on to other things. When your database is running smoothly and efficiently, you are in a position to focus on executing a better fundraising program — getting more donors and raising more money. You can move on to diversify the ways you ask for money and increase how frequently you ask.

Here are ways your programs can improve:

• ***Direct Response/Annual Fund programs*** often improve when the information in your donor base comes into focus. For example, when you know who gives and who doesn't, you can stop sending to a segment of donors who never give to mailings or to a segment that doesn't respond to online email requests; you can work to upgrade donors who give the same amount to the annual fund every year; you can determine how many more mailings or online asks to do each year.

• ***Acquisition*** technically loses money, but is a great way to increase your number of donors (thereby making money later). Once you understand the demographics of your donor base, you can choose what kinds of new lists to look for. Your database can help you do this by sorting current donors by zip codes, professions, or other information you might be able to feed in.

• ***Donor Surveys*** can yield a lot of information from your donors. The more you know, the better decisions you can make about reaching them with mail or online appeals, acquisitions, special events, planned giving, and major donor programs. A good time to conduct a donor survey is when you are increasing your efforts or making a change.

For example, do you know the average age of your donor base? Knowing how many of your donors are 50 or older can be helpful with planned giving campaigns. This and other important information that you gather on your donors can be fed into your database for later use. (For more on conducting donor surveys, see *Fundraising for Social Change* by Kim Klein, and "Getting to Know Your Donors: The Donor Survey," by Martha Farmelo, *Grassroots Fundraising Journal,* Vol. 20:1, 2001.)

• ***Major Donor/Capital Campaign/Planned Giving/ Endowment Efforts*** are all upgrading efforts. As you saw in the "reports" section, if you include in your database information about who knows each donor (either on your board or staff or in the larger community), you can print out a potential major donor report to inform you of potential solicitors.

In addition, you can be more specific in your appeals. For example, for a direct mail appeal or special event focused on capital improvements, you'd want to select donors you've identified as most likely to give additional money for that kind of project. For a planned giving campaign, in addition to targeting older donors, you'd want to know who has been giving for a long time or has in other ways shown significant loyalty to your group.

• ***Special Events*** are a way for donors to come closer to the organization by bringing your group and the donor face-to-face. As a result, special events help build the relationship. Your special event program can be enhanced once you understand the giving tendencies of your donors; you may even ask what events they prefer in your donor survey and include the results in your database.

• ***Phone Banking/Telemarketing*** work well with some donors. Your database can print a report with phone numbers of lapsed donors or those who have responded to phone appeals in the past.

• ***Finding Board Members*** can be easier when you use your database to tell you which donors show commitment to the organization by moving up in their level of giving or giving frequently. These people may be good prospects for your board of directors.

• ***Tracking How You Treat Your Donors.*** It is vitally important in a more sophisticated fundraising program to track all actions with every donor. For example, if a donor calls to follow up on a conversation about housing for homeless gay youth that she had with a board member she met recently, you could look up the notes about the conversation that were entered in the database when the board member told you about it and work with the donor right then and there. In addition, you would want to see how many appeals a donor has received before calling them if you have a need.

TYPES OF DATABASES

There are three different kinds of databases, and the jargon about them can get quite confusing. Here is an overview of each type.

Generic Databases

These databases are not designed specifically for fundraising. The two most common are Microsoft Access and FileMaker Pro. They start with a general program that can be built upon to manage any number of needs, from a small import/export company's inventory list to a small nonprofit's donor base. Once you purchase the database, you decide which elements to use and in what ways. You're essentially building your own database to meet the needs of your organization.

Generic databases are generally inexpensive, so small groups with modest budgets like to take this route. Building your own simple database in-house or with well-meaning volunteers may seem the ideal option.

Keep in mind that the purchase price is only one cost associated with setting up a fundraising database.

Can this program do what you need? Yes, but only if you build it that way.

Many groups have found that the time and effort they put into designing and building a database program in Microsoft Access would have been better spent purchasing a low-cost program designed specifically for fundraising. (See "Why Building Your Own Database Should Be Your Last Resort" in the article, "Finding the Perfect Fundraising Database in an Imperfect World" by Robert Weiner in this issue.)

Dedicated Fundraising Software

These databases are specifically designed for fundraising. When it comes to organizing donor information, many groups need the same types of functions, and these databases have prepackaged them for you. Fields, a wide variety of reports, thank-you letter merges, and more are already set up in these programs. Prices vary from $89–$3,000 to start. For more sophisticated programs, you can pay tens of thousands of dollars.

Keep in mind that the purchase price is only one cost associated with setting up a fundraising database. Ongoing costs include technical support and training on the use of the software (and training time for new staff). There may also be server/network and multi-user costs. Some software companies charge very little for a basic system and then charge extra for additional functionality, such as event management capability.

(For more on how to choose fundraising software, see the article by Robert Weiner in this issue. You might also take a look at "A Few Good Tools: Low Cost Constituent Databases" at *www.idealware.org/articles/fgt_low_cost_dbs.php*, which goes into detail about several commercial products.)

