Donor Prospect Research: A Complete Guide for Nonprofits

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Have you heard of the Pareto principle? It's probably something you've come across in your donor prospect research. Roughly, it says that 80% of your donations will come from 20% of your donor base. This "law of the vital few" isn't absolute, but to most nonprofit leaders, it rings true. There are a few vital donors that make up a significant portion of your organization's revenue, which can be risky—losing one of those key supporters can be a big financial blow.

Growing your base of major donors can help mitigate that risk. With donor prospect research, you can use data to discover these individuals and learn how to get them to join your cause.

A Brief Explanation of Donor Prospect Research

Donor prospect research is an activity an organization uses to find the right high-value donors to approach for ongoing relationships or large one-time gifts. This is a more comprehensive approach than you'd use for a basic, mass marketing campaign. Donor prospect research is a critical part of putting on larger, more expensive events because it helps you narrow your prospects down to a pool of individuals most likely to give large gifts. Through it, you can ensure those more costly fundraisers are worth the investment because they encourage ongoing support from high-net-worth individuals..

It's estimated that one-third of all charitable contributions come from the top 1% of earners. Because such a small percentage of people represent such a significant portion of charitable donations, competition to engage these donors and inspire them to support your cause is high. That's why prospect research needs to go beyond wealth screening. It must help you connect with those high-value donors in a meaningful way.

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How Donor Prospecting Differs From Wealth Screening

Wealth screening is often discussed like it's the only part of donor prospecting, but it's only a small segment of the overall process. It's important, to be sure, but it's important to understand the differences between wealth screening and a more thorough donor prospecting process.

Wealth Screening	Donor Prospecting
Wealth screening uses available data to help you uncover donor net worth. It may be estimated from reported income, real estate holdings, business dealings, and registered assets like cars, boats, and airplanes. If you're using wealth screening tools, you'll get a feel for your potential donor's net worth.	Donor prospecting includes information from the wealth screening, but it goes deeper into the data. It helps organizations map relationships, find common passions and interests, and create ongoing connections. If you're practicing donor prospecting, you'll get a feel for your potential donor's net worth, their interests and philanthropic history, motivations, and potential of actually supporting your cause.

Donor prospecting will include wealth screening, but it will also cover a lot of other components that will help you identify potential donors who may be interested in supporting your cause.

Key Components of Donor Prospect Research

Wealth assessments are a good place to start when it comes to donor prospecting, but you must also focus some time and effort on understanding your donor's connections, interests, and other factors that may help you determine whether they'd be likely to donate to your organization. Donor prospecting should include a review of the following:

Wealth Screening

With wealth screening, you gain insight into the net worth of your existing donors, supporters, and other constituents. While you can ask donors to self-report this information, this may feel invasive.

Working with data aggregation companies like Windfall Data can be a way to get insight into overall donor assets without soliciting it directly.

Performing some wealth screening is a good place to start while you're identifying potential major donors. You're establishing their capacity to give major gifts, which will help you decide how to approach building a relationship with that donor.

Charitable History

A person’s giving history, including donations made to other organizations, helps you understand how likely they are to contribute to your nonprofit. Some organizations take a manual approach, painstakingly searching their donors’ names online and on social media to see donations mentioning their names. There are also data vendors that compile this research on your behalf.

Understanding your donors’ giving history can help you determine if they’d be interested in supporting your work. If you identify a donor who has a long philanthropic history in your hometown but who donates almost exclusively to health-focused charities, they may not be a good potential donor for your animal shelter. If a high net worth donor has historically given exclusively to animal shelters, they may be a good candidate for additional research.

Business Affiliations

Business affiliations are very public and very easy to research. These are particularly important because you may be able to find matching gifts opportunities where a business matches donations made by its customers and employees. This can also be helpful information that can be useful as you brainstorm ways to engage your potential donor.

It’s estimated that these programs generate $2-3 billion annually, making them incredibly impactful. If you identify a high net worth individual who works for a local company, you may be able to foster a relationship with them that could result in a matched gift. You may also discover that your potential donor may not be a good candidate for an immediate ask but could introduce you to someone at their company who would be willing to discuss becoming a corporate sponsor.

Relationships

Knowing how your donors connect can grow your reach. One donor can open the door to another! A high-value prospect may not yet be a supporter, but they may know someone who is. They may also be connected to other major donors in your donor database, which could be an opportunity to meet the donor you’re researching. Tracking these connections helps you discover these opportunities.

Understanding your potential donor’s network may shed light on different opportunities to connect with them. Major gifts rarely result from a one-time interaction or appeal; they’re usually the result of long-term donor stewardship activities and personal relationships. Understanding your donors’ networks can help you identify opportunities to get to know them or work together to raise money for your cause. Either way, your research could help you build rapport between you and your supporter and open the door to major gifts opportunities in the future.

Interests

The top reason people donate to charity is that they believe in the cause. Someone's interests will give you great insight into causes they may support. An avid mountain climber, for example, may also have an interest in supporting a conservation-focused nonprofit. Someone with pets may be likely to support causes for animals.

Interests that align with your mission are one of the best indicators of a strong donor prospect.

When you put all these factors together, you can make an educated guess about whether or not your potential donor will make a major gift in the future. Individuals with major gifts capacity, a history of giving to organizations like yours, and interests that line up with your mission may be interested in supporting your cause. