Impact of Recent Events on Institutional Philanthropy and Development Metrics: Australia and New Zealand

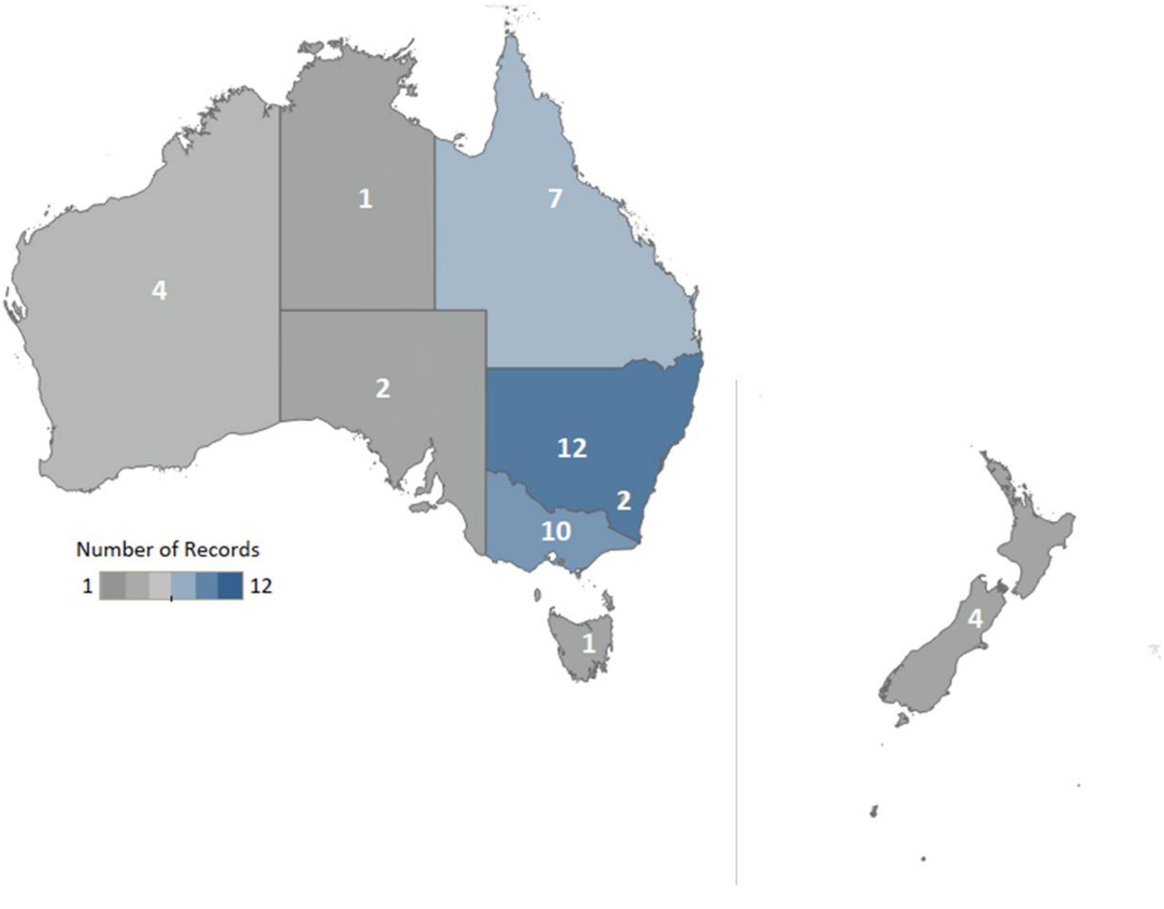
October 2020

A Survey of 'How Recent Events Have Impacted Institutional Philanthropy and Development Metrics in Australia and New Zealand'

At a time when global philanthropy is growing, gaining visibility and creating much-needed change around the world, many institutions are now facing challenging decisions as they adapt to recent economic, political and public health events as an outcome of the current COVID-19 pandemic. Hence, Marts & Lundy and the Council for Advancement and Support of Education (CASE) jointly developed a brief survey to discern the magnitude and impact this has had on higher education philanthropy, staff metrics, resources and budget decisions across tertiary advancement operations. The survey asked participants to report on and categorise their activities, results and adjustments based on institutional plans as of August 2020.

Respondents

A total of 43 higher education institutions participated in this study. Ninety-one percent of respondents are located in Australia, while 9% are in New Zealand. Eight Australian states and territories are represented.



Summary of Findings

Most development teams have returned to the office.

More than half of development teams surveyed had returned to the office at the time of this report, while 19% did not anticipate returning until 2021. Within Australia, more than half of participating institutions are back in the office, with the exception of New South Wales, Victoria and Tasmania, with Victoria facing an uncertain date of return given its Stage 4 and Stage 3 lockdowns.

Institutions are facing budget reductions and cuts are far-reaching.

The majority of institutions are facing budget reductions, including all responding institutions in the Australian Capital Territory, Northern Territory, Queensland, South Australia, Tasmania and Western Australia. While less than half of institutions are cutting staff as part of their budget reductions, most are cutting travel expenses, program expenses and professional development. More than one-third of institutions are cutting program expenses *and* staff. All participating institutions noted that every program within development is being impacted at some level. Event programs are most likely to be impacted by budget reductions, followed by administrative support, alumni relations and donor relations/stewardship. While 14% of institutions have avoided development staff eliminations or freezes, 72% are under a hiring freeze. Within Australia, at least half of institutions have implemented a hiring freeze to accommodate budget changes, but some institutions in New South Wales, Victoria and New Zealand have been able to prevent eliminations and freezes entirely.

Institutions are emphasising financial aid and emergency funding in their case for support.

Many institutions have made changes to their case for support in response to recent events. Seventy-six percent of institutions have placed an increased emphasis on financial aid, with 68% of institutions adding emergency funding as a priority. Funding focused on diversity, equity and inclusion has gained prominence at 17% institutions.

Total gift revenues are expected to remain stable for most institutions; however, approximately one-third expect decreased revenues in 2021.

