

The Changing Landscape Of The Donor Management System Market

BY MICHAEL STEIN

The donor management system market looks vastly different than it did 15 years ago, with more options available. The systems are different, too, having evolved in response to pressures from both inside and outside the fundraising community.

Feature differentiation among the systems has contracted at the top of the market as vendors aim to address the same customer needs, bringing systems closer together in terms of what they do. At the other end, systems are increasingly differentiating themselves by specializing, offering innovative solutions to more niche areas of fundraising and to new trends in marketing and mobile technology.

What hasn't changed is that fundraisers still struggle to find the right solutions to meet their needs from a crowded marketplace of options. The questions include:

- What are the forces driving the market changes?
- What effect have they had on features?
- And, how should fundraisers be thinking about finding the best system for their needs?

PROFESSIONALIZATION OF DIGITAL MARKETING AND FUNDRAISING

Donor management needs have always been a function of organizational size, budget, and management's appetite for growth. But as technology and how we use it changes, shifting toward digital and mobile communications and cloud-based software, so do nonprofit needs, adjusting fundraising and communications staffing models to keep pace.

Digital marketing and fundraising roles have been professionalized during the past decade, changing not just fundraising, but in many cases, the staffing for it. Development staff members now regularly include digital fundraising and marketing alongside the more traditional direct mail and telephone fundraising functions. Different people or teams at larger organizations often fill the roles.

This shift is reflected in donor management systems as vendors dedicate significant resources to improve the software to address the complex needs of new and prospective customers. Fundraising and digital marketing teams at larger organizations use sophisticated methods for evaluating and selecting software solutions, with formal request for proposals (RFP) documents, needs-assessment templates, complex review



What Should You Ask To Evaluate A Donor Management System?

1. When a donor calls your office, can you quickly see their involvement with the organization on a single screen or do you need to look in multiple places?
2. How will the system help you manage integrated fundraising campaigns in mail, telephone, and online campaigns?
3. If you have an existing donor management system, you'll need to migrate your data. How can the new system and vendor help with that, and what will it cost?
4. What types of online functionality will become available through the system (including email messaging, online gifts processing, and online advocacy)? Is there volume-based pricing of which you should be aware?
5. How will you integrate and synchronize your online data with the in-house database?
6. Can staff access donor data via smartphone or mobile application?
7. Aside from startup costs, migration costs, and monthly fees, what other costs might your organization incur?
8. Aside from basic year-round customer support, what other levels of support are available and how are they priced?

committees, and finalist selection processes. They want donor management solutions that facilitate those efforts.

Managers at smaller organizations might have less influence to drive such changes, benefiting as the features trickle down.

Digital fundraising only represents, on average, less than 20 percent of total donor revenue. The success and growth of multi-channel fundraising programs requires fundraising activities to be balanced across both digital and traditional outreach. The success of a fully integrated direct response program depends on getting all parts of the donor engagement process working in unison, with careful consideration for timing, messaging, audience segmentation, and personalization of appeals.

Donors who receive direct mail appeals commonly visit websites or click on carefully-timed email appeals to make their donations. This shift in how supporters make donations is both a response to changing times and a function of how fundraisers are harnessing the tools and techniques at their disposal to facilitate and increase supporter response.

This has naturally increased the complexity of the task for digital and traditional fundraisers alike. An appeal in the mail that asks for a renewal gift of a certain size needs to be carefully timed and coordinated with a companion email appeal, both of which are designed to elicit a response from donors. A lack of coordination in timing, or a mismatch in the size of a gift ask, can result in an underperforming response from donors.

A fundraising appeal that neglects to correctly identify past donor activity or which poorly acknowledges a donor's engagement as a volunteer or activist often leaves prospective donors perplexed about whether the organization truly understands their interest and engagement potential. It can put into question their donors' support.

As fundraising techniques become more reliant upon complex mixes of digital and traditional communications, fundraisers become reliant upon a donor management system that can keep up.

CONSOLIDATION OF SERVICES AT THE TOP

Such changes have guided the evolution of more mature donor management services in the marketplace, leading to the emergence of larger, more integrated systems that seek to provide the broadest range of software tools and offerings. They've also led to a consolidation of donor management services seeking to serve the needs of larger non-

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profits, with more ambitious goals for building an integrated fundraising and marketing function.

Robert Weiner is a consultant based in San Francisco who has built his business serving the software selection needs of nonprofits nationwide. He said the needs assessment process can be extremely complex for fundraisers seeking donor management solutions. The consolidation of services has somewhat simplified his task.

"I'm constantly evaluating vendors, including newly emerging ones," he said, "but I have a dozen that I go back to over and over because I know their proven capabilities and I expect them to be around for the long haul."

The most popular solutions reflect the modern state of the industry: fully-integrated, often cloud-based software tools that seek to deliver the broadest range of offerings for advocacy, constituent management, eCommerce, email marketing, events, fundraising and website integration. Consultants and digital marketers credit the emergence and evolution of these larger consolidated, integrated solutions as having formalized the key set of core tools.

Taken together, they represent the state of the art in online engagement, positioned to meet the needs defined by

the professionalized direct response function at nonprofits in which fundraising is just one spoke in the wheel. Seamless integration with the others is the key to success.

"These larger multi-dimensional software suites have been a real game changer for nonprofits, and some of them can actually replace traditional in-house databases," said Jen Frazier, presi-



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--Jen Frazier

dent and founder of Firefly Partners, a Colorado-based consulting agency that aids nonprofits with digital projects. "This is a seismic shift which will have big repercussions on the nonprofit sector in the coming years."

