

A LOOK TOWARDS THE FUTURE: CAMPAIGN PIPELINE ANALYSIS

INTRODUCTION

Before a campaign begins, most institutions test their campaign feasibility. However, once a campaign is well under way, few have the tools to evaluate where they are and where they're going. Marts & Lundy's *Campaign Pipeline Analysis* enables an institution to assess its campaign's near-term outlook. The analysis provides a future-oriented and quantitative indication of how strong campaign progress is likely to be over the next several months, and identifies problems that need to be addressed before they impact the campaign total.

Key Questions

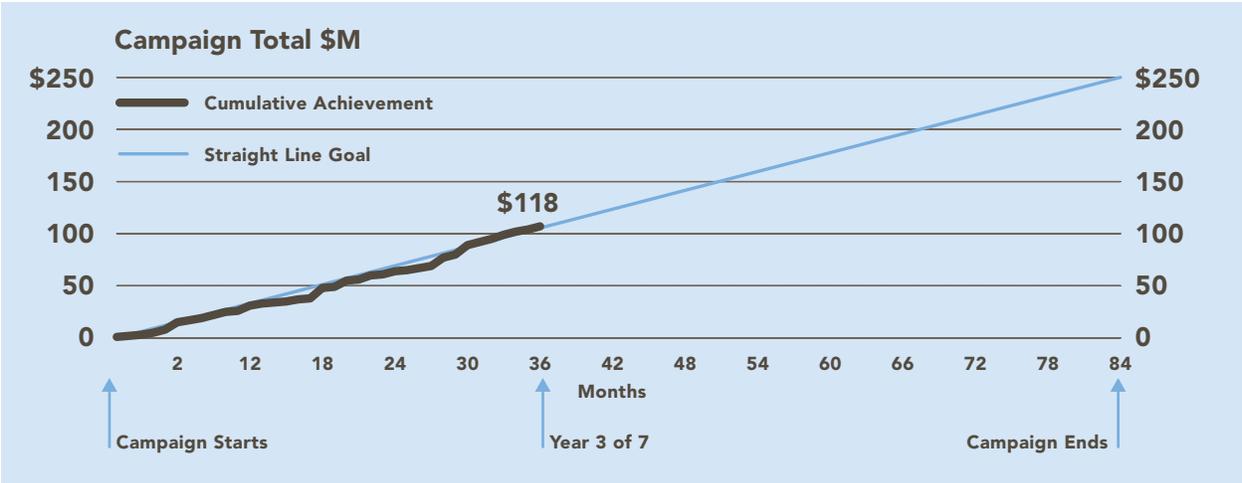
When fundraisers are asked, "How is the campaign doing?," what they're *really* being asked is:

"How much potential does the campaign have over the next few months?"

"Can we expect our progress to improve? sustain itself? decline?"

Usually, institutions answer the first question either by saying something such as, "We're at \$118 million towards our \$250 million goal" or by sharing the latest standard campaign progress charts, such as Chart A.:

CHART A: AN ILLUSTRATIVE 7-YEAR \$250M CAMPAIGN



In Chart A, the straight line goal indicates the average monthly (cumulative) outcomes that are required to achieve a campaign goal of \$250 million. The heavy line indicates cumulative achievement over the months completed. This standard campaign progress chart helps to show—right now—whether the institution is above, at, or below the straight line goal. In other words, it indicates whether the campaign has been proceeding more strongly than required, at the required pace, or more weakly than required.

But these conclusions are based only on what *has been happening* and cannot provide any assessment of what is *likely to occur*. While the cumulative progress **implies** strong continued performance for this institution, it cannot provide any quantitative indication of likely achievement over the next several months.

A strong prospect pool, a convincing case, solid leadership, good staff, and a strong organization are essential and strongly favorable factors that suggest continued, comparable progress for this institution. But what is also needed is a metric showing the amount of business in the “pipeline”—that is, completed solicitations awaiting response and those ready to be made and expected to be completed within the next six months. This would provide a much more complete look at likely future achievement. This is where Pipeline Analysis comes in.

MARTS & LUNDY'S PIPELINE ANALYSIS

Pipeline Analysis provides a quantitative indication of how strong the continued campaign progress is likely to be over the next several months. It not only indicates likely progress but can also highlight problems that may need to be addressed before

they impact the campaign total. In so doing, Pipeline Analysis is a crucial management tool.

While the example shown below is for a \$250 million campaign, the Marts & Lundy Pipeline Analysis works for campaigns of any size—\$2.5 million, \$25 million, \$250 million, even \$2.5 billion.