More than one-third of higher education institutions (40%) anticipate an *increase* in 2020 total fundraising revenue, with 26% expecting a *decrease*. The outlook is less positive for 2021, with only 18% of institutions anticipating an *increase* and 33% expecting a *decrease*.

Queensland, Victoria and Western Australia are the only regions in which some institutions anticipate an *increase* in total gift revenues in both 2020 and 2021.

Interestingly, research following the last major world crisis (the 2007-2009 Global Financial Crisis) tells a different story. A Marts & Lundy survey of 400 institutions showed that those who did not maintain connection with their donor constituents took three times as long (up to five years) to regain donors and achieve pre-crisis goals, compared to institutions that stayed in touch, continued their programs and made invitations to support their cause. On average, those institutions were back on target within 18 months.

Research of the literature in Australia, New Zealand, the UK and the USA provides a similar set of conclusions. We are very grateful to Dr Alexandra Williamson from QUT and Dr John Godfrey from John Godfrey & Associates for bringing this research to our notice and allowing us to reference it:
The impact of recessions on fundraising: A systematic review of the literature | QUT ePrints

While it appears that in the first year following an economic crisis, philanthropic support generally holds up well, that support is likely to soften in the year(s) following, until a steady state is re-established.

In addition, 97% of institutions have experienced *flat* or *increased* board/council giving in light of recent events. This is in itself worthy of note, as in the USA only 82% of institutions report similar results. In fact, in Australia and New Zealand, 46% of respondents reported an *increase* in Board giving compared with 34% in the USA. This says much for the commitment of Board members and their awareness of the continuing need for support within their institutions.

New gift officer metrics focus on portfolio optimisation and expanding the definition of a meaningful contact.

Most higher education institutions have instituted new gift officer metrics as a result of COVID-19. These new metrics most often include portfolio review/clean-up and counting meaningful contacts versus visits. Some institutions are still deciding on new metrics or are placing heavy emphasis on contact with managed prospects or older alumni during lockdown.

Less than half of institutions are adjusting 2020 gift officer metrics, and many are uncertain about whether to adjust 2021 metrics.

Forty-four percent of higher education institutions are adjusting 2020 gift officer metrics given the impact of COVID-19 on their fundraising operation. Institutions making changes are adjusting by overall percentage or by gift officer, while nearly one-third remain undecided on how they will adjust. Modifications focus on both dollars and activity.

There is less certainty about whether 2021 metrics will be adjusted: 42% of respondents are undecided, while 33% are making plans to do so and 26% do not intend to make changes. Institutions are also unsure of what modifications will be made; however, 23% anticipate decreasing the expectation for dollars raised.

Most institutions have carried on with their annual fund appeals but anticipate flat or decreased revenues in 2021 after a mostly stable 2020.

Most institutions have continued with their annual fund appeal schedule throughout the pandemic. While more than half of institutions anticipate 2020 annual fund gift revenues to *increase*, less than one-third expect an *increase* in 2021. New South Wales and New Zealand institutions aren't as positive about 2020 annual fund gift revenues, but most institutions in Victoria and Queensland are expecting positive 2020 results. Half of Queensland institutions anticipate an increase in 2021 annual fund gift revenues.

Institutions are adapting to the challenges of virtual events.

Many institutions have pivoted to virtual events during lockdown, and several lessons have been learned. Focusing on the user experience and utilising data to measure effectiveness have proven successful. Several institutions also noted the "very crowded webinar environment" and a "growing COVID-fatigue in terms of content preferences." Therefore, it has been beneficial to plan for a broad range of content and listen to the needs and preferences of the targeted audience. Some institutions anticipate that virtual events will remain in the programming mix into the future due to their success and appeal among a broader audience that is less inhibited by geography.

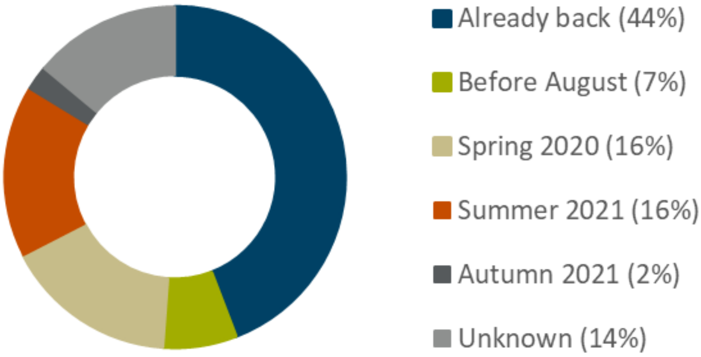
Detailed Findings and Analysis

All figures are rounded. When an institution did not provide a response to a question, its non-response is excluded from the findings.

Most development teams have returned to the office.

More than half of development teams have returned to the office (51%) as of the time of this report, while 19% did not anticipate returning until 2021. Within Australia, more than half of participating institutions are back in the office, with the exception of New South Wales (42%), Victoria (0%) and Tasmania (0%), with Victoria facing an uncertain date of return given its Stage 4 and Stage 3 lockdowns.

When do you anticipate your development team returning to the office?



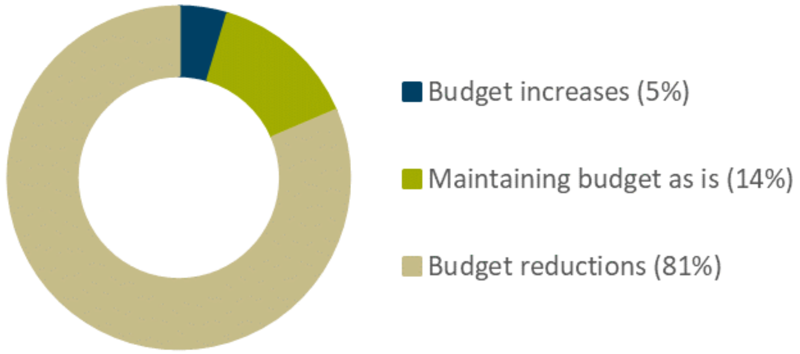
A July 2020 study of US higher education institutions[1] indicated that 62% of development teams were already back in the office or planned to return by the US Fall season (September-November), while 15% did not anticipate returning until 2021.

