



The Evolution of Donor Management And Its Fundraising Future

By DAN RIVAS

Technology has radically transformed the way nonprofits interact with donors, particularly via the Web. An organization can get a retweet in the morning, send an email just after lunch, and get an online contribution in the evening all from the same donor.

That's old news. Some 15 years into a new millennium, online engagement is no longer a trend. It's the foundation for every fundraiser's outreach strategy. Many questions remain, though, amid a maturing marketplace for donor management software. The questions include: What are the new trends that will guide the future of nonprofit fundraising?; Are vendors keeping up with what fundraisers and executive directors need to sustain and grow their organizations?; and, Are organizations building the capabilities necessary to take full advantage of the technology at their fingertips?

On behalf of *The NonProfit Times*, Idealware interviewed industry experts with donor management software expertise. The marketplace has seen few major breakthroughs since four years ago, they said. Some trends have continued to grow, while others have leveled off.

This might have a lot to do with the economic cycle that turned over in 2008. According to Keith Heller, CEO of Heller Consulting in Oakland, Calif., when the tanking economy created a sudden dip in fundraising, few nonprofits risked big investments in technology. Similarly, vendors saw revenues drop and many had to tread water just to stay afloat.

As the economy improved by the end of 2011, nonprofits began to once again evaluate their options and vendors worked hard to reposition themselves at the top of a growing marketplace. As a result, donor management systems rapidly grew more powerful, while costs stayed low.

"[Donor management] is a very dynamic and complex market," said Robert Weiner of Robert L. Weiner Consulting in San Francisco, Calif., but the trends haven't changed much in the past four years. Mobile access and integration continue to be important as users find more ways to make use of so much data. Hosted systems continue to increase in popularity, and users still want more powerful reporting capabilities.

What's interesting are the nuances within these trends and what they might signal for a future wave of innovations.

TECHNOLOGY IS PERSONAL

The rise of the smartphone and tablet is about more than just mobility. People carry these devices everywhere. They use them for work, but also for play and to take pictures and catch up on news. Technology is more personal than ever. That shifting relationship is having a strong influence on what users expect from enterprise software.

"People no longer expect technology to be this box that does things," said Tracy Kronzak, co-founder of BrightStep Partners in San Francisco, Calif. "They expect it to be a personal extension of their lives. Organizations expect technologies to be a personal extension of their mission."



People no longer expect technology to be this box that does things. --Tracy Kronzak

As fundraisers spend more time with the software and grow more familiar with other powerful consumer technologies, user-friendliness is becoming a top priority. "User experience is a big-order winner," said Jeff Haguewood, co-founder of Sidekick Solutions, with offices in Spokane, Wash., and Denver. Most nonprofit professionals now have years of experience with one or two systems, giving them a better sense of what they want and need from technology. Many are choosing simplicity.

"It's not uncommon to hear from (fundraisers at) small nonprofits that their current system is too much," said Janna Finch, senior market research associate at Software Advice in Austin, Texas. "Some are downgrading." People expect their technology to work more like an iPad app than a mainframe. They want to click a

button and know what they're going to get.

"There are a lot of bells and whistles in the market," Haguewood said. "What clients actually want is something simple, clean, and straightforward."

The mobility of personal technology is having a big influence on donor management systems. Eric Leland, a partner at FivePaths in San Francisco, Calif., said juggling devices away from your desk is that much more difficult on a small screen. Fundraisers don't want to have to keep zooming in or scrolling left to get what they need. "Basic responsiveness is what it comes down to," he said. "When they call us, they're not asking whether the solution comes with an app. They're asking: 'Does my database work on the road?'"

Many fundraisers are not yet good at getting the full value of their newfound mobility, according to Amy Sample Ward, chief executive officer of the Nonprofit Technology Network (NTEN) in Portland, Ore.

"The portability that comes with a Cloud database is really not being capitalized on, even if they have a Cloud tool in place," she said. She pointed to events management as an example. When donors fill out paper forms, staff members have to take them back to the office, decipher them and then enter them into the database. A lot of time is burned doing something their software can do in real-time at the event. Sample Ward said more training would be needed if fundraisers hope to take their databases out into the world.

