E-Book

CharityCAN's Guide to Prospect Research

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Introduction and Overview

Prospect research is the act of gathering information about a person or organization, typically with the goal of beginning or advancing a professional relationship. Reviewing the website of a potential new client? Contacting a realtor's references? Scrolling through employer review sites? These are all casual forms of prospect research most of us are probably familiar with.

That said, formal prospect research, the kind companies and charities engage in, while following the same principles, tends to get a lot more in-depth. In the corporate world, this concept is business intelligence. In the fundraising world, we call it prospect research.

In this guide, we will discuss philanthropic prospect research: research charities and fundraising organizations do to identify, qualify, solicit, cultivate, and steward their donors. We will discuss the fundamental concepts of propensity, capacity, affinity, and connection. We will also consider how philantrhopic prospect research can be applied to the three major funding sources for charities: individuals, granting foundations and corporations. Finally, we will provide an overview of relationship mapping, a concept that is becoming integral to prospect research.

Identify Qualify Solicit Cultivate Steward

Prospect Research 101

Prospect research is necessary for fundraising organizations of all sizes. Identifying, understanding, and connecting with potential donors – whether they are individuals, granting foundations, or corporations – is critical to the success of modern charities and nonprofits. Fundraising without prospect research is like traveling without directions. You may not get to your destination, and if you do, your trip was certainly more difficult than it had to be. Fundraising without prospect research consumes unnecessary resources, is less predictable, and perhaps most importantly, brings in fewer dollars.

> Philanthropic prospect research is the act of learning more about your current and potential donors

Successful prospect research means being able to answer the following questions about your prospective donors as efficiently and accurately as possible:

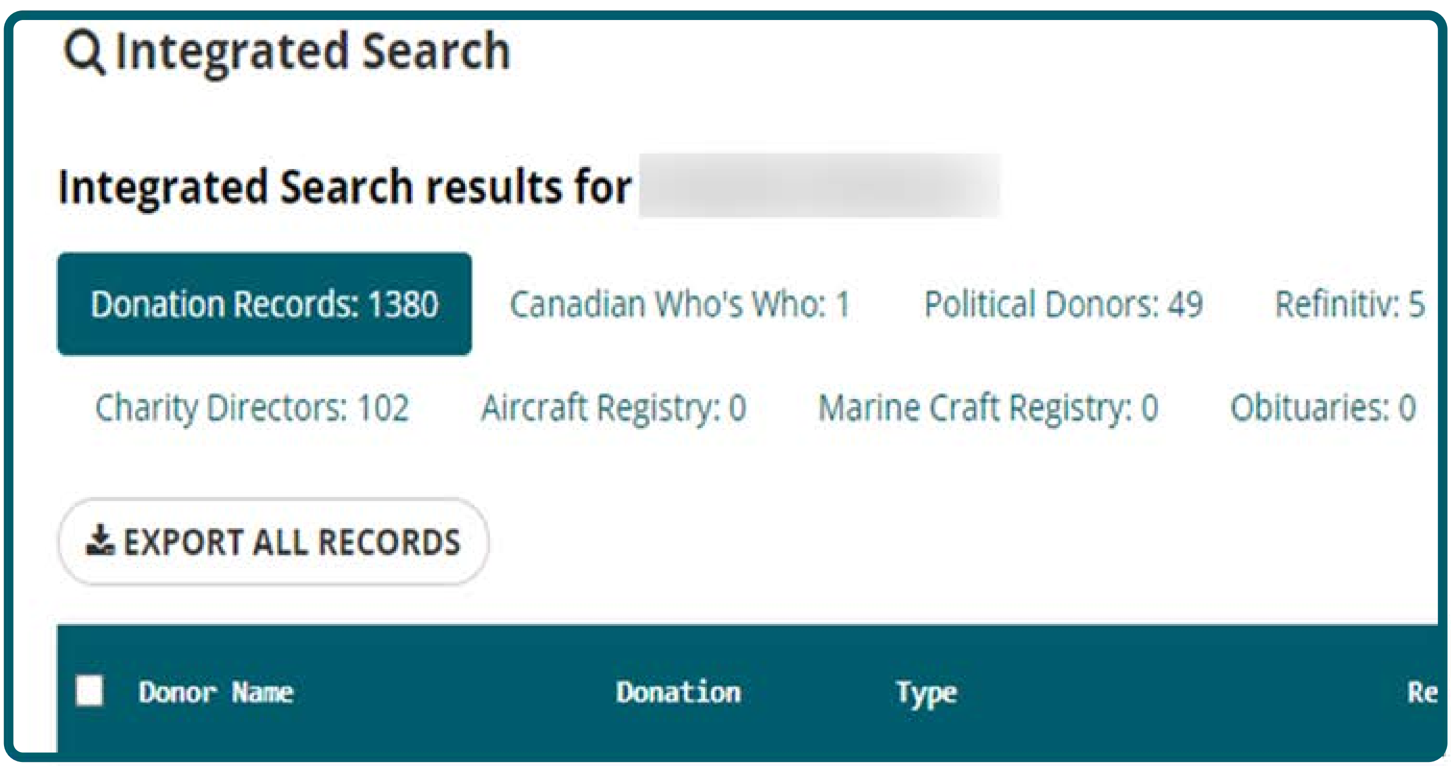
1. Do they engage in philanthropy?
2. If so, what are their philanthropic focus areas?
3. Do they have the ability to make a gift that fits the goals of my organization?
4. Does my organization have a connection to them we can use to create a meaningful relationship?

Propensity, Capacity, Affinity

Propensity

Propensity is the inclination or tendency to behave a certain way. As it relates to prospect research and fundraising, it refers to the inclination or tendency to make donations to charitable causes and organizations. Simply put, if someone has never given a charitable gift, their propensity to make charitable donations is quite low, whereas if someone is a monthly donor to a variety of causes, their propensity to make charitable donations is quite high.