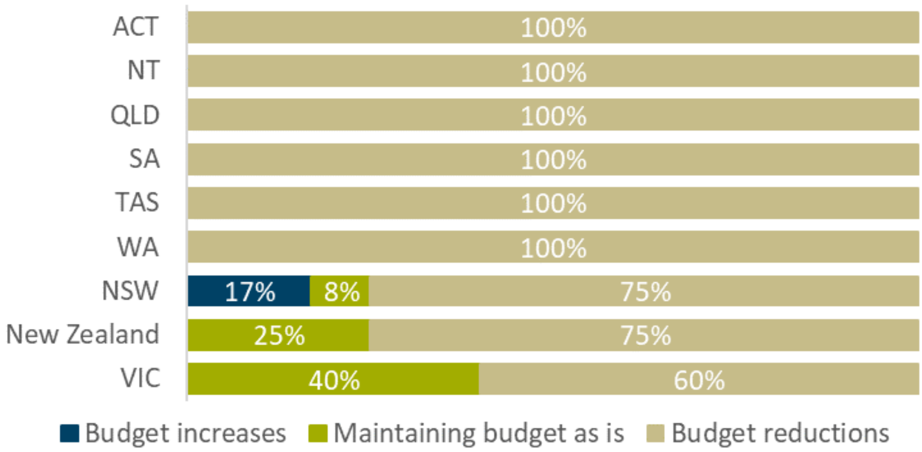
[1] Marts & Lundy deployed brief surveys to US higher education institutions to learn how recent events have impacted development staffing and budget decisions (July 2020) and gift officer metrics (May 2020). Comparisons between US and Australia/New Zealand survey data are noted where available.

Institutions are facing budget reductions and cuts are far-reaching.

The majority of institutions (81%) are facing budget reductions, including all responding institutions in Australian Capital Territory, Northern Territory, Queensland, South Australia, Tasmania and Western Australia. Two institutions in New South Wales anticipate budget increases.

What are the budget implications for your development operation in the period ahead?

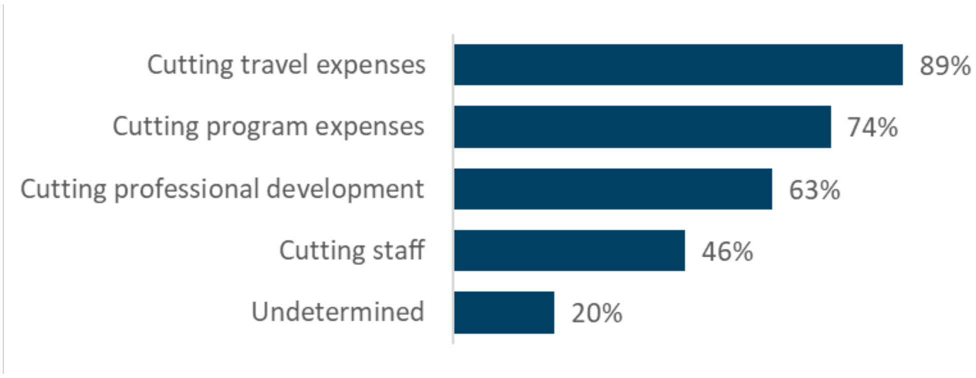




Eighty-five percent of US higher education institutions expect budget reductions, while only 11% anticipate being able to maintain their Development Office budget as is. Four percent expect a budget increase.

While less than half of institutions (46%) are cutting staff as part of their budget reductions, most are cutting travel expenses (89%), program expenses (74%) and professional development (63%). Thirty-seven percent of institutions are cutting program expenses *and* staff.

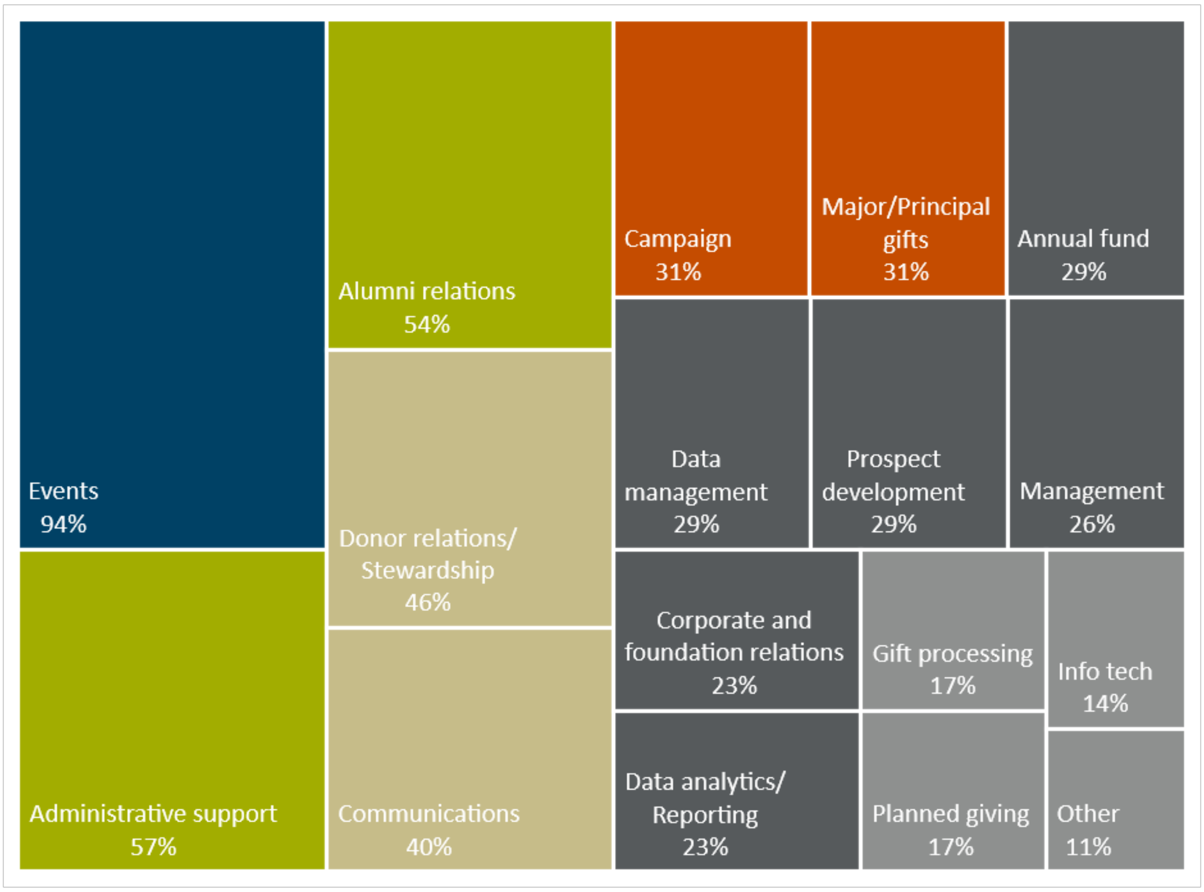
What changes are being made as a result of budget reductions? (select all that apply)