Within this category, you have another choice to make — purchasing software that you own and install on your own computer and/or network, or going with an online program where your data are hosted by the software company and you pay a monthly charge for the service.

With online databases, there's nothing to install on your computer or network. All of your data are maintained by the vendor online, and you have access to your information from anywhere. These services vary in expense (some are free) and in the kinds of services you receive. If you have 1,000 or more records, they can be expensive. However, over time, the overall cost might be lower than the cost of managing an in-house program. These databases do come with some risks. For example, how will you have access to your information if the provider's server or your Internet connection is down? And what happens if the company goes out of business? (For more on this type of software, see "Mind Your Own Business" by Eric Leland in this issue.)

Open Source Software

A newer trend in the development of fundraising software is free databases that, like Access and FileMaker, require the technical skills to customize them for your organization's particular needs. They are more sophisticated in their functionality than Access and FileMaker, and some of them are designed to be integrated with other management systems.

I don't recommend going this route unless you're able to allocate sufficient staff resources to developing and maintaining the program. If you have the capacity to work with Open Source options, they provide more flexibility than the packaged software programs described above. But they're not a good choice for smaller, grassroots organizations with no dedicated IT staff.

As you can see, with a great database, your nightmare can turn into a rosy dream of informative reports, targeted asks, and increased fundraising success. GFJ

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Finding the
PERFECT FUNDRAISING DATABASE
in a Imperfect World

BY ROBERT WEINER

Searching for a donor database for your organization can be a daunting task. It can be difficult to know where to start, what functions and features you're really going to need, and where to look for affordable options. Here's a set of questions that walk you through the process and give you a sense of what to consider along the way. (If you're considering building your own database — or before that option even comes to mind — please read the sidebar, "Why Building Your Own Database Should Be Your Last Resort," on page 9.)

WHAT DO YOU NEED?

The price of a donor database is largely determined by the sophistication of the fundraising it will support, the features and flexibility it contains, the number of donors it can track, and the number of people who will use it. As your needs grow, so does the cost of a database.

There are no hard-and-fast rules, however. Some free systems might support only one user but offer powerful tools. Some vendors sell stripped-down versions of their full systems, which can be upgraded later. These products include many of the features of the full products, but with limitations on the number of users, records, relationships, or other features. And some expensive systems are sold in modules, so you can start small and grow.

In general, most basic databases will allow a limited number of users to manage up to a few thousand constituent records and will track who lives where and what they gave. If that's all you need to do, you can probably use a free or inexpensive system. If you need to do more, however, you're probably going to have to spend more.

WHAT'S IMPORTANT?

Next, you need to decide which features are mandatory. Be careful about this; when you designate a requirement as mandatory you are saying that if a vendor cannot meet even that one need, you would not use the system — even if it were free.

Once you know what's mandatory, everything else is "nice to have." However, some wish-list items are more important than others, so you need to prioritize. Since every system you look at should meet your mandatory requirements, the nice-to-haves will be the deciding factors.

Be sure to collect requirements and priorities from everyone who will need to get data into or out of the database. If you work in a small nonprofit, that might be one person. In larger organizations, you might have to consult with several departments, including Development, Membership, Corporate and Foundation Relations, Planned Giving, Accounting, and Information Technology. Each stakeholder should weigh in on desired and required features. That doesn't mean you need to talk to every person in the organization; instead, ask each area to appoint a representative. This person should also participate in software demonstrations, rate products, and check references.

The sidebar, "Issues to Consider When Looking for a Donor Database," takes you through a number of the types of actions you may want your database to perform, in simple and more complex maneuvers. In addition, NPower, a nonprofit group that helps nonprofits use technology, has developed two very useful tools that can help your team of decision makers create a prioritized list of which features and functions your new system will require. Their "Functional Requirements Table and Features Checklist" can be found at *www.npowerseattle.org/education/resources/functional+requirements+table.pdf* and their Issues to Consider When Looking for a Donor Database is available at *www.npowerseattle.org/education/resources/features+checklist.pdf.*

WHO WILL MANAGE THE SYSTEM?

Be realistic about the amount of technical support you will have, either in-house, from the vendor, or from a consultant (and whether you can find and afford a consultant's help). If the answer is "little to none," you should not choose a system that will require full-time, on-site technical support. (When checking references, be sure to investigate how much technical support the system, and its users, need.) You probably also want a system that end-users can understand with minimal training and one that is able to produce most of the reports you're going to need.

WHAT'S YOUR BUDGET?

You need to have at least a rough idea of what you can spend. The price range for donor databases stretches from free to something resembling infinity. You will need to start with a ballpark budget, which you'll refine as the project progresses.

As a starting point, think about .025% to 0.5% of your annual operating budget. Smaller organizations usually spend closer to the high end of that range. Economies of scale will often allow larger organizations to spend at the lower end.

WHAT SYSTEMS WILL YOU LOOK AT?

You know what you're looking for and what's most important. Now you need to find vendors who can do what you want at a price you can afford, as well as those whose technology is aligned with your own (for instance, if you are a Macintosh shop, make sure the databases you look at support Macs). One approach is to ask other organizations what they're using and whether they like it. You can also turn to the Internet, where there are many discussion lists where nonprofit staff discuss fundraising software — a few are listed at the end of this article. Be sure to

Why Building Your Own Database Should Be Your Last Resort

Most weeks I get a call from a nonprofit that wants to upgrade its donor tracking capabilities. The organization has outgrown using spreadsheets to track gifts, donors, and contacts. They want a sophisticated database that will help them identify, cultivate, and communicate with their best donors. Unfortunately, all too often the organization wants to meet these goals by building its own donor database.

There are certainly instances when a custom database is the best or only solution. But those are few and far between. Usually, the nonprofits I talk to aren't building a database because they have unique requirements. They just have a copy of FileMaker or Access and maybe a volunteer who knows how to use it. I respond by telling them the seven reasons that they shouldn't build their own database:

1. RISK: Building a database is a risky proposition. I've seen countless custom database projects that failed to meet the organization's needs. There have been a variety of causes: requirements weren't clearly understood or articulated by the organization or were constantly changing; the programmer got distracted by other projects or left the organization; bugs were never fixed; reports and documentation never got written. Whatever the reason, these projects turned out to be frustrating, costly, time-consuming examples of good intentions yielding bad results. Yes, I've seen successful custom donor databases — many of today's commercial databases started that way. But I've seen many more failures than successes.

2. FOCUS: Building a donor database will require significant input from the people who will use it. They'll need to describe, in detail, the minutiae of daily operations as well as your management reporting needs. Is turning fundraisers into database designers really the best use of their time?

3. SUPPORT AND MAINTENANCE: Who will you call when your homegrown system has problems? What if the person who wrote it isn't available? What if you need new functionality that's beyond the technical skills of the original programmer? Building a database is an iterative process — you're going to want to make changes over time. Without ongoing support and maintenance, bugs won't be fixed, questions won't be answered, and changing needs won't be addressed.

4. TRAINING: Who will train staff to use the system? Software training is an art, and not everyone is good at it. But let's say the person who built the system provides great training. Will she be available for years to come as you get new staff? And, just as important, will you have training and reference manuals? How will you keep database training from being like a game of "telephone," where the tenth person trained hears something totally different than the first person (and the garbage in your database reflects it)?

5. USER COMMUNITY: With commercial database applications, a host of programmers and clients are providing input to help improve the software. There are user groups (both physical and virtual) where you can learn how other organizations are using the software. There are other clients of whom you can ask questions when problems arise. If you build your own database, there's seldom anyone else you can turn to for advice or help.

6. DOCUMENTATION: I distinguish between three types of database documentation. The first is technical: it tells other programmers why the database was designed the way it was. The second helps train staff members on how to use the database ("click this button to go to that screen"). The third describes your organization's procedures, so the right data go in the right place. When it comes to homegrown databases, all three types of documentation are as rare as Yeti sightings.

7. COST: Price is the bottom line. You can get bids for a commercial system. How do you get a firm price and feature list for a custom system? You also need to consider the cost in staff time of designing and testing the system. Keep in mind that every change to the database will cost money: will you be able to pay for upgrades to fix problems and keep up with evolving technologies? Although a custom database may seem like a bargain up front, in the long run it may cost a lot more than a commercial database.

There are definitely times when a custom database is the cheapest, most effective, or only solution. But I urge you to consider the true costs, benefits, and risks of building your own database before going down that road.

ask specific questions about how well the system addresses the issues at the top of your wish list. And be sure you're talking to comparable organizations; there's no sense in a three-person nonprofit talking to the national headquarters of the Red Cross.

TO RFP OR NOT TO RFP?

An RFP (Request for Proposal) is a document asking vendors whether they can meet your needs and at what price. Many public agencies and large charities are required to use them. For the rest, it's optional.

The purpose of an RFP is to determine a list of vendors whose software you would like to see demonstrated. The difficulty lies in writing questions for the RFP that will yield unambiguous answers and allow you to narrow the vendor pool. Start by describing your organization and the problems you are trying to solve. Then focus on a handful of mandatory and high-priority requirements that will allow you to compare vendors. Good questions: Can your system accept donations in euros? Can it print receipts in Cyrillic? Bad question: Can your database produce a tax receipt? (Every donor database can do this, so you won't learn anything useful from this question. A better question — assuming you need to do this — might be "Can your database personalize receipts based on a donor's gift amount and giving history?")

There is no set limit for an RFP — they can range from five pages to fifty. Some vendors may not respond to a lengthy RFP if they do not believe that their chances of success are worth the time that will be required. In addition, you will need to read and grade every response. Therefore, try to keep your RFP short. Focus on questions that will truly distinguish one vendor from another. Have the same team that determined your requirements review the RFP before you send it and then rate the responses.