Pipeline Analysis has two important inputs that need to continuously be monitored:

- Dollars *already* requested in *submitted* proposals—that is, solicitations that have been completed and are awaiting response and follow up
- Dollars *ready* to be requested in *planned* proposals—solicitations that are scheduled or are now ready to be scheduled over *the next six months*

Charting these two data points is a simple way to show the campaign's potential over the next few months. Chart B1 shows this in the context of the full seven-year campaign period; Chart B2 zooms in on the progress to date.

The horizontal axis shows on both charts that, at month 36, approximately \$13 million in solicitations are awaiting response and \$43 million in solicitations are planned over the next six months, providing a good estimate of overall solicitation actions.

The dollar amount estimates will change from month to month as responses to submitted proposals are received (and therefore are *eliminated from* the submitted proposals line), as planned proposals are submitted (and therefore *added to* the submitted proposals line), and as new proposals are planned (and therefore *added to* the planned proposals line).

CHART B1: PIPELINE DATA-TOTAL DOLLARS

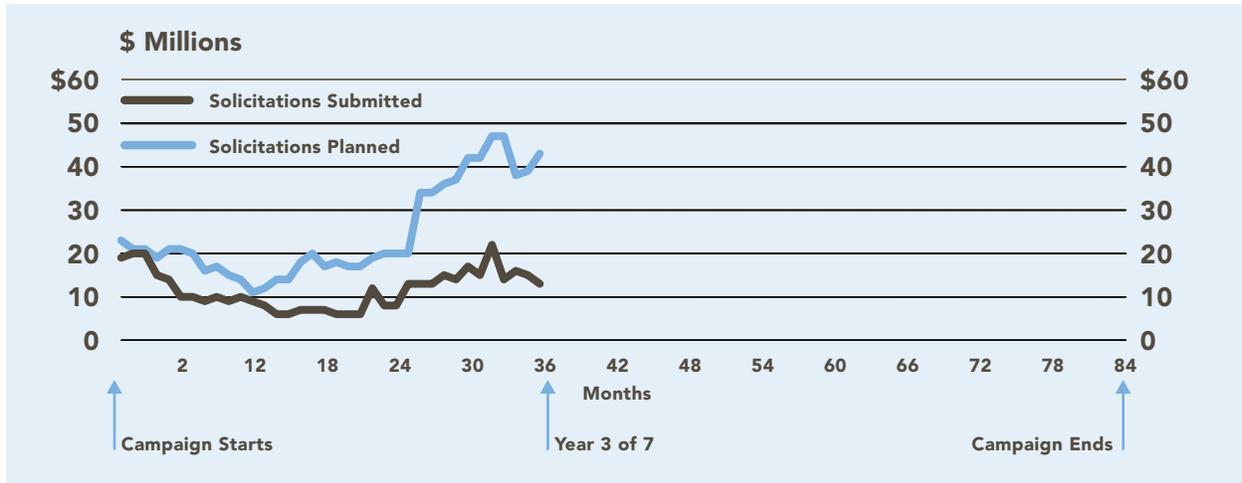
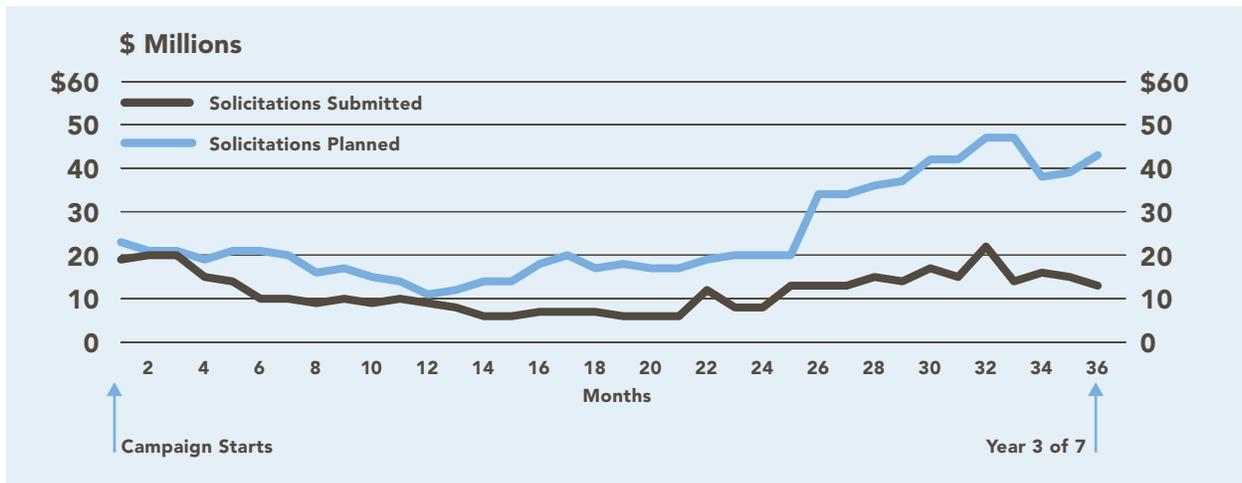


CHART B2: PIPELINE DATA-TOTAL DOLLARS IN THE FIRST 3 YEARS



The answer to the first question—“How much potential does the campaign have over the next few months?”—has become clearer. The institution can confidently claim, “We are at \$118 million and have another \$56 million in requests in the pipeline.”