Thirty-eight percent of US higher education institutions will need to cut program expenses and staff, while 46% are cutting program expenses and 8% staff only.

Within the full cohort, every program within development is being impacted at some level. Event programs are most likely to be impacted by budget reductions (94%), followed by administrative support (57%), alumni relations (54%) and donor relations/stewardship (47%).

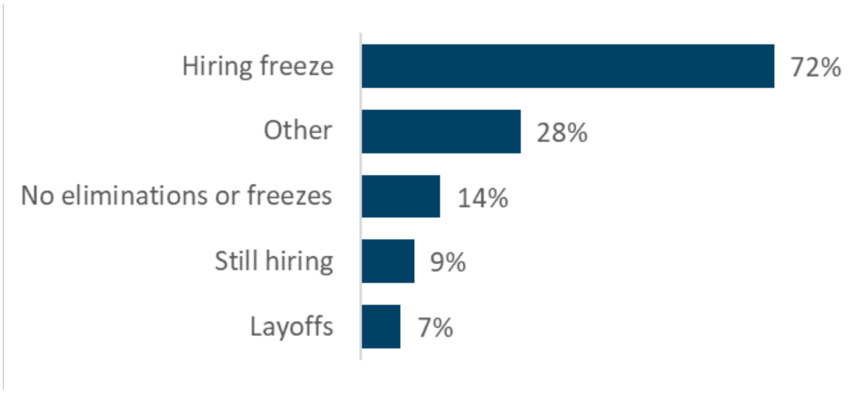
Which programs have been or will be directly impacted by budget reductions? (select all that apply)



Events were also most likely to be impacted in US higher education institutions but at a lower rate (82%). More than half of US higher education institutions are making reductions to administrative support, alumni relations or major/principal gifts.

While 14% of institutions have avoided development staff eliminations or freezes, 72% are under a hiring freeze. Within Australia, at least half of institutions have implemented a hiring freeze to accommodate budget changes. Six institutions across New South Wales (2), Victoria (2) and New Zealand (2) have been able to prevent eliminations and freezes entirely.

How has development staffing been impacted? (select all that apply)

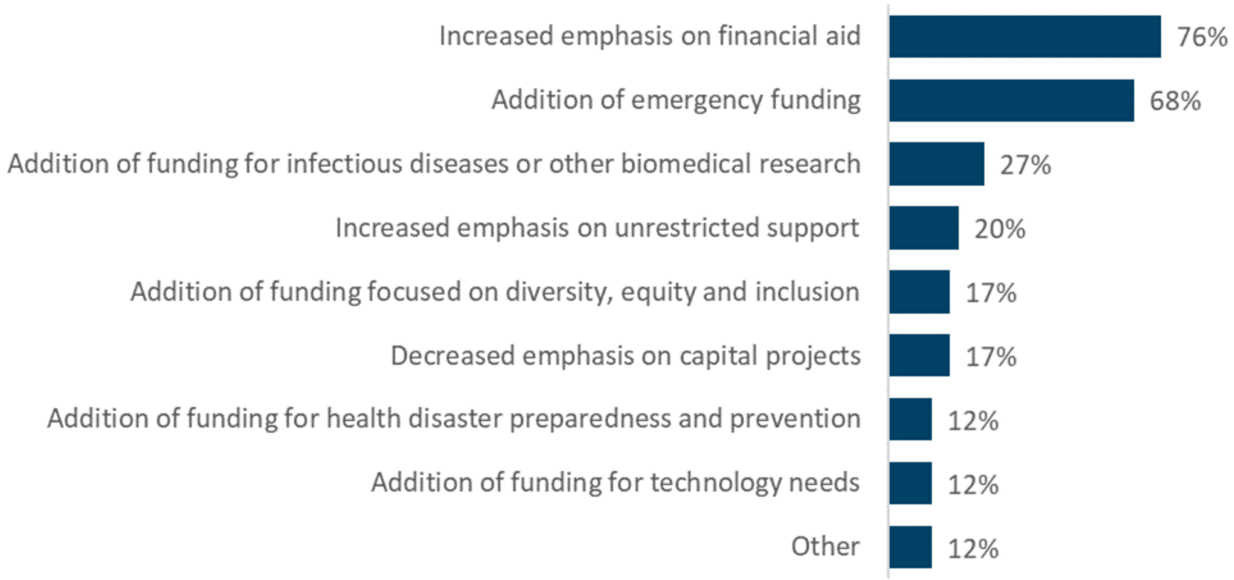


Eleven percent of US higher education institutions have avoided staffing eliminations or freezes. Most development teams have instituted hiring freezes (72%) as one way to manage expenses, and 41% of institutions have only implemented a hiring freeze (no furloughs or layoffs). Twenty-four percent of institutions have implemented furloughs and/or layoffs. Other measures include not filling vacancies and salary freezes or reductions.

Institutions are emphasising financial aid and emergency funding in their case for support.

Many institutions have made changes to their case for support in response to recent economic, political and public health events. Seventy-six percent of institutions have placed an increased emphasis on financial aid, and emergency funding has been added at 68% of institutions. Funding focused on diversity, equity and inclusion has gained prominence at 17% of institutions.