The easiest way to quickly gauge propensity is by examining donation history. This is best accomplished by examining internal donation records so you have a sense of how often the prospect gives to your organization and external donation records so you have a sense of how often the prospect gives to other organizations.



Another useful way to gauge propensity is by looking at how your prospect spends his or her time. This method is less useful with corporate or granting foundation prospects, but can be invaluable when assessing an individual's propensity. The following questions are instructive:

- Has my prospect spent any time on the board of a charity or a non-profit?
- Is my prospect politically active?
- Is my prospect active in the community?

These questions will help determine if your prospect has the inclination to donate a valuable resource – time – to pursuits beyond self-interest. Public service can be a powerful indicator of how an individual views his or her role in society and his or her propensity for charitable engagement.

Affinity

Affinity is best described as fondness or liking. In fundraising, affinity can be understood as a fondness for your mission or organization. If 100% of a foundation's grants have been awarded to organizations supporting animal welfare, that foundation has a strong affinity for organizations that support animal welfare. As with propensity, donation records are a great way to begin to gauge affinity.

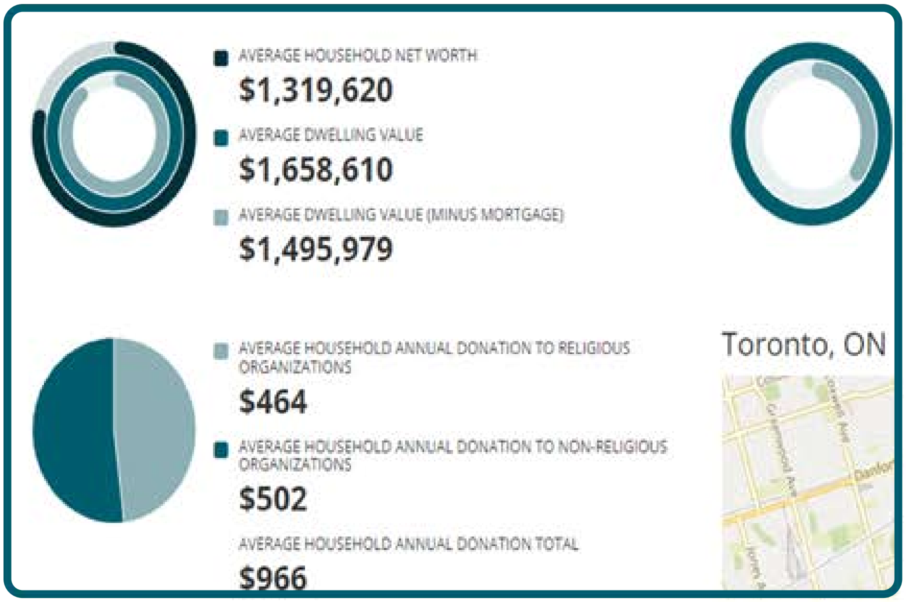
When considering affinity, it is important to understand the difference between cause and organization. Consider the following: an individual has a donation history that consists entirely of gifts to her alma mater. Does this individual have an affinity for education as a cause or an affinity for this specific institution? It is probably inaccurate to say she has an affinity for post-secondary education as a cause; it is far more likely she has an affinity for the place she went to school.

Capacity

In fundraising, capacity refers to a prospect's ability to give. Typically, capacity is measured by wealth. The wealthier a prospect, the greater the capacity to give. When looking at an individual donor, prospect researchers examine things like compensation, real estate holdings, and other assets (and liabilities if possible) to determine capacity. For granting foundations, prospect researchers will look at revenue and expenses and assets and liabilities. Corporations get a little trickier, especially if private, but yearly revenue, cash, and assets and liabilities are all ways prospect researchers will determine capacity.

A major challenge prospect researchers face when determining capacity is total wealth. Unless you have access to a prospect's entire financial history or he tells you (and you have reason to believe him), it is almost impossible to determine exact wealth.

Consider the following scenario. You are researching two prospective donors and have access to reasonably accurate information about the market value of their homes. Prospect A owns a home with a market value of $2 million. Prospect B owns a home with a market value of $500,000. Simple enough, right? Prospect A has a greater capacity to give than Prospect B. But what if Prospect A has a mortgage of $1.7 million remaining on the home and Prospect B paid for the home in cash and doesn't carry a mortgage? Some back of the napkin math shows that dwelling value minus mortgage for Prospect A is $300,000 and dwelling value minus mortgage for Prospect B is $500,000. Perhaps Prospect B has the greater capacity after all. What if you also have compensation data for both prospects and last year Prospect A received a total compensation package (salary, bonus, stock) from her employer of $600,000 and Prospect B received a salary of $120,000? It looks like Prospect A is back in the lead.



This example helps illustrate the primary challenges prospect researchers face when determining capacity: availability of information. Data on the market value of properties is one piece of information that will likely paint an inaccurate portrait of the prospects' capacity. Data on the market value of the properties plus mortgage liabilities gives us two pieces of information and our portrait starts to get more accurate. Data on property values, mortgage liabilities and compensation gives us three pieces of information and, probably, a reasonably accurate portrait of both prospects' capacity to give.

Connections

Traditionally, prospect research has focused strictly on determining propensity, affinity and capacity and supplying research and data that supports those determinations. Connecting with potential donors has been left to fundraisers. This is changing. Data that reveals organizational connections and relationships is becoming more readily available. This is helping to make relationships and connections more quantifiable than they have ever been. Compare "a member of our board served on the board of a company we would like to approach for a sponsorship from 2009-2015" versus "I'm pretty sure they used to golf together." The availability of objective data about connections is pushing relationship research under the purview of prospect researchers.