AM I COMPARING KUMQUATS TO KUMQUATS?

The real trick in selecting a database is to compare one system to another. Therefore, tell each vendor what you need to see in order to make a decision. The level of detail you ask for will largely depend on the price of the database. Vendors of higher-end systems will usually send a sales representative to your office for a live demonstration, which can last a full day (or more at a big organization). Vendors of less-expensive systems usually conduct demos via the Web, lasting an hour or two.

In a full-day, on-site demo you have time to get very specific about not only what the vendor should demonstrate, but also how he or she should demonstrate it; for example, "add these types of constituents to the database, apply their gifts to these funds, and then show me reports that look like this." In a shorter demo you won't have time for that level of detail. Nonetheless, you can still tell the vendors what you want to see, such as gift entry, prospect management, membership tracking, security, and modifying a standard report.

Beyond

You probably won't be able to afford all the bells and whistles that the highest end database program can provide, but as you're doing your research, here are some functions you should know about — and might want to consider — as you put together your selection criteria.

ADVOCACY

Simple: At the very least, you might want the ability to track people who have signed up as advocates, or asked to receive advocacy alerts.

Complex: If you make heavy use of advocacy tools, you might want to track which legislative districts your constituents live in and what issues they care about so you can send them tailored alerts. You might want a system that can easily share data with your email marketing system or your web site. And you might want to track who clicks on an issue alert, sends email to a legislator, or responds positively to a survey.

EVENTS MANAGEMENT

Simple: At a minimum, you should be able to track RSVPs and event attendees, and produce nametags. You might also want to record which invitations someone has received.

Complex: If you put on complex events, you might want to track income, expenses, caterers and other vendors, host committee members, sponsors, venues, room capacities, special needs (for example, mobility issues or food allergies), and even seating assignments. You might need to issue tickets for your events. And you might need a system that can manage the ticket inventory so you don't oversell.

PROSPECT/MOVES MANAGEMENT & MAJOR GIFTS SUPPORT

Prospect Management and *Moves Management* are terms used in Major Gift fundraising. The term Prospect Management covers all of the processes involved in identifying new prospects; assigning them to fundraisers; tracking cultivation, solicitation, and stewardship activities; and deactivating those who are not interested in supporting you. "Moves" are a series of defined, strategic steps taken as you build relationships with prospects, learn about their interests and abilities to give, develop and issue proposals, negotiate gifts, and provide ongoing stewardship to donors.

Simple: Major gifts fundraising involves individual, personal cultivation and solicitation. At a minimum, you need to be able to identify your prospects and track what happened last and when, and what's supposed to happen next and when. You should have a way of keeping notes on your conversations and activities. And you should be able to set up reminders, often called ticklers, to alert you when follow-up is needed.

Complex: You might want to track any or all of the following information about your major gift prospects:

the Basics: Some Database Functions to Consider

- ***Status:*** What is happening in the relationship: Common status codes include Identification, Research, Qualification, Cultivation, Solicitation, and Stewardship, but I've also seen Identify, Involve, Align, Ask, and Close.
- ***Stage:*** If you have a lot of prospects, you may want an easy way of sorting them into categories, such as A, B, and C where As are red-hot and Cs are "Maybes."
- ***Rating (aka Capacity or Projected ask amount):*** How much do you believe the prospect is likely to give, or how much do you plan to ask for.
- ***Readiness:*** When do you plan to make the ask (for example, within 3 months, 6 months, 6–12 months, etc.)
- ***Inclination:*** This can be as simple as "High," "Medium" and "Low" or as complex as a series of gradations from "We are their top priority" to "Not a Prospect."
- ***Assignments:*** If you have more than one major gifts officer, you will need to track which prospects are assigned to whom.

RELATIONSHIP TRACKING / LINKING RECORDS

Fundraisers often want to track their prospects' relationships, including their spouse, employer, board memberships, children, etc. You might want to track relatives as a household or as linked individuals with separate records. Whatever the case, your database needs to support your rules.

MEMBERSHIP MANAGEMENT

Simple: At the very least, an organization with memberships needs to track whether someone is a member and when the membership expires.

Complex:

- ***Renewals:*** You might need a system that can automatically generate reminders when memberships are lapsing. You will probably want to be able to control when renewal reminders will begin (for example, three months before expiration) and whether there is a grace period after memberships expire. If there is a grace period, you will want to control how long the grace period lasts and you might want to subtract the grace period from the upcoming membership year.
- ***Membership types:*** You might need to manage multiple types of memberships (such as individual, institutional, and affiliate). Each type of membership will probably have different levels with different fees and benefits. In addition, institutional members might be granted a certain number of individual members who receive benefits.
- ***Gift memberships:*** You might want to allow one person to pay for someone else's membership.
- ***Online benefits:*** Similarly, you might have members-only benefits on your web site, such as a membership directory, or discounts on events, conferences, or merchandise. This will require a way of synchronizing your web site with your membership data, or a fully integrated system that runs off a single database.