How has the case for support changed in response to recent economic, political and public health events? (select all that apply)

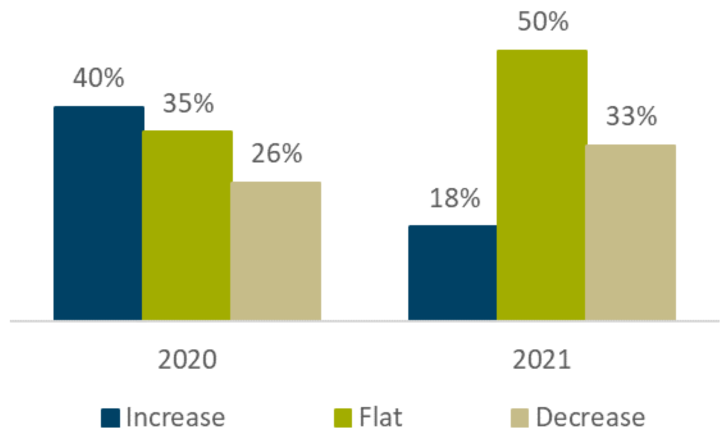


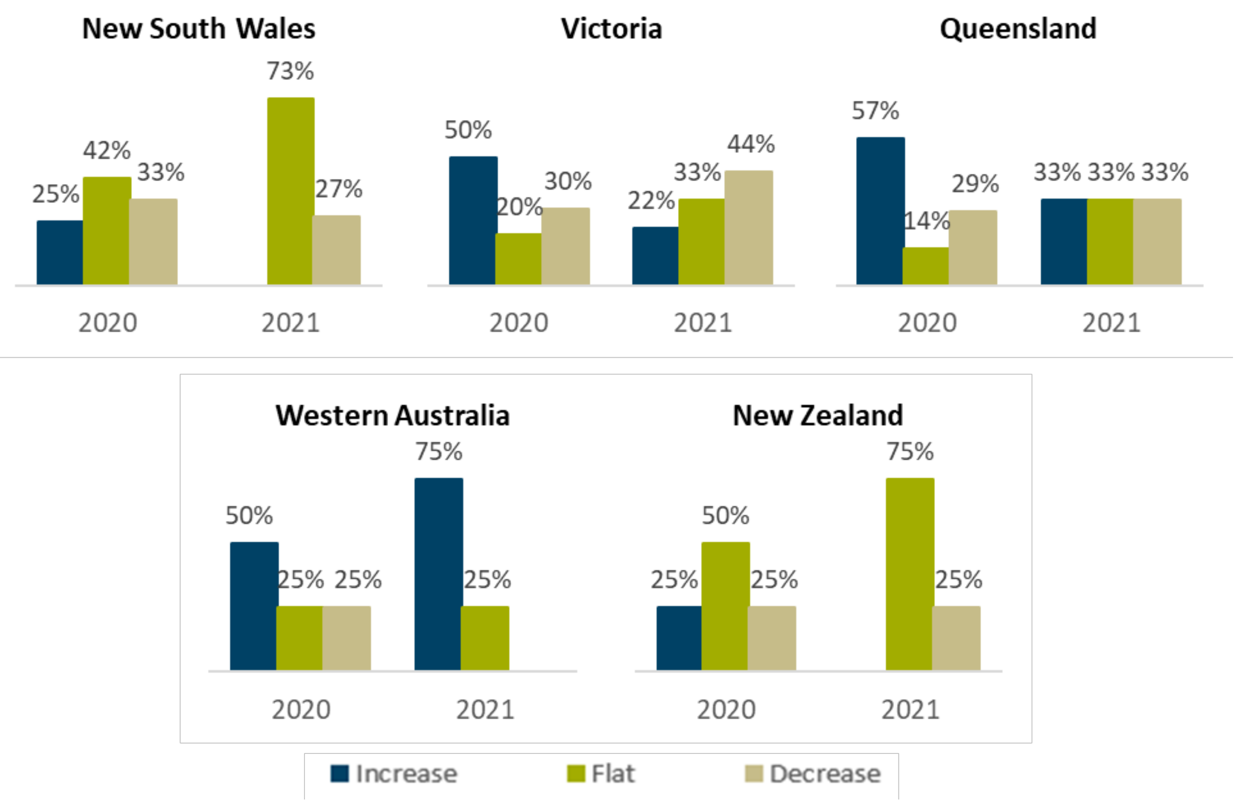
Eighty percent of US higher education institutions have placed an increased emphasis on financial aid, and 78% have added emergency funding to their case for support. Funding focused on diversity, equity and inclusion has gained prominence at 48% of institutions.

Total gift revenues are expected to remain stable for most institutions; however, approximately one-third expect decreased revenues in 2021.

More than one-third of higher education institutions (40%) anticipate an *increase* in 2020 total fundraising revenue, with 26% expecting a *decrease*. The outlook is less positive for 2021, with only 18% of institutions anticipating an *increase* and 33% expecting a *decrease*. Queensland, Victoria and Western Australia are the only regions in which some institutions anticipate an *increase* in total gift revenues in both 2020 and 2021.

What do you anticipate for total gift revenues in 2020 in 2021?

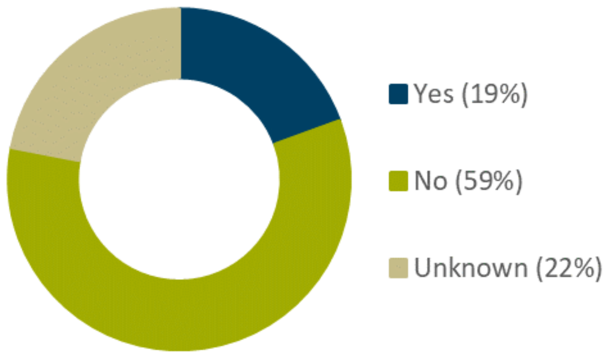




Acknowledging that fiscal years are different between the countries, 35% of US higher education institutions saw a decrease in FY20 total gift revenues, and 44% expect a decrease in FY21. (US fiscal year is typically 1 July-30 June.)