DISCOUNTED PIPELINE

A second important question is, “How much of that \$56 million is likely to be received?” To provide a figure that helps estimate the overall yield of outstanding and fully planned proposals, an institution can calculate a “discounted” pipeline, estimating the likely overall yield from submitted and planned

proposal amounts combined into a single number. The best discounting approach is to track yields over time and use the institution's historic experience to project its likely future yield on submitted and planned proposals. However, a reasonable default is to assume that 40% of the submitted total and 20% of the planned total will eventually be received. The Discounted Pipeline Chart C is an example of how the information from Chart B can be shown alternatively over the first three years of the campaign.

In Discounted Pipeline Chart C, the line is the sum of 40% of the submitted proposals and 20% of the planned proposals, leading to an anticipated dollar figure of \$14 million as of month 36.

With the discounted pipeline, to answer the "How much potential does the campaign have over the next few months" question, this institution could conservatively respond, "We are at \$118 million and have an estimated \$14 million in the pipeline."

FUTURE PERFORMANCE LEVELS: PULLING THE PIECES TOGETHER

What about the second key question: "Can we expect our performance to improve? sustain itself? decline?" What performance can we expect over the next several months?

The lines in Chart D pull information from two earlier charts, combining the campaign straight line goal and the cumulative achievement from Chart A with the discounted pipeline from Chart C. The chart shows that the initial decline in the discounted pipeline was followed by progress dropping below the straight line. The subsequent increase in the discounted pipeline was followed by progress coming back above the straight line. Relative to the cumulative progress to date, the last dip in the discounted pipeline (which was related to the recession) suggests that over the next few months, cumulative progress may dip below the straight line goal.

Thus, Pipeline Analysis can appear to be counterintuitive. In campaign progress charts, we are

CHART C: "DISCOUNTED" PIPELINE (Basis: 40% of Submitted + 20% of Planned)

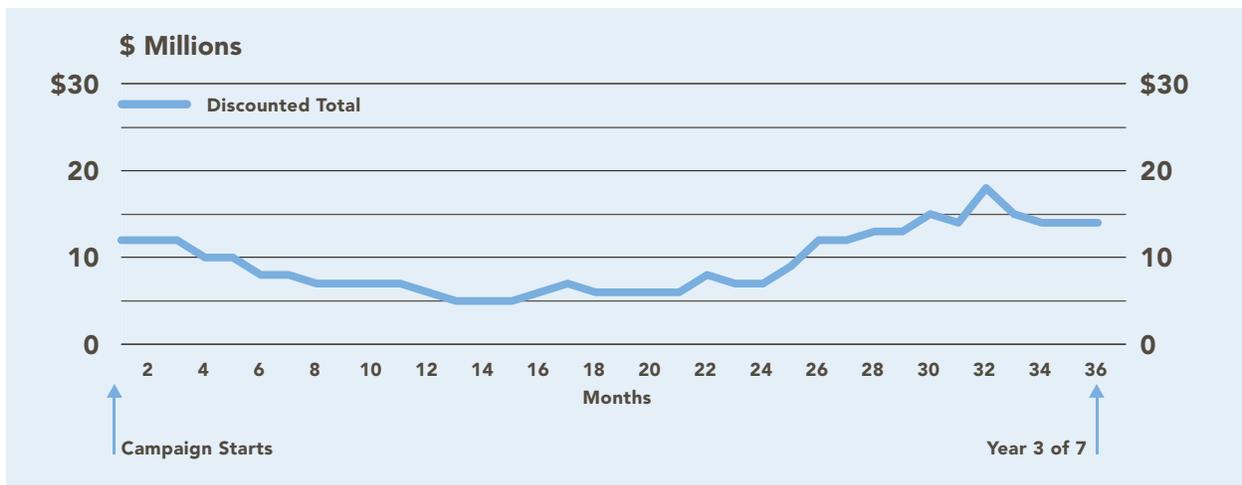
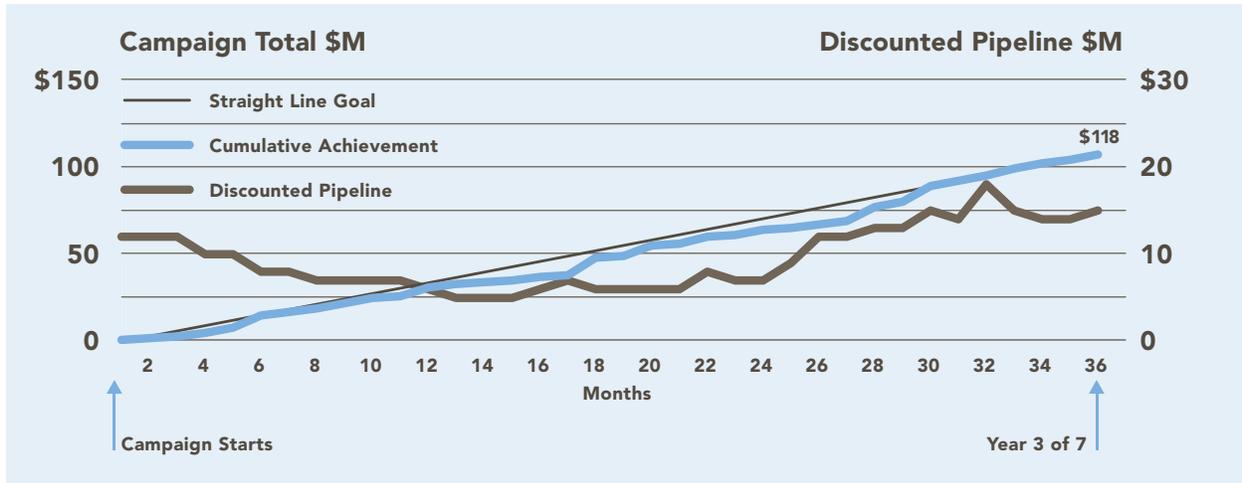