Vendors seem to be responding, and consultants are betting that organizations will figure out how to work in a mobile environment. "The amount of mobile use is skyrocketing," Leland said. "It's going to be absolutely critical that these systems work well with all the key data input, lookup querying, and reporting through a phone."

INTEGRATION OPENS UP CHOICES

Integration was just getting off the ground four years ago, but today, buyers are "demanding" it, according to Tompkins Spann, vice president of business development at KELL Partners in Austin, Texas.

Donor management systems have made significant progress, but it's still a tricky business moving information from one system

Special Report, page 17

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Continued from page 16

to another. That frustrates a lot of fundraisers.

"There's not a lot of depth to integration out there," Haguewood agreed. "A lot of solutions have free access to an API (application programming interface), but you often have to build middleware and do other engineering to make it work." An API is a set of rules for how systems communicate that works like a digital power outlet. You "plug in" your data source and allow the host program to "power" its use.

"The single biggest challenge nonprofits face is the lack of integration," said Bill Connors, a San Francisco-based independent consultant and trainer. He thinks vendors are not doing enough to facilitate integration, leaving many small nonprofits in the cold. For example, some vendors are content to provide import/export capability, which can be cumbersome and puts users at risk of working with old data. Others offer APIs, but the support is so minimal that organizations often need consulting help to share data across systems.

"Many small organizations can't afford integrations using APIs," he said, and Connors is not optimistic much will change. "I don't think there's a ton of money to be made in getting products to talk to each other. Vendors just aren't motivated."

Heller agreed that vendors are still behind when it comes to integration, but he's more optimistic. "It's not been prioritized, but we'll see greater effort on the part of vendors to open up core products to integration because nonprofits are wanting choice and flexibility."

Connors would like to see more of a commitment to integration through projects such as the Open Philanthropy Exchange. "Vendors are going about solving the problem of integration differently," he said. "What we need is standardization across vendors and products to better exchange the data."

Kronzak thinks vendors might be learning from the remarkable growth of Salesforce apps and the strong community that constituent relationship management (CRM) system has built.

"Power has shifted in the marketplace," she said. "[DMS vendors] are starting to understand that a vibrant community of both users and integrated application, third-party vendors is critical to the success of their own platforms."

Everyone seems to agree that a lot of the questions around integration remain unresolved. "It's like a wild west," Leland said, adding that when it comes to APIs, there's a lot of variation in what's published and the level of access. "Some APIs are available, but only for certain purposes, and you have to pay for other uses. It's very hard to figure out."

Kronzak thinks recognizing this dynamic might doom some vendors. "Those tools that are



Amy Sample Ward

keeping their API as a closed little mystery and making it difficult for developers to integrate are the ones that are going to start dying off next," she said.

DMS-CRM LINES ARE BLURRING

"In 10 years, there might not be any such thing as a donor management system," said Spann. He sees a marketplace where the breadth and flexibility of a CRM system will eventually win out over the more limited focus of a DMS. Market sentimentation might support Spann's point of view.

"Smaller buyers are often looking for [an all-in-one system] and are sometimes disappointed," said Finch. Haguewood said he has noticed a similar trend with his clients.

Vendors are recognizing the need to offer built-in capabilities beyond traditional donor management, including marketing automation, fundraising, payment processing, website integration, volunteer management, and event management tools. In fact, Kronzak said many donor management and volunteer management systems are now being marketed as CRM systems.

However, as Sample Ward pointed out, you're not likely to get best-in-class tools for each capability from an all-in-one system. "Each system is probably better at some things than others," she said. Over time, that unevenness can widen. Kronzak sees some vendors getting caught in an endless game of "catch up."

Of course, a CRM system isn't an all-in-one solution to an organization's needs. Many fundraisers make the mistake of trying to take advantage of more features than they can reasonably manage, spreading staff members too thin. And to manage events, emails, and payment, organizations that choose a CRM model, but want the best tools, still struggle with integration.

Spann said he envisions a day when consultants will sell integrated technology packages, much the way WordPress templates are now available. However, that model is still years away and might never come to fruition. In fact, the CRM-ization of donor management systems might simply be a pendulum swing in the back-and-forth tension between simple, cost-effective systems and the desire to implement powerful technology.

A 360-DEGREE VIEW OF DONORS

Integrated or all-in-one systems are important to fundraisers because access to data and tools in one place is the best way for organizations to achieve what is commonly called a "360-degree view" of donors.