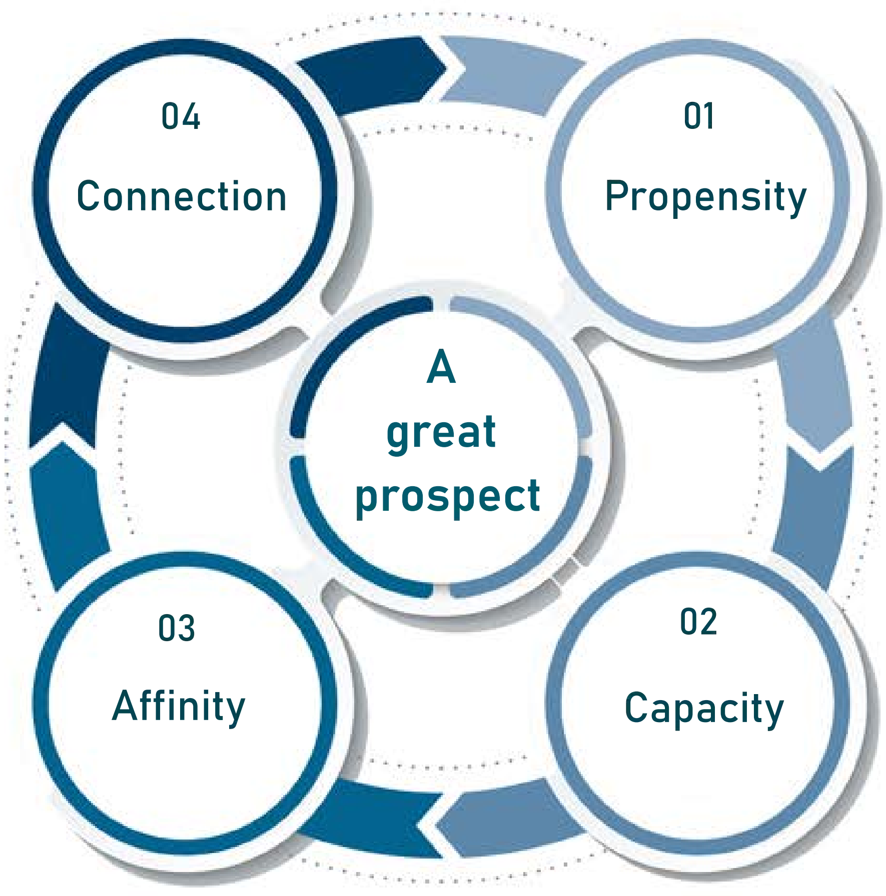
When researching relationships, your most important concern should be verifiable data. Treat relationship data like you would donation or compensation data and look for the best data available. T3010 data (the T3010, the tax form required by the Canada Revenue Agency to be filed yearly by every registered charity, lists the individuals on the charity's board of directors) and management proxy circulars (securities regulators require publicly traded companies to file circulars that list key officers, executives and board of directors members) are a great place to start researching connections and relationships. Both are legal documents listing the key people at the organizations; analyzing them can help you determine – from a wholly verifiable source – who knows who and how they are connected.

A very fruitful place to start looking for connections is your own board of directors. Almost all board members have – at the very least – an implicit fundraising mandate. Also, many board members serve on multiple boards, both charity and corporate. Mining the connections of your board of directors for relationships with people who sit on the boards of large companies or granting foundations can be the difference between an accepted sponsorship, gift or grant request and a rejected one.

Imagine you are tasked to create a list of donors with the potential of making a $10,000 gift to your organization. First, you need to determine propensity.

You can do this by examining your list of prospects eliminating those that have never made a charitable gift. Second, you need to determine affinity. To do this, eliminate the names on the list who only give to organizations with dissimilar missions or have a well-documented history of only giving to a single organization. Third, you need to determine capacity. To do this, use real estate, financial holdings, and compensation data to eliminate the names on the list who do not have the capacity to make a $10,000 gift. The names left on your list are reasonably well-qualified prospects to make a $10,000 gift to your organization. Finally, research connections and relationships to determine if your organization is linked in any way to the remaining names. The names you do have connections with should be prioritized for approach. They have the propensity to give, an affinity for your cause, the capacity to make a gift you are pursuing, and connections to your organization you can utilize in your approach. They are well-qualified prospects.

Understanding the fundamental aspects of prospect research will help you direct your research more efficiently. You will spend less time chasing down information of questionable value and more time finding verifiable data that helps answer the necessary questions about propensity, affinity, capacity, and connection.



Donor Identification

Sometimes prospect research is about looking at a list of names and determining propensity, affinity and capacity. This is typically how things work at larger organizations.

A near endless stream of names pouring in due to brand recognition, marketing campaigns, event attendee lists, and alumni and patient databases, means that some prospect researchers are never without a name to work on.

For prospect researchers without that level of inbound traffic, early funnel research is an essential part of the prospect research process. After all, you can't qualify or disqualify prospects you don't have yet.

Next, we will discuss early funnel prospect research and show you how to find new names you can convert into donors.

Donation Records

Searching donation records is the best place to find early funnel prospects. Full stop. Donation records tell you three extremely valuable things:

1. The causes and organizations the prospect gives to

2. The dollar ranges the prospect gives in

3. The geographic location the prospect gives in

A prospect is well on the way be being qualified if he or she is:

1. Giving to organizations with missions similar to yours
2. Giving in dollar ranges that meet your objectives
3. Giving in the geographic area your organization positively impacts

Location

Proximity based prospect research relies mainly on a single assumption: If my prospect lives in the area my organization positively impacts, he or she is more likely to make a gift than someone who does not live in the area my organization positively impacts.

Biography

Reviewing biographies (especially if they are electronic and searchable) is a fantastic place to find early funnel prospects for two reasons. One, people who have biographies tend to be wealthy, influential, or both. This is especially true of biographies found in collections such as Canadian Who's Who. Two, a biography can give you useful information that will help you qualify or disqualify the prospect.