The majority of higher education institutions (59%) are not making changes to the way their endowment fund is managed.

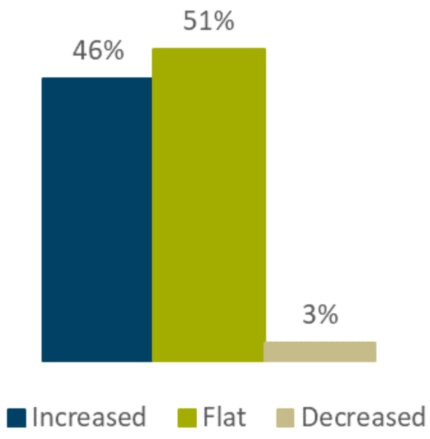
Are you making any changes to the way you manage your endowment fund?



The majority of US higher education institutions (57%) are not making changes to how their endowment is managed.

Ninety-seven percent of institutions have experienced *flat* or *increased* board/council giving in light of recent events.

How has board/council giving to your institution been impacted by recent economic, political and public health events?

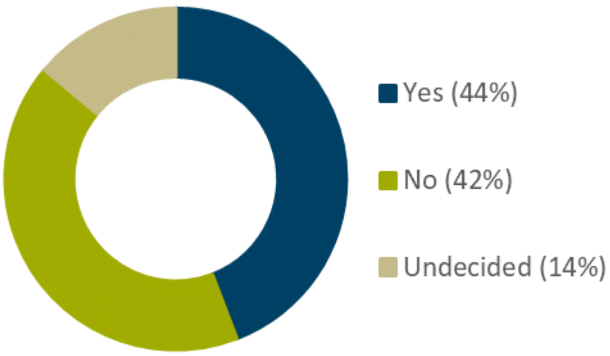


Eighty-two percent of US higher education institutions have experienced *flat* (48%) or *increased* (34%) board giving.

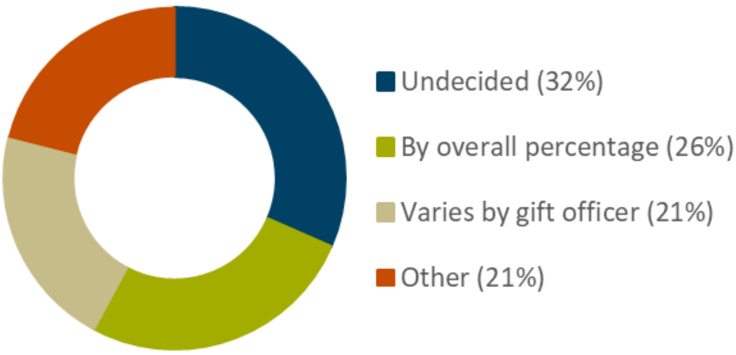
Less than half of institutions are adjusting 2020 gift officer metrics.

Less than half (44%) of higher education institutions are adjusting 2020 gift officer metrics, given the impact of COVID-19 on their fundraising operation. Most institutions are making those changes by overall percentage (26%) or by gift officer (21%), while 32% remain undecided on how they will adjust. Modifications (61%) focus on both dollars and activity.

Are you adjusting 2020 gift officer metrics given the impact of COVID-19 on your fundraising operation?



How are you adjusting 2020 gift officer metrics?



Do your adjusted 2020 gift officer metrics focus on dollars or activity?

Fifty percent of US higher education institutions adjusted FY20 fundraising targets. Half of those institutions made adjustments by individual fundraiser, while 18% modified by overall percentage. The focus of adjusted metrics was on both dollars and activity (54%) or activity alone (38%).

New gift officer metrics focus on portfolio optimisation and expanding the definition of a meaningful contact.

Most higher education institutions (63%) have instituted new gift officer metrics as a result of COVID-19. These new metrics most often include portfolio review/clean-up (68%) and counting meaningful contacts vs visits (48%). The 16% that responded 'Other' are still deciding on new metrics or are placing heavy emphasis on contact with managed prospects or older alumni during lockdown.

This presents an opportunity to review the KPIs and metrics around fundraising, based upon the previous three years of performance. Even a basic review will reveal trends and patterns of fundraising activity and success within and across a team and from your donor constituency. From such a baseline it becomes easier to adjust targets, especially after discussion and consultation with a number of trusted and carefully selected existing donors around their own circumstances and philanthropic inclinations.

Measurements that lead to meeting targets need to be varied and trackable. If all that matters is for a fundraiser to reach a specific target, if a big gift comes in, there is reduced incentive for them to keep working hard for the rest of the year. When the cash target is just one of a number of measurements, a culture is created wherein all work towards fundraising goals becomes valuable. Creating metrics around moves management (identification, qualification, cultivation, asking, securing the gift, stewardship) helps fundraisers to build a real pipeline for the future success of the institution. In times of crisis and uncertainty, it also spreads the load by focusing on the genuine building of the pipeline rather than creating excess pressure to bring in a short-term cash gift, possibly at the expense of a long-term relationship.

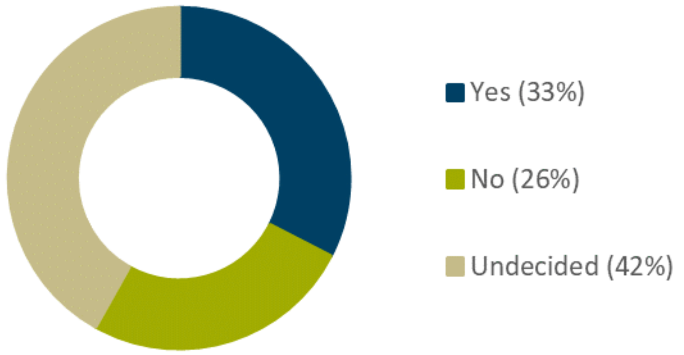
Have you instituted any new gift officer metrics as a result of COVID-19? (select all that apply)

Ninety-one percent of US higher education institutions have instituted new gift officer metrics as a result of the pandemic. These include counting meaningful contacts instead of visits (71%), portfolio review/clean-up (53%) and stewardship of major gift prospects (51%).