CHART D: DISCOUNTED PIPELINE AND CAMPAIGN ACHIEVEMENT TO DATE



accustomed to seeing the lines always going up or at worst leveling off, because the dollar total would only decline if pledges were reevaluated downwards or removed. However, in Pipeline Analysis, if an institution is satisfied overall with the current rate of campaign progress, a generally horizontal pipeline is good news because it indicates there is enough activity to sustain the current level of progress. And, if the pipeline is increasing, the news is even better, suggesting that campaign progress will improve.

- When the discounted pipeline *declines*, the campaign achievement will probably weaken, beginning in a few months
- When the discounted pipeline is generally *flat*, the campaign achievement will probably remain at its current level of progress
- When the discounted pipeline *increases*, the campaign achievement will probably strengthen

What happens when we see a decreasing discounted pipeline? A decreasing discounted pipeline raises red flags. Are we making enough solicitations? Are the responses coming in below expectations? Are we running out of good prospects? Are staff unable to schedule enough visits? A decreasing pipeline alerts institutions to problems in dollars or activity levels early enough so that they can consider corrective actions long before the campaign total actually begins to plateau.

In summary, there is a useful correlation between the level of the discounted pipeline over the past few months and probable campaign achievement:

PIPELINE TRENDS

Current Discounted Pipeline	Campaign Monthly Achievement a Few Months from Now
Dropping	Declines
Flat	Continues
Growing	Increases

Bear in mind several important caveats and limitations:

- Pipeline includes only personally conducted solicitations and is based on major gift approaches. It does not include annual fund and most other mail, phone and internet solicitations.
- Pipeline Analysis therefore should include individuals, corporations, foundations and organizations.

- The analysis obviously can be impacted by very large actions, such as an unanticipated mega bequest or the turndown of a substantial proposal that was assessed as highly promising.

An additional type of Pipeline Analysis uses number of actions instead of dollars. It follows exactly the format shown in Chart B but uses action counts rather than dollar totals. This second analysis can help track levels of staff activity and determine whether the total number of solicitations being made is adequate—a valuable management tool in assessing staff performance and overall activity levels.

SUMMARY

What are the benefits of Campaign Pipeline Analysis? Pipeline Analysis can help institutions:

- Assess the outlook for the campaign over the next several months.
- Make a rough estimate of how much of planned and completed solicitations may actually come in.
- Identify problems while there is still time to correct them.

After running through the process once or twice, Pipeline Analysis is easy for everyone to understand and all information can be maintained in a spreadsheet. Pipeline Analysis works with campaigns of any size. Though it is broadly indicative rather than specifically predictive—it is only an approximation—Pipeline Analysis assesses the campaign outlook in a manner that can powerfully affect an institution's efforts and decisions today.

MARTS & LUNDY

At Marts & Lundy, we recognize that every nonprofit is unique and requires distinctive solutions. As experts in the science of philanthropy, we strategize beyond analysis and planning, information technology or prospect research. We take pride in our ability to utilize our breakthrough solutions and then apply them in ways that are both specialized and diverse. That is the art of philanthropy. It is our experience in this art that allows us to effectively use the innovative tools and analytics that are transforming philanthropy. For additional information about our services and our clients, please visit our website, www.martsandlundy.com, or call **800-526-9005** to speak with a consultant.



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