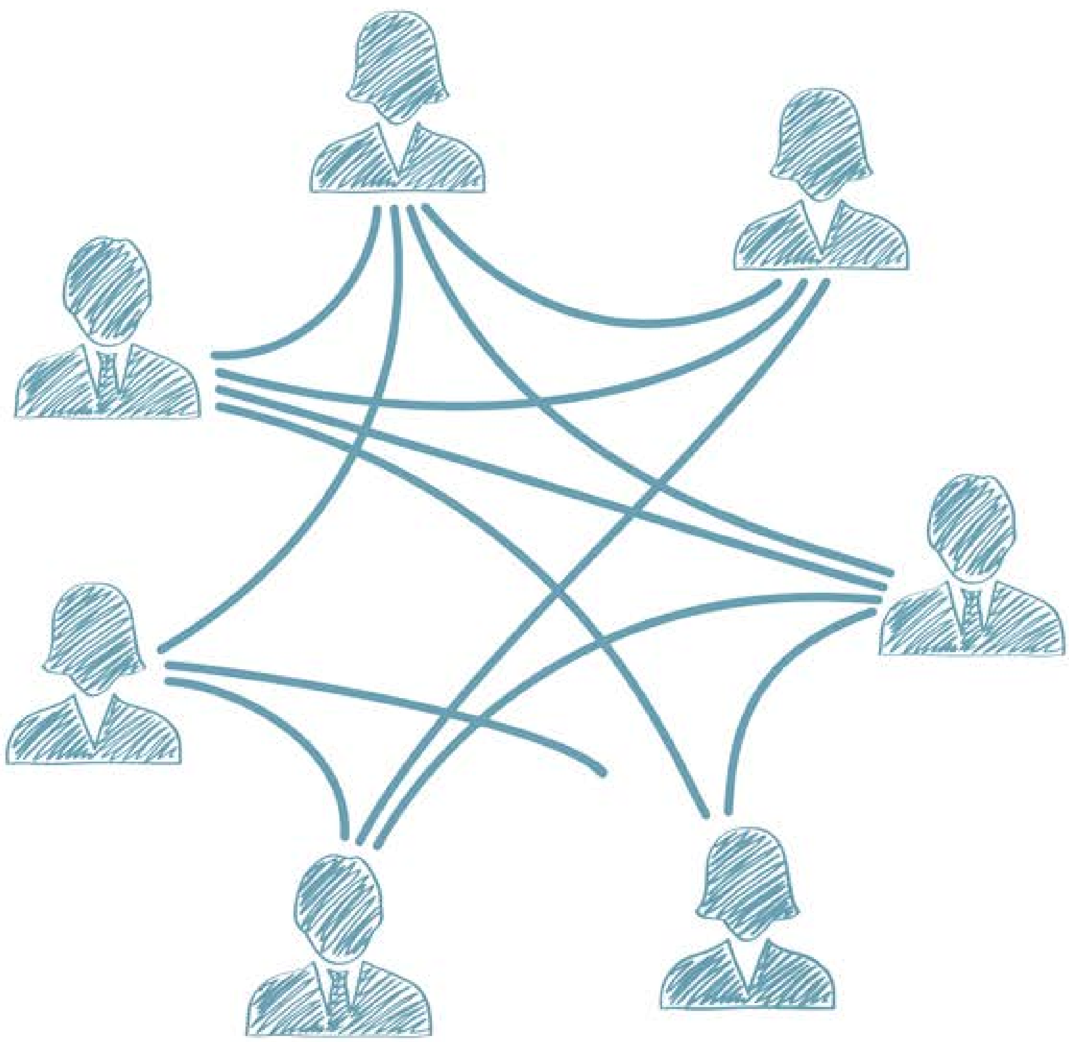
- The following questions are instructive when searching and reading biographies:
- Was the person born in the city or town my organization is active in?
- Does my organization have a strong group of supporters that attended that same school as the person? Is there anything about this person's education history that connects him or her to my organization?

- Is there anything about this person's career highlights that suggest a possible connection with my organization? Keep an eye out for phrases that indicate the person championed certain causes at his or her organization. If your mission ties into those causes you could be well on your way to finding a new prospect.

- Is there anything about this person's personal life that suggests a possible connection with my organization? Phrases such as "lifelong interest in the arts" and "strong commitment to at risk youth" are what you want to look for here.

Connections

Mining your organization's connections is an extremely effective way to find early funnel prospects. Almost all boards have a fundraising mandate, even if it isn't explicit. Talk to your board members. Ask them about their personal and professional networks.



Granting Foundation Research

Although the majority of giving in Canada is done by individual donors, charitable foundations are an important source of funding all Canadian fundraising organizations should consider. Below, we will discuss how to effectively research, qualify, and connect with charitable foundations.