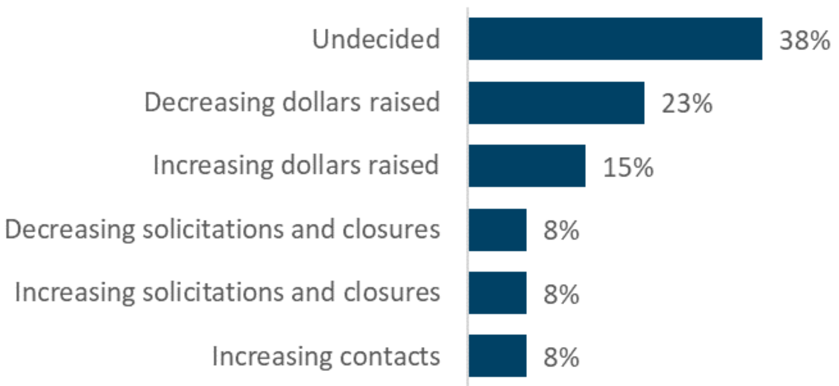
Institutions are largely uncertain about whether to adjust 2021 gift officer metrics.

There is less certainty about whether 2021 metrics will be adjusted: 42% of respondents are undecided, while 33% are making plans to do so and 26% do not intend to make changes. Institutions are also unsure of what modifications will be made; however, 23% anticipate decreasing the expectation for dollars raised.

Are you planning to adjust 2021 gift officer metrics?



How are you specifically planning to adjust 2021 gift officer metrics?

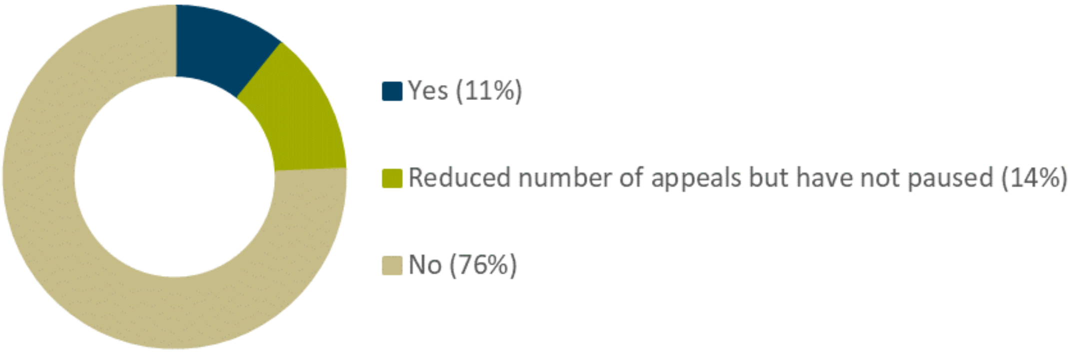


US higher education institutions were also largely uncertain about FY21 gift officer metrics (from our May 2020 survey). Forty-five percent were uncertain, while 34% planned to make adjustments and 21% did not. Of those planning to make adjustments, the most common modification was decreasing dollars raised (62%).

Most institutions have carried on with their annual fund appeals but anticipate flat or decreased revenues in 2021 after a mostly stable 2020.

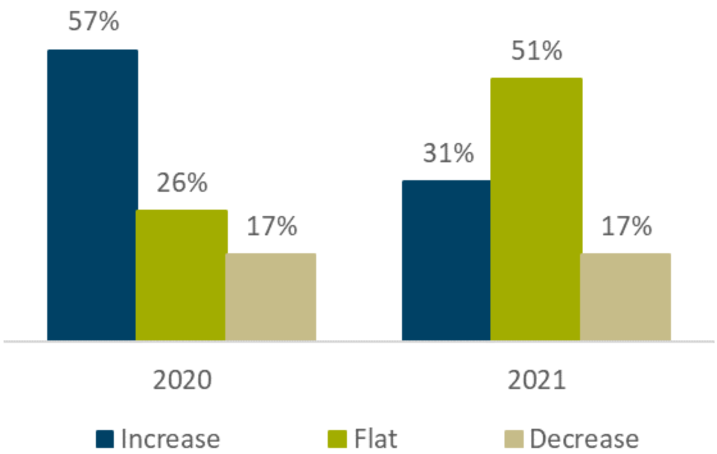
Most institutions (76%) have continued with their annual fund appeal schedule throughout the pandemic.

Have you paused annual fund appeals due to the pandemic?