PLEDGES AND RECURRING DONATIONS

Simple: If you accept pledges (for example, $10 /month for 12 months), or recurring donations ($10 month until cancelled) you will at least want to track the original commitment, the amount owed each billing period, and the amount received.

Complex:

- ***Pledge billing:*** Depending on the forms of payment you accept, you might need to send bills to the donor every billing cycle, charge your donors' credit cards, and/or send Electronic Funds Transfer (EFT, aka Automated Clearing House or ACH) requests to your donors' banks. If you are storing credit card numbers, you will need to ensure that they are stored in a secure, encrypted format and that only staff who work with pledges have access to them.
- ***Changes to pledges:*** If you handle major gift pledges, which often span multiple years, you will encounter donors who need to make changes to their pledges. They might need to suspend payments while they're on vacation, or decide to change the pledge amount or payment cycle. You might want a system that allows you to change these details without having to recreate the pledge and the payment history.
- ***Honor roll tracking:*** If you publish a list of your donors (such as an honor roll in an annual report) and you accept multi-year pledges, you will need rules about how these pledges are counted for recognition. For instance, if a donors pledges $50,000 over 5 years, will they be listed as a $50,000 donor in year 1 or a $10,000 donor? How will they be listed in year 2? Your database will need to support your rules.
- ***Pledge write-downs:*** Unfortunately, some pledges will never be paid off. You will need a way of cancelling uncollectible pledges. In addition, depending on how your accounting office books pledges, you may need a way of notifying them of these write-downs.

SOFT CREDITING

Soft credits allow you to provide recognition to someone other than the legal donor (determining the legal donor is another subject altogether). For instance, Jane Donor instructs her family foundation to send a check to your organization. The foundation is the legal donor, but you want to ensure that Jane gets thanked, is invited to the Gala, and is listed in your honor roll. Or Joe Donor gives $500 and his employer matches 1:1. You want to treat Joe like a $1,000 donor. Soft credits are a common approach to these situations.

VOLUNTEER MANAGEMENT

Simple: At a minimum, you should be able to track whether someone has expressed an interest in volunteering, or has actually volunteered.

Complex: You might need to track volunteers' skills, hours worked, availability for specific shifts, forms and waivers filed, and certifications. You might also need a system that can create a schedule of when each volunteer will work.

Regardless of how long your demo lasts, it's critical that you ask each vendor to demonstrate the same features in addition to providing an overview of the system. At the end of each demo (while it's fresh in their minds), have each participant rate the system. How well did the database handle each area of concern? For instance, on a scale of one to ten, rate gift entry, prospect management, membership tracking, reporting, and security.

Also, try to get a demo copy of the software so you can continue the test drive on your own. As with the software demos, create a list of tests you would like to try, such as data entry, prospect management, or creating mailing lists and reports. In addition, test functions that seemed unclear during the demos. Note that testing is difficult if you haven't used the software before. See if the vendor will give you a training session first, provide access to online training materials, or walk you through your tests.

There's no law saying you only get one demo per vendor. You might decide you need a second round, or a series of conference calls. You might also go through short demos with half a dozen vendors before inviting a few to do full demos. However, be careful not to burn out your staff. By the third demo most people have lost track of who said what (which is why written ratings are so important).

HOW MUCH IS THAT DATABASE IN THE WINDOW?

Make sure you understand all of the costs involved in a purchase. The price of the software is just one aspect, and often the smallest part, of the "total cost of ownership." You might need to replace your server, network, desktop computers, and printers. You might need help converting to the software, developing special interfaces, or writing custom reports. You might need to invest in additional training or add new staff. And you will definitely need to pay for annual software maintenance — usually about 20% of the software's retail purchase price. (If you can't afford the maintenance, you should not buy the software.)

If you didn't get a written price quote from an RFP, you need to do that now. You should be aware that, while some vendors have very simple price structures, others will need a lot of information from you. They might ask how many users and records you have, which modules you want, and how many servers you will run the software on. (Some large systems run best with separate processing, reporting, and Web servers. You should also have an additional copy of the database for training and testing.)

HAVE I DONE ALL MY HOMEWORK?

So the sales people told you that their database will do everything, including washing your car. It's time to find out how clean the car will be. Just like when you're hiring staff, you need to check references. Talk to organizations with comparable fundraising operations and staffing, gift income, database sizes, and technical support. It's good to talk to similar types of nonprofits, particularly if you have questions that only a peer institution can answer (such as a theater's need to integrate with the box office), but feel free to cast a wider net.

Divide up your questions and have staff talk to their counterparts at each organization: technical staff call techies, fundraisers call fundraisers, etc. Some questions to ask: How long did it take you to "go live" on the software? Do you have all the reports you need? How long does it take a new staff member to become comfortable with the database? Is the online help really helpful? Do your fundraisers run their own reports? Were you happy with the vendor's support during the conversion? What would you do differently if you had it to do over?