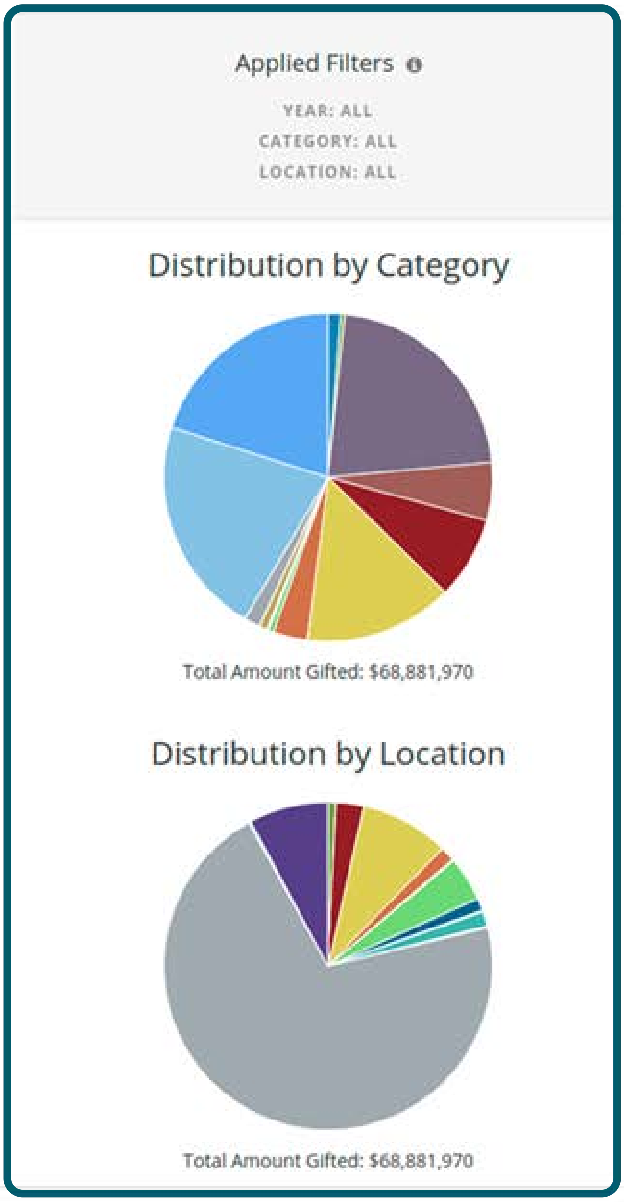
Research

First, we need to qualify a foundation as a prospect. If you are looking for a brand-new donor, use the donor identification strategies discussed above. If you already know the name of the foundation you would like to research, go to Integrated Search and select the Organization tab. Entering the name of the foundation in this search field, will return all of the information CharityCAN has on the foundation. From here, you can take a quick look at donation records and ZoomInfo contact information. For comprehensive research, however, we need to open their detailed Charity Report.

Qualify

The detailed Charity Report lets us review financials to make sure the prospect is in good shape to make a gift; the people on the board of directors so we can understand who the decision makers are; and, most importantly, their entire giving history. There is often a disconnect in the causes a foundation claims to fund in its stated purpose and the causes it funds. For this reason, reviewing giving history as opposed to simply reading a stated purpose or description is critical to successful foundation research.

The default view under Gifts returns all gifts the foundation has ever made. You can also use the drop down to view specific years. When reviewing gifts look at the size of the gifts, the categories they give to, and location of the gift recipients. If the foundation is giving in dollar ranges that make sense for you to pursue and to organizations with broadly similar missions to yours, they are well on their way to being a well-qualified prospect.



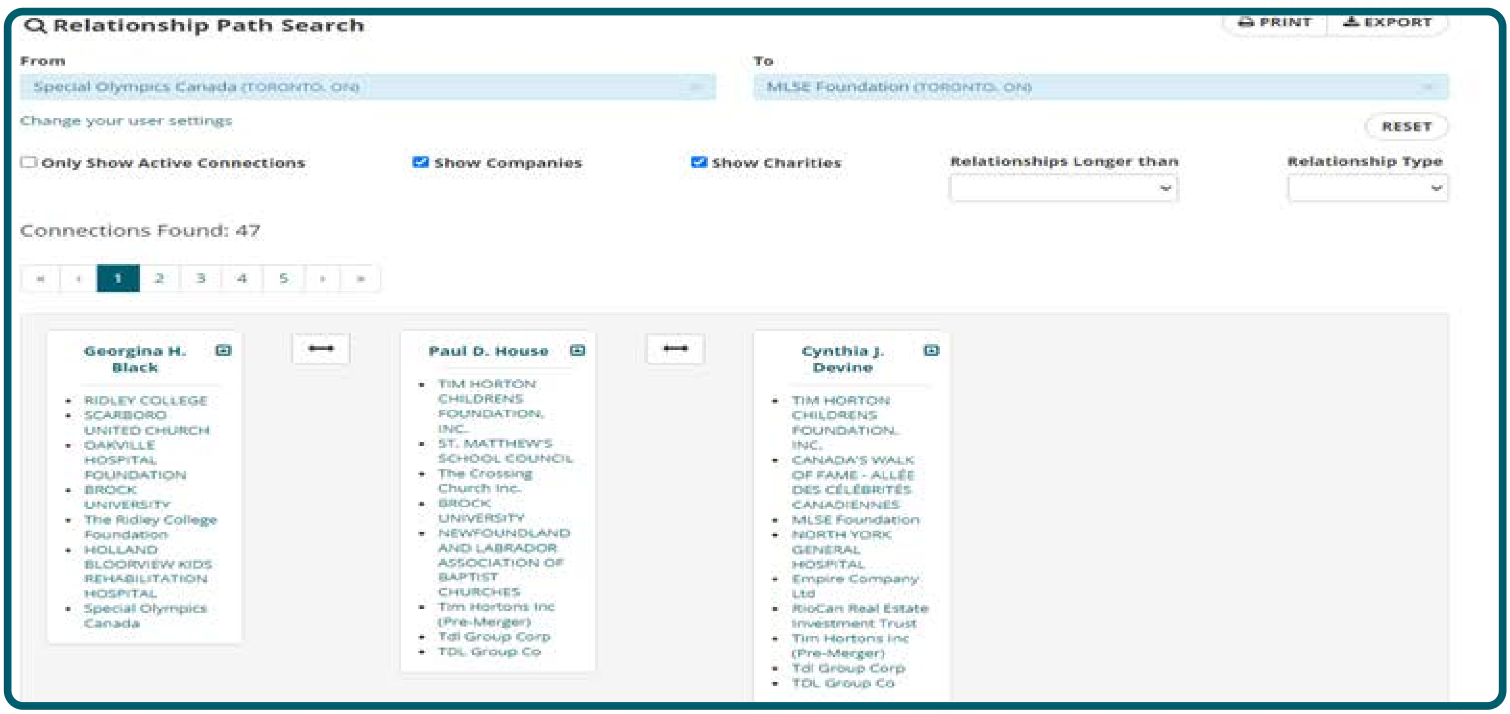
CharityCAN's interactive gift visualization charts are useful at this stage. The charts quickly show the proportion of gifts going to certain causes and locations. You can also use CharityCAN's gift visualization charts to drill down even further and determine the total dollar value of gifts to a specific cause, specific location or a specific cause in a specific location.