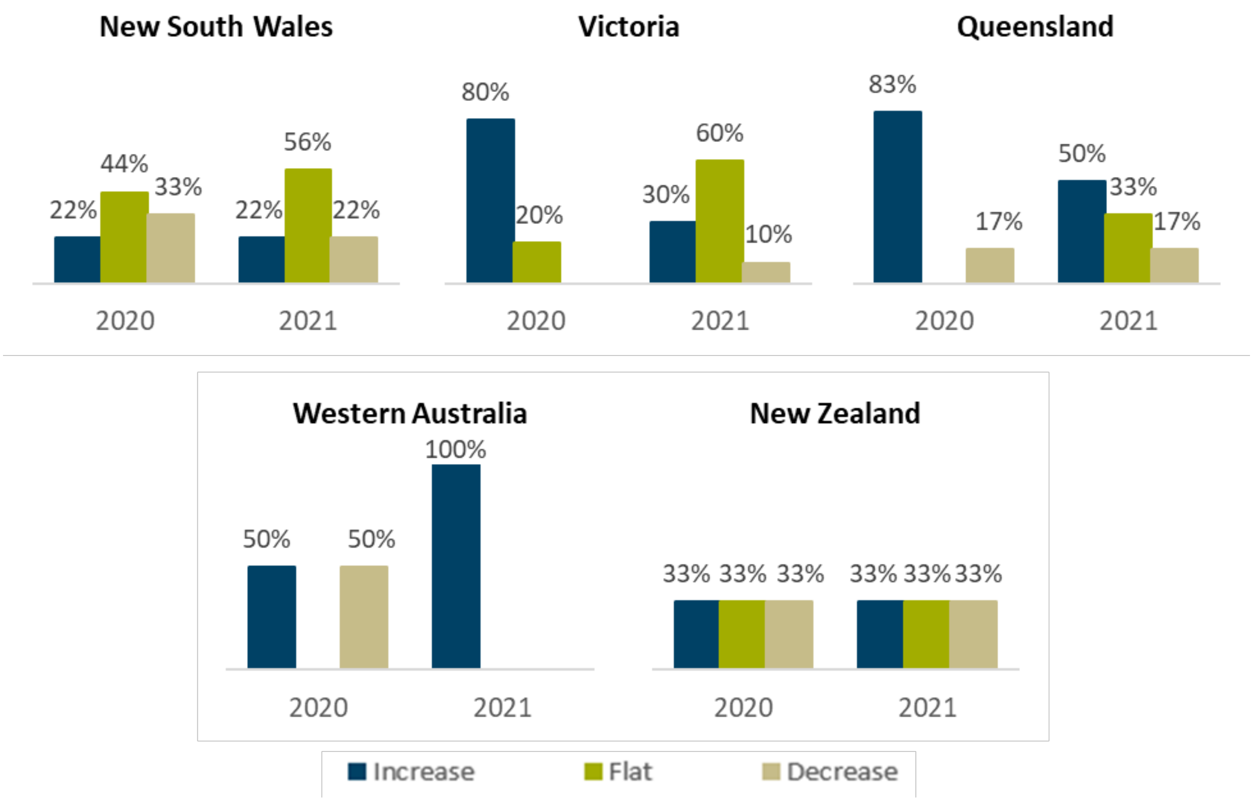


While more than half of institutions (57%) anticipate 2020 annual fund gift revenues to increase, less than one-third (31%) expect an increase in 2021.

What do you anticipate for annual fund gift revenues in 2020 and 2021?



New South Wales and New Zealand institutions aren't as positive about 2020 annual fund gift revenues (only 22% and 33% respectively anticipate increases), but most institutions in Victoria and Queensland are expecting positive 2020 results (80% and 83% respectively). Half of the institutions in Queensland anticipate an increase in 2021 annual fund gift revenues.



Institutions are adapting to the challenges of virtual events.

From campaign kick-off to donor relations events and reunions, many institutions are developing virtual alternatives to their traditional in-person events. How are you making these events both manageable and effective?

Respondents noted several ways in which they are managing virtual and socially-distanced events effectively, including:

“It's been interesting to adapt and create new events to suit our needs and it seems very likely that we will continue to use virtual events in our portfolio in the future.”

“We believe that to make virtual events successful it's important to not try and replicate a physical event, and approach from a purely digital perspective. User experience has been our priority focus in terms of creating the most successful event.”

“Success metrics are measured with attendees, quality of interactions and with post-event surveys. We are reviewing data to always improve the offering; how to best market an event, when to stage an event and getting the most from an event.”

“Whenever possible we have sign-posted an opportunity to make a donation or asked if attendees are willing to support the University financially or in other ways.”

“We must understand our audience, make every opportunity valuable and stand out from the very crowded webinar environment.”

"We have integrated a period of time for prospects/donors to engage with panellists or speakers before/after the event to at least offer 1:1 time with each other and the notable participants."

Virtual events have "removed geography as a limitation."

"Developed new online alumni newsletter [that] was sent fortnightly during lockdown. High open and click rates compared to before."

"[Digital events] generated previously unseen levels of engagement, supported by strong national media interest and so we created separate tracking codes and categories within our CRM to help us differentiate in-person from digital engagement activities to support long-term analysis."

"Over time, we noted a growing COVID-fatigue in terms of content preferences…we began to see a much broader range of content emerging, including career-focused events for younger alumni struggling in this financial context. While some content is COVID-focused, there are other topics including economic impacts and solutions and community resilience."

Closing

We are all living and working in a time of uncertainty. Even as we start to emerge from severe restrictions, the road ahead is anything but straight. These survey results demonstrate that almost all higher education institutions are adapting to the changing environment and are showing agility in their outreach, communication and engagement.

Survey results show that institutions are:

- Prioritising authentic and sensitively tailored communications with constituents while understanding the need for greater and more targeted segmentation of their audiences
- Using significantly increased online and digital technology to reach out to their constituents while being cautious of overcrowding an already very busy virtual communications space
- Ensuring that their giving messages are focused primarily on supporting students (currently enrolled and future students)
- Increasing their focus on meaningful engagement and re-defining what that means and how to record and track it
- Paying more attention to donor stewardship, especially of major donors
- Understanding that carefully phrased and appropriately sensitive invitations to give are generally well-received by their communities and are generating strong financial support
- Viewing this as an opportunity to innovate and make significant changes to event planning
- Thinking about how individual fundraiser metrics can be adjusted to measure more than simply dollar targets

Educational leaders prefer to make decisions based on data and evidence. As you plan for the remainder of 2020 and look forward to a new kind of world in 2021, draw upon the information derived from this survey to assist institutional leaders and fundraising committees. While all institutions are facing serious budget decisions, you will want, as far as possible, to maintain your current budget or prevent cuts, which are too deep. Seventy-four percent of institutions are cutting back on programs, with 94% of those same institutions reducing events and 89% (logically) cutting back on travel. Fifty-seven percent will be affected by administrative support cuts. By focusing on other programs that can benefit the institution and its long-term engagement plans, and by investing more in those programs, your institution can build community support and a strong pipeline for the future.

By reporting on how you will measure activity and the effectiveness of your team through refreshed KPIs, you can help to manage expectations of your institutional leaders and fundraising committee members. The survey results can validate all that you are doing and will show the ways in which you will be improving your performance and measuring it.

It is our hope that the survey data, analysis and findings will help you in briefing your institutional leaders and fundraising committees in an informed manner on trends, programs and activities, staffing and results within the region, as well as internationally. This information will enable evidence-based decisions about the key areas of communications, programs, staffing, fundraising focus and outreach during this uncertain and challenging period.

For further information on the survey or our findings, please contact:

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