It is important to distinguish software and vendor problems from problems caused by the client, however. The organization might have implemented the software incorrectly, failed to offer adequate training or support, outgrown its database, or purchased the wrong software to begin with. You need to talk to several references so you can discern patterns.

Remember, there is no perfect database. But there might be one that is perfect for you. GFJ

ROBERT WEINER IS THE PRESIDENT OF ROBERT L. WEINER CONSULTING, A FIRM THAT SPECIALIZES IN HELPING FUNDRAISERS MAKE INFORMED, STRATEGIC DECISIONS ABOUT THE SELECTION, USE, AND MANAGEMENT OF INFORMATION TECHNOLOGY. REACH HIM AT WWW.RLWEINER.COM.

Discussion Lists

CharitySoft: A discussion list covering software, the Internet, and charities, operated by CharityChannel; membership fee requested. Sign up at *http://charitychannel.com/publish/templates/?a=2460&z=72.*

FUNDSVCS: A discussion list for Development Services professionals, the people who process the gifts and manage the databases. Sign up at *www.fundsvcs.org.*

NTEN: "A membership organization of nonprofit professionals who put technology to use for their causes." Members have access to a wide variety of discussion groups. Their web site is *www.nten.org.*

TechSoup's Technology for Fundraising message board: A discussion board covering all aspects of using information technology to support fundraising. *http://techsoup.org/fb/index.cfm?fuseaction=forums.showSingleForum&forum=2022&cid=117.*

Mind Your Own Business

When the software business is your business too

BY ERIC LELAND

Databases manage our most critical fundraising information, and software vendors manage the databases. When choosing fundraising software, then, it pays to take a look at the business side of the products you're considering. This article addresses how changes in the world of fundraising (or more broadly, "constituent management") software can affect your ability to get what you need out of your database and from your database vendor.

WHERE IS MY INFORMATION?

In the old days — that is, a few years ago — if you wanted a donor management or fundraising database you would buy software in a box and install it to work on your computer systems. The database company provided the computer software, you provided the computer host. The software was yours to maintain. Your data were yours and yours alone, offering the benefit that your information was in your possession.

However, the problems were yours as well. Horror stories regularly recounted catastrophic database crashes, virus infections, and subsequent data loss, along with problems upgrading programs as a nonprofit's needs grew, as well as getting help with questions large and small to make the program work at its best.

One response has been "Software as a Service" (SAAS) — software that exists on the web rather than in your computer, combined with web-based support services. Customers provide the broadband and Internet browser, SAAS vendors offer "hosted" or "on demand" applications that do not require installation and ongoing support from the customer.

Rather than buying a program, SAAS customers are more like renters, typically agreeing to regular payments to the vendor in return for the system and services. Nonprofits get the benefits of the software without many of the headaches of its maintenance and security. And for most nonprofits, their data are protected by a much more secure system than they could maintain or afford on their own.

With new configurations come new challenges, though. You need to know what services and guarantees an SAAS offers if your data are compromised on their systems. And what happens if the vendor goes out of business or is swallowed up by another vendor? Read on.

SOFTWARE FOOD CHAIN

During the dot-com heyday, there were an overwhelming number of startup online database management services. A top concern among nonprofit technology assistance providers — and their clients — was stability: What happens if your vendor collapses? Advice to the unprepared was to avoid being cut by the bleeding edge.

Over the last few years we have seen the same concern arise again with a rash of vendor consolidations. One example is Convio, a web-based service now providing Internet software to nonprofits for online fundraising, email marketing, advocacy, and event fundraising. When Convio acquired GetActive, GetActive and its services disappeared.

Although consolidation is natural and can even bring value to customers, some vendors seem more focused on growth through merger and acquisition than on client services. For example, Blackbaud, makers of the popular Raisers Edge fundraising system, has over the years acquired Fund-Master, Target Software, Campaign Associates, GiftMaker Pro and most recently, eTapestry. In most cases, Blackbaud has fully digested the acquired s ervice, discontinuing the old service entirely. Only eTapestry continues to exist, but it remains to be seen how long this lasts.

As a consultant, I dealt with several GiftMaker Pro clients who were surprised when they learned that Blackbaud was about to drop GiftMaker Pro and push its customers to a much more expensive Blackbaud system.

BlackBaud is not alone. Kintera, a fundraising, emarketing, and communications management service, has acquired more than a dozen companies since its inception in 2000 — including web development and applications firms, a data screener, a calendar service, an online charity gift card system, and a facilities management system — to create a company with a broad array of services.

Mergers and acquisitions are not evil in and of themselves — the question is how they affect the service you depend on for your fundraising needs.