It is worth noting that foundation giving histories can be exported to excel and stored on your local donor management system. CharityCAN does not cap or restrict data exports and almost all data in CharityCAN can be exported.

Connect

After qualifying a foundation as legitimate prospect, use the Relationship Paths tool to see if your board has any connections to the foundation you can utilize in your approach. Relationship Paths searches our entire Relationship Graph to see if your board has connections to the board of the organization you are researching. In the search displayed below, I found 47 connections the Special Olympics Canada board has to the MLSE Foundation board.

When doing a Relationship Path search, it is worthwhile to look some of the other organizations you are connected to. In addition to the MLSE connection, this search also revealed connections to Tim Hortons, Tim Hortons Children's Foundation, The Justin Eves Foundation and RioCan.



CharityCAN's foundation research tools give you the information you need to fundraise more effectively from Canadian granting foundations. Remember: use donation records to identify a new prospect, use the Integrated Search and the Analyst Report to qualify your prospect and then use Relationship Paths to search for connections you have to your prospect!

Three Steps to Effective Corporate Fundraising

Prospecting for corporate donors is an area of uncertainty for many Canadian fundraisers. Who do corporate donors give to? How much do they give? How can I talk to them?
A well-researched, qualified, and considered approach is absolutely critical to effective corporate prospecting. Corporations have defined giving profiles much the same as individual or foundation donors. Knowing and understanding these profiles is of the utmost importance when approaching a business for a gift. Following these three steps will help you prospect corporate donors with confidence.

Know who they give to

As with any prospect, you need to know who a business gives to before you approach it for a gift. Look at the specific organizations that have received gifts in the past. Do they operate in areas similar to yours? Look at the specific causes the business has supported in the past. Are they causes your organization supports? Knowing the answers to these two questions will tell you if you should move this prospect along in your pipeline. Geographic location of gifts is also worth paying attention to at this stage.

☐	TELUS Corporation ▾	$25,000 - $99,999	Capital Gift / Campaign Gift	University of Toronto, National Report 2002 ▾	2020	Toronto	ON
☐	TELUS' Corporation ▾	$500,000 - $999,999	Annual Gift	Western University, Department of Alumni Relations & Development ▾	2020	London	ON
☐	TELUS Corporation ▾	$25,000 - $99,999	Capital Gift / Campaign Gift	University of Toronto ▾	2019	Toronto	ON
☐	TELUS Corporation ▾	$100,000 - $250,000	Annual Gift	Burnaby Hospital Foundation ▾	2019	Burnaby	BC

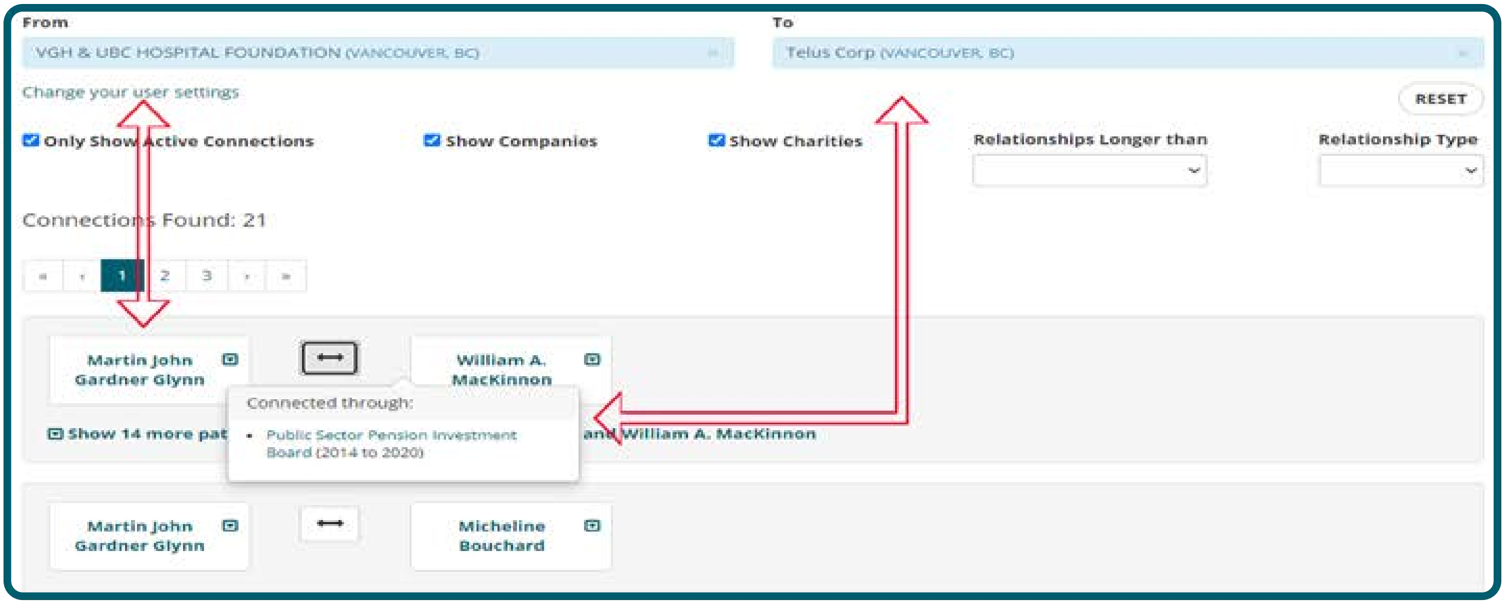
Know how much they give

Asking a business for $10,000 when they typically give gifts of $20,000 is a great way to leave money on the table. Conversely, asking a business for $10,000 when they typically give gifts of $1,000 is a great way to end the conversation before it starts. Research past gift sizes. Go back as many years as possible and look for trends. Make sure you know the answers to the following questions: Are gift sizes consistent from year to year? What is the average gift size per year? What is the biggest gift ever? What is the smallest gift ever?