MUSHROOMING OF SERVICES AT THE BOTTOM

The vendors that are able to meet the sector's needs while providing a stable and reliable long-term relationship for customers have dominated the market. Other vendors differentiate their systems with niche features for less com-

mon needs, staking out smaller market shares. As the top of the market consolidates, the bottom has experienced a simultaneous growth of smaller systems targeting nonprofits with more limited staffing and budgets or that need to fill more limited software functions.

Consultants who advise fundraisers selecting donor management software solutions say the key decision points

continue to be features and functionality. But cost is a key factor, especially for smaller nonprofits.

John Kenyon, a nonprofit technology educator and strategist who has been working for 20 years on change management projects, said he still marvels at how complex the donor management system choices are -- even for smaller nonprofits. "Choosing the right system today is still very complicated," he said, "and it's often unlikely that nonprofits have the right person in-house to manage this process. The shifts that have oc-

curred in the market over the past 10 years have frankly made things more difficult, not easier."

It's not unusual for smaller organizations to use a combination of solutions to meet the needs. The most common mix is to use separate email messaging and fundraising systems, which can lead to a certain amount of juggling, as fundraisers and digital marketers seek to blend the two into a seamless donor experience.

The email platform is used to send out messages to supporters, donors and activists. Other platforms are used to process donations, register people for events, and to track donors and other constituents.

That's just the tip of the iceberg. More and more fundraisers are seeking ways to harness the latest techniques for donor engagement, from peer-to-peer fundraising to crowdfunding and more. As such needs become more commonplace, new and innovative donor management solutions are emerging to fill them.

THE NEAR FUTURE OF DIGITAL FUNDRAISING

Website donation pages have been the digital fundraising workhorse for years. Modern versions are expected to be fully mobile responsive for all size screens, capable of accepting both one-time and monthly gifts paid via credit

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cards, PayPal payments, and checking account withdrawals. Dollar amount gift strings are expected to properly reflect the correct giving level of each donor, which involves coordinating data with the organization's donor database.

Source code tracking has also become more important as digital fundraisers seek to better understand from where each donor originated in an effort to measure marketing impact and reach.

Many of the newer donor management solutions are differentiated with fresh approaches to the complex process of building and managing donation pages, benefitting both digital fundraisers and prospective online donors.

More social fundraising tools, such as peer-to-peer and crowdsource campaigns, allow fundraisers to extend their reach using viral marketing techniques and social media. Some of the earliest donor solutions forged new ground in this area, but more specialized donor management vendors have brought innovations that focus on these kinds of campaigns -- for example, with the use of apps for mobile devices.

The need for digital marketing tools to be responsive to mobile use has been an important driver for innovation across many systems, and is now a critical requirement for nonprofits of all

sizes. Numerous studies have shown that mobile responsiveness improves response rates for both fundraising and advocacy campaigns. Weiner noted its emergence as a key trend.

"Mobile is now a big differentiator for selecting a service," he said, "and every vendor I stay in touch with is actively involved in product development efforts to improve their systems so they're more mobile ready."

Closely connected to the core issue of mobile readiness is the growing interest in Facebook's new donation tools. Fundraisers are hoping to better understand the impact these tools might have on the digital fundraising landscape. While the prospect of using Facebook for fundraising opens up new possibilities, it also poses new challenges.

As fundraisers struggle to build seamless donor experiences across platforms, it becomes more difficult to track gifts and acknowledgments, integrate data, and to move donors up the ladder of engagement. Donor management system vendors are just beginning to rise to the challenge. The promise is for tools that allow for seamless Facebook integration. The reality is less certain.

The Apple Pay service is not yet available for web-based transactions, but it's scheduled to be soon, and fundraisers are already dreaming of new ways to in-

crease response rates. The service and others like it herald new techniques for interaction, letting donors use their phones to make purchases or donations that are authorized through their Apple Pay-enabled iPhone. Google and Android capabilities are thought to be close behind.

SELECTING DONOR MANAGEMENT SYSTEMS

The changing marketplace has made it more difficult for fundraisers trying to decide where their organizations fit in. Should they implement a bigger integrated system that costs more and requires an additional investment in staff, or a more-lightweight service that is less powerful but easier on budget and staff? The real question is, will donors notice the difference?

"The biggest challenges with adopting and using a new donor management system are the humans tasked with running it," Kenyon said. He said fundraisers "spend a lot of time evaluating software options and prices and too little time assessing how their own human resources will be trained and deployed to do the day-to-day work."

The other key factor in choosing the right donor management system is to not let technology choices drive an organization's fundraising and communications strategy. Consultants call this

"shiny object syndrome." Kenyon said he encourages managers to anchor their technology choices firmly behind their strategic objectives rather than in front of them.

"Strategy and goals needs to be in the driver's seat," he said. "From that vantage point, better technology choices will get made."

During the past decade and a half, donor management systems have come a long way to meet the evolving needs of fundraisers searching to improve the donor experience. As donors flow through these systems, development and digital managers at nonprofits look for ways to better use these platforms to acquire useful data and analytics, and ultimately to deepen engagement with supporters.

Future innovations in digital fundraising will come from a deeper partnership among these stakeholder roles as each seeks to find its place in this digital ecosystem of social good. *NPT*

Michael Stein is a writer and digital strategist to progressive social causes, and the author of three books and numerous articles chronicling the rise of digital marketing, mobile, and online fundraising. He works as a consultant and coach to nonprofits, foundations and educators, and wrote this article as a contractor for Idealware.

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