For many nonprofit clients, these consolidations have led to reduced quality of service *or the elimination of the service entirely…*

For many nonprofit clients, these consolidations have led to reduced quality of service or the elimination of the service entirely, leaving them with a sudden and critical choice to make: take the service the vendor now offers at (often) a significantly higher cost or find another provider. While the field is in flux, with aggressive merger and acquisition strategies often eclipsing client service and satisfaction goals, "buyer beware" takes on new urgency.

INTEGRATION AND OPEN SORCERY

There's also an upside to the merger scenario: when companies acquire an expanded range of services, you may be able to expand what your software can do for you without having to migrate to a new system, which is a big plus. For example, we may be happy with our existing contact database but need a much better way to manage events than that system can handle. A system that allows us to share our contact information with, say, an event management module helps us maintain one central place with all people information linked to the information about events they attended.

This kind of integration immediately reduces duplicate information and the time-consuming process of generating and comparing different reports that occurs when these two systems are separate. Some vendors have specifically partnered to form more comprehensive solutions and work together to integrate various features. Others have focused on creating open frameworks — also called open source — which allow clients to add functions they need.

Open source solutions make all the code of the application available, so developers can benefit from the existing software to produce expanded applications for clients.

Although smaller nonprofits would not be likely to hire the services of a software developer to enhance their database program, many independent consultants and consulting firms are building solutions using open software frameworks — often resulting in quite advanced systems with much less effort than it would take to build an entire system from scratch.

SOME ASSEMBLY REQUIRED

Here's another solution for linking varying fundraising database management needs together without developing your own code. Say you have a great email marketing program but no central donor database manager, or perhaps you have a terrific website but no way to register people for events. You may be able to connect modules that accomplish all these tasks by using "open APIs" — Application Program Interfaces. These are sets of technologies that enable websites to interact with each other.

Open APIs enable developers outside the vendor's control some level of innovation. First you need to know whether your existing database management product can be integrated with other systems. Ask your vendor. Often vendors will have information about whether their database will connect with specific products and who you might contact for help.

Many vendors are implementing an open API strategy, as it allows more flexibility for clients to meet a range of needs. Convio, for example, now has its Open initiative, and Kintera has launched Connect — both are sets of APIs for clients to extend their solutions in ways that neither vendor has focused on. Salesforce.com has developed an effective API strategy, fostering a large community of developers and users who contribute their custom work back for other customers to use.

A strong vendor or consultant partner will be a valuable contributor to this process over time, *not just at the point of sale or system delivery.*

The more robust set of APIs a vendor offers, the more possibilities open up for integrating with other applications or building out your own.

VENDORS AS PARTNERS

Software is complex, and harnessing it to its maximum potential can be quite difficult for organizations to achieve. With the time and effort it takes to get into a new system, nonprofits are justifiably not excited to switch vendors — or systems — very often.

The best bet is to build a relationship with your vendor. Most nonprofits find that new systems require some measure of configuration, customization, or creative thinking to employ the right mix of technology and process to get the jobs you need done. A strong vendor or consultant partner will be a valuable contributor to this process over time, not just at the point of sale or system delivery. This may be a long relationship, so build a strong foundation from the beginning.

HOW TO CHOOSE?

Evaluating first more commercially supported (and perhaps less open) solutions is a smart idea when choosing new software. These solutions are "ready to use" — they are more highly engineered and offer packaged training and support options, so if the features fit, the solution becomes sustainable and the costs predictable. (See articles by Robert Weiner and Maria Petulla in this issue for what to look for in selecting a "ready-to-use" fundraising database.)

Solutions that require configuration and customization will also require more substantial involvement for nonprofits to ensure they are getting what they expect. To find out what software options are out there and what experiences other people have had with them, ask around to peers and check with nonprofit technology support communities. Online resources such as techsoup.org, nten.org, and idealware.org have terrific discussions, articles, and reviews of technology for nonprofits.

Keeping up with fundraising software trends doesn't require you to become a fulltime techie or software business sleuth, but taking your time to make informed decisions when it comes time to purchase, upgrade, or update your fundraising software will save you a lot of headache later on. GFJ

ERIC LELAND DOES STRATEGIC TECHNOLOGY PLANNING, AND WEBSITE AND DATABASE PLANNING AND DEVELOPMENT FOR PROGRESSIVE NONPROFITS. REACH HIM AT WWW.LELANDDESIGN.COM.

Additional Technology Resources *for Nonprofits*

There is a wealth of information online about technology for nonprofits, and these are among the best sites we know about and refer to regularly.