TELUS Corporation	$25,000 - $99,999	Capital Gift / Campaign Gift	University of Toronto, National Report 2002	2020	Toronto	ON
TELUS' Corporation	$500,000 - $999,999	Annual Gift	Western University, Department of Alumni Relations & Development	2020	London	ON
TELUS Corporation	$25,000 - $99,999	Capital Gift / Campaign Gift	University of Toronto	2019	Toronto	ON
TELUS Corporation	$100,000 - $250,000	Annual Gift	Burnaby Hospital Foundation	2019	Burnaby	BC

Use your connections

Cold approaches can be effective, but a warm approach always works better. When approaching a business for a corporate gift, utilize your network. Do any of your board members have connections to people who sit on the company's board? Do any of your major gift donors have connections to senior employees at the company? Do your board members or major gift donors (or any other friends of your organization) know someone who knows someone who is connected to your prospect in any capacity? Anything you can do to warm your approach will only increase your chances of success.



Corporate donor prospecting does not have to be an area of uncertainty. Apply the same principles you apply to individual and foundation donors and use your organization's connections to move your corporate gift portfolio from an area of unease to an area of strength.

Relationship Mapping and Prospect Research

What is relationship mapping?

Relationship mapping is a visual representation of connections among individual items. Most often relationship maps are used to show how people and organizations are connected, but they can be used to represent connections amongst almost anything. Family trees and workplace organizational charts are examples of relationship maps most of us are familiar with.

Relationship mapping is useful because it allows the mapper to not only visualize connections, but to realize and utilize connections. A person looking at his extended family tree is able to visualize his connection to his third-cousin, realize how he connected to his third cousin , and utilize family members they share connections with to get in touch with her. A manager looking at her company's organizational chart is able to visualize her connection to an employee in another office, realize how she is connected to the employee, and utilize those connections to solve a work-flow problem.

How can it be applied to philanthropic research?

Relationship mapping has a strong application in philanthropic research. In a world where the maxim 'it's not what you know, it's who you know' approaches a truism, understanding and using relationships is essential.

Donor networks

Mapping the relationships of a major donor, board member, or friend of the organization provides valuable fundraising intelligence. Depending on the types of relationship you decide to map, you can answer the following questions:

- Who are my subject's immediate family members? (family map)
- Who in this network sits on the board of a family foundation? (philanthropic board map)
- Who is my subject's strongest professional acquaintance? (employment/corporate board map)
- Has anyone in this network made a $100,000+ gift? (donation history map)

Connecting to donors

Connecting with potential donors is another useful way relationship mapping can be applied to philanthropic research. Picture a scenario where two organizations are both researching a company they feel would make a great sponsor. Organization 1 uses relationship mapping and learns that one of their former board members currently serves on an unrelated board with a VP at the company. Organization 2 has a similar connection, but doesn't map relationships so is unaware of the connection. All other things equal, Organization 1 has an advantage over Organization 2 in the pursuit of this sponsorship.

Relationship mapping is a simple concept most of us are familiar with in some capacity. Applying relationship mapping to philanthropic research can yield serious benefits. Relationship mapping allows philanthropic researchers to visualize, realize, and utilize connections for the benefit of their organization.

Donor Screening

What is Donor Screening?

Donor screening is a process where a list of potential or current donors is analyzed and, usually, ranked. Typically, the names on the list will be ranked for their viability as a major gift prospect, but donor screening is also used to identify monthly, annual giving, and other types of prospects. Donor screening is extremely useful in better understanding your donor database and the people in it.

Why is Donor Screening useful?

1. Prospect identification

Consider the following scenario. There is a donor who has been faithfully giving your organization $100 every month for the last few years. This donor is very likely entrenched firmly in your organization's monthly giving bucket. And rightfully so; based on gifts to your organization, this donor fits the profile of a monthly donor.

Donor screening has the potential to reveal information about this donor that will alter that profile. Perhaps the screen reveals that, based on external wealth indicators, this individual has the capacity to make a six-figure gift. Perhaps the screen analyzes external donation records (gifts to other organizations) and reveals this donor is on the board of private family foundation that routinely makes five-figure gifts to the local hospital.

In this scenario donor screening has helped your organization realize that a fantastic monthly donor is actually more of a major gift prospect.

2. Database segmentation

Donor screening also helps you segment your database. A good donor database is used by multiple people for multiple reasons (or, sometimes, one person assuming multiple roles). For example, a donor database should be able to tell a major gift officer who her top prospects are. It should also be able to tell an annual giving officer who his top prospects are. And it should also be able to tell the organization what postal codes are likely to have the biggest impact for an upcoming mailout.

How do I do it?

Typically, you will send a donor screening service a spreadsheet containing names pulled from your database. This spreadsheet may also include email addresses or postal codes depending on a) the data the service needs to conduct a screen and b) the data they will return to you.

NAME **PARTNER NAME** **ADDRESS**

The service will then attempt to match those names (and other data points, if included) to external data sets. External data sets used in a donor screen can include: real estate wealth, connections to your organization, donation records, and salary records. After the names have been matched the screening service will append the spreadsheet you sent with the data they have pulled and rank your list of names based on any agreed upon criteria.

Donor screening is an immensely effective exercise for a fundraising organization to undertake. It can quickly help identify under the radar prospects in a database and also segment a database for more effective out-reach. Donor screening is a crucial step in developing a better understanding of a donor database and the people in it. Organizations that understand who their donors are raise more money.

Donor Screening vs. Wealth Screening

Donor screening and wealth screening are sometimes used interchangeably in fundraising. Since wealth screening is almost always a component of donor screening, this is understandable. Nevertheless, it is important to understand the limitations of pure wealth screening when compared to full donor screening. Let's look a closer look at both types of screening.