"There's value in centralizing data so that you're better able to understand the full picture of what any single supporter does, and then reflect that in the messages you send," said Sample Ward.

A holistic view of donors is effective for more than receiving more donations or adding volunteers. According to Heller, platforms such as Amazon and Facebook, which offer seamless experiences, have built an expectation among donors that organizations will know a lot about them and can personalize every interaction. Unfortunately, with or without more tools, many organizations struggle to gain a clear view.

"The average nonprofit doesn't know what to do with [all their data]," Connors said. "They need help finding the gold nuggets among all the rocks and pebbles out there."

Connors also believes that many organizations are not collecting the data needed for a multichannel fundraising effort. For example, email address fields often don't contain any additional information about how the donor uses email. "We need to stop treating email addresses as phone numbers and more like mailing addresses," he said.

When it comes to achieving a 360-degree view of donors, the tools are there. "A lot of databases just aren't being used to their full potential," Haguewood said. "Organizations are missing out on a lot of what they can do."

MOVING TOWARD OUTCOMES

"We're moving from a phase where technology was primarily a productivity tool to do what we already do faster and cheaper, and into a phase where technology is transformational," said Tom Lehman, founder of Lehman Associates in Alexandria, Va. He sees a greater emphasis on outcomes measurement in future software design. "The software companies are going to be increasingly asked to tell not just what their software can do, but how it can address major organizational goals."

Weiner sees larger organizations already asking for dashboards and visualization tools in their donor management systems. "They want to be able to drill into data," he said.

Kronzak believes the sector is ready to move beyond what she calls the "stats class" approach to data and begin working with data on a more multi-dimensional plane. "The world we live in is not just charts," she said. "Data needs to be visual and an experience rather than just a set of numbers."

Lehman said the power to use donor management software to see and understand data like never before is causing a change in how information technology professionals work today. "I tell IT people, 'Your job is changing,'" he said. "You're not the operators of technology anymore. You're more consultative now. You help staff gain real value from the technology."

HEADS IN THE CLOUD

Cloud-based software was a hot new trend not too long ago. Today it's a fundamental reality of the marketplace. The Cloud-based Software-as-a-Service (SaaS) model is now the most common way donor management software is delivered. The arguments in favor are familiar and persuasive, but a few interesting trends have emerged in the gaps between those arguments -- especially for small nonprofits.

Nonprofits outside of big cities don't always

have access to fast, reliable Internet service, which affects their software. "You have to have a strong Internet connection [to run Cloud-based software]," Leland said, "not just an average one. You're constantly doing clicks that pull queries across the Internet. It's heavy stuff."

Leland noted that even affluent rural communities such as Monterey County in California struggle with this issue.

Rural nonprofits where staff members want to continue to run desktop software and host their own data have fewer and fewer options. In one case a firm was acquired and the new owner told installed users if they didn't move to the current version of the software, their desktop version would be "turned off" remotely, cutting off their access to the old software and, effectively, their data. Other vendors have stopped supporting their installed software and are letting those systems die through benign neglect.

Renting software also carries with it the risk of running behind on your payments. Depending on your agreement, you could lose access to your data if you stop paying for service.

These risks also bring new freedoms that can make a big difference for small nonprofits. Although there are implementation costs with any new system, software that you pay for on a monthly basis requires less upfront money to get running. This smaller initial investment also means organizations have more flexibility to adapt as the world around them changes.



Tompkins Spann

"Thanks to the subscription-based system, it's easier to try it out and if it's not working, you can move to something else," said Finch. "I don't recommend that, but there are more options because you're not paying these huge upfront fees anymore."

SOFTWARE POWERS CHANGE

Powerful software that can help an organization be more efficient, productive, and better serve its mission is now more accessible than ever. This is a blessing and a curse.

"As the tools become more powerful, the temptation to do everything at once is getting greater and greater," Kronzak said. "When you say yes to everything, it's hard to move forward."

This might be the oldest trend of all. The inability to sort out "wants" from "needs" and the lack of expertise needed to make the things you say "yes" to work are the primary limiting factors. It's not likely any technological innovation will fix these very human challenges. **NPT**

Dan Rivas is managing writer for Idealware in Portland, Maine.



Jeff Haguewood



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