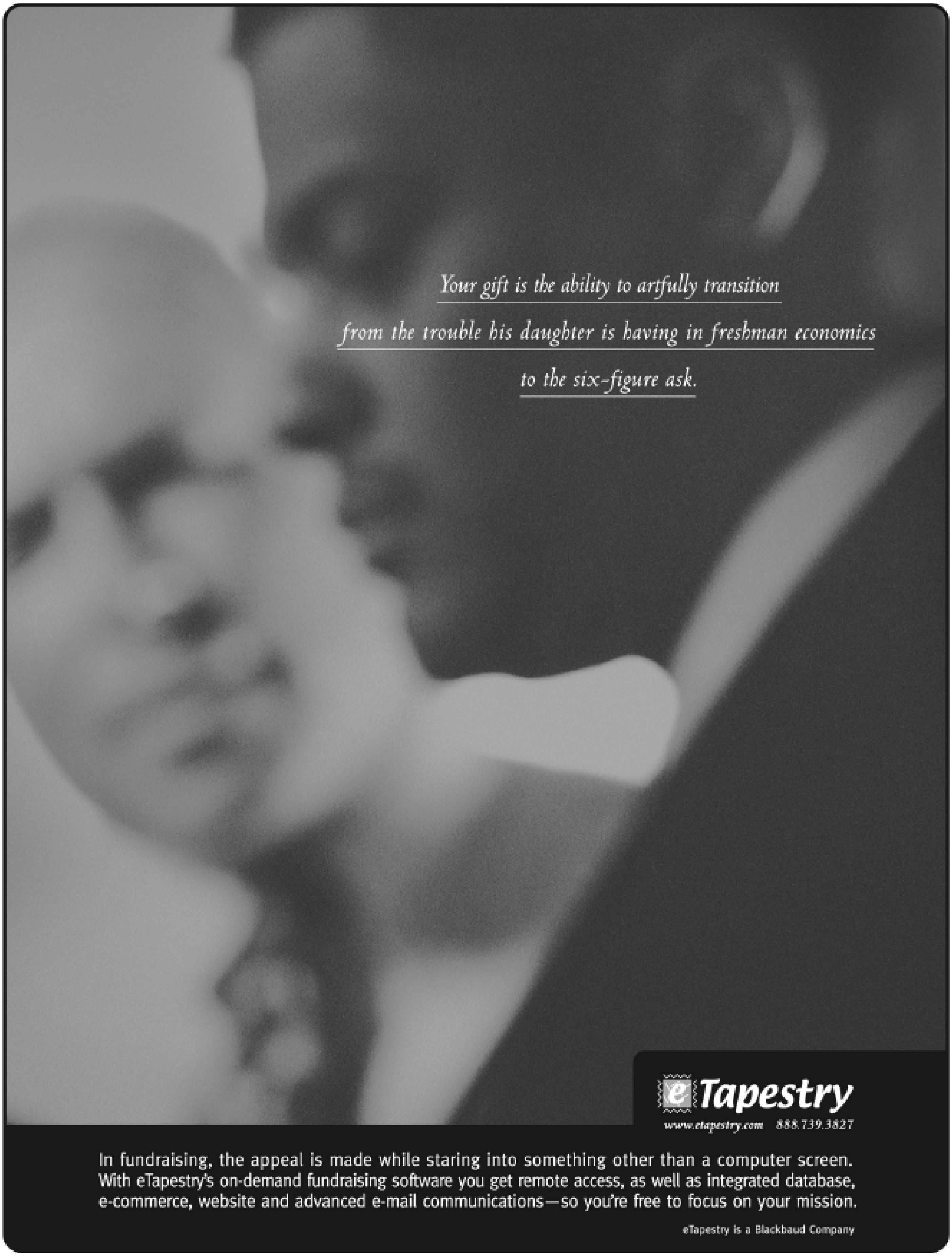
Idealware provides Consumer Reports-style reviews and articles about software of interest to nonprofits, centralized into a website. Through product comparisons, recommendations, case studies, and software news, Idealware allows nonprofits to make the software decisions that will help them be more effective. ***www.idealware.org***

NPower is a national network that helps organizations expand their impact through the strategic use of technology. Local NPower services include technology planning, consulting, education, and support. ***www.npower.org***

NTEN (Nonprofit Technology Network) is a membership organization of nonprofit technology professionals. They say, "We connect our members to each other, provide professional development opportunities, educate our constituency on issues of technology use in nonprofits, and spearhead groundbreaking research, advocacy, and education on technology issues affecting our entire community." ***www.nten.org***

Progressive Technology Project strengthens grassroots social change community organizing in poor communities and communities of color through training, technical assistance, and by providing grants for innovative models of technology use in community organizing. ***www.progressivetech.org***

TechSoup is best known for its provision of donated and discounted software to nonprofit organizations and public libraries. They also publish articles, case studies, and commentary on technology issues, including fundraising software. ***www.techsoup.org***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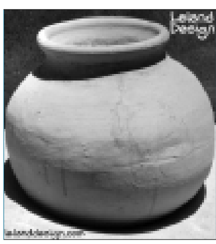

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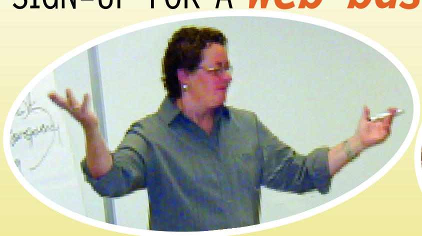

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