Wealth Screening Overview

Wealth screening is solely concerned with wealth. Here are some of the things wealth screening can tell you:

- Net worth
- Dwelling value
- Salary
- Other assets and liabilities

Donor Screening Overview

Donor screening is also concerned with wealth and any quality donor screen will include the elements of wealth screening listed above. However, donor screening will also look for the following:

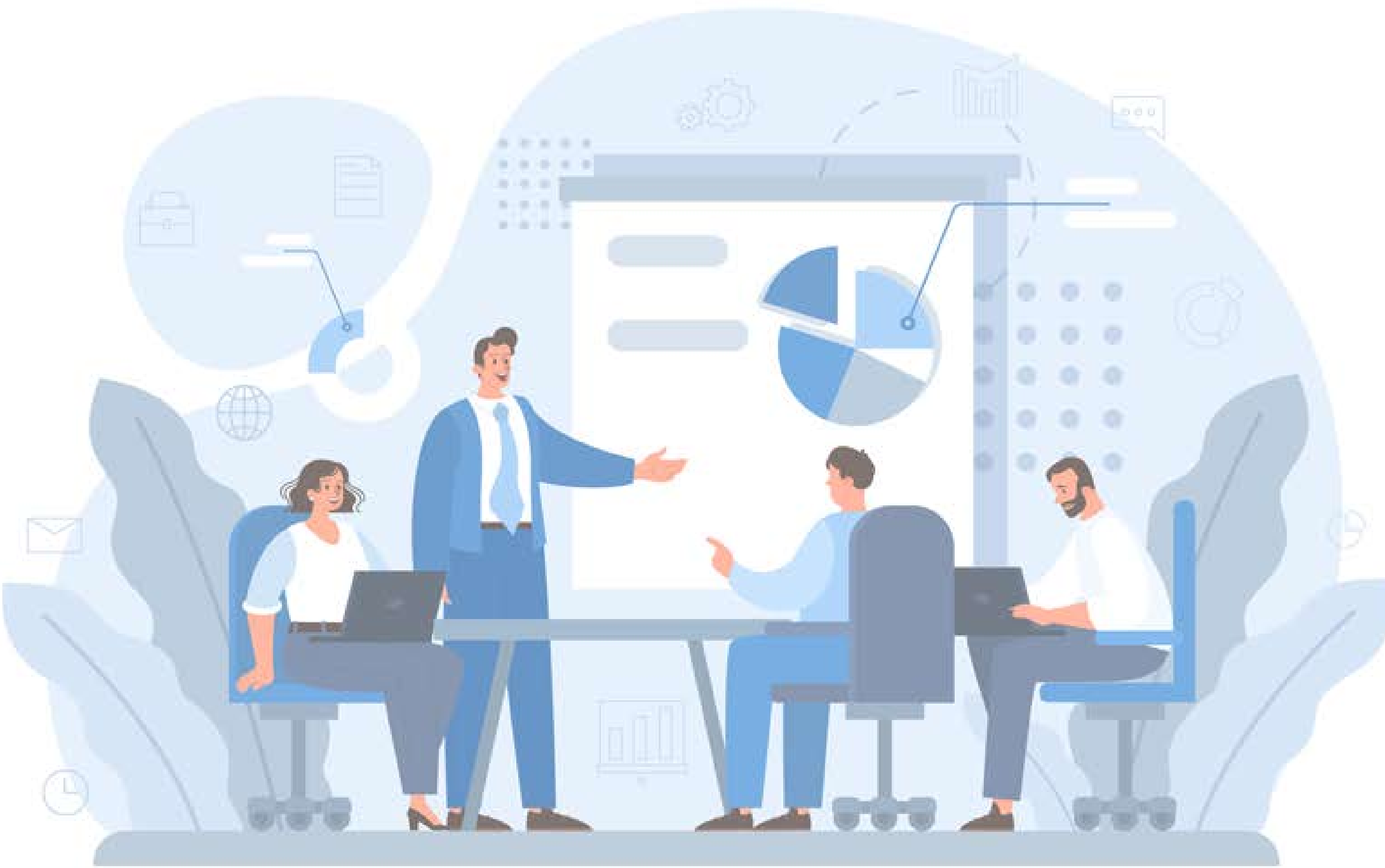
- Relationships and connections to your organization
- Past philanthropic gifts in general
- Past philanthropic gifts to similar causes and/or organizations
- Non-giving philanthropic engagement such as serving on the board of a charity
- Political giving

Capacity and Affinity

Where wealth screening and donor screening differ concerns capacity and affinity. Wealth screening tries to determine how much money a person has. Donor screening expands on wealth screening and looks at a person's overall viability as a donor in addition to how much a person can give. Wealth screening focuses on capacity. Donor screening focuses on capacity and affinity.

Yes, it is critical to have an idea of a person's capacity to give – this makes sure our gift asks are reasonable and accurate. However, we also need to know the person's affinity for the cause or organization if we want to maximize our chances of success. Wealth screening helps determine the gift ask. Donor screening helps determine the gift ask and the likelihood of success.

Although sometimes they are confused due to their similarity, it is important to understand the differences between wealth screening and donor screening. If you are solely concerned with a person's capacity to give, wealth screening is the exercise for you. If you are concerned with a person's capacity to give and his or her connections to your organization and likelihood to give to your organization, donor screening makes the most sense.



Conclusion

In this guide, we've discussed the fundamentals of philanthropic prospect research. We've gone over the core concepts of propensity, capacity, affinity, and connection. We've also discussed specific strategies and tactics to use when researching individuals, granting foundations and corporations. Finally, we looked at relationship mapping: an area of prospect research quickly emerging as fundamental.

Remember, philanthropic prospect research is essentially business intelligence for fundraising organizations. For-profit organizations understand that the more information they gather about a potential client or partner the more likely they are to achieve their desired results. The same is true for fundraising organizations. The more you know about your donors and potential donors, the more effective your fundraising efforts will be. The more effective your fundraising efforts are, the more good you and your organization will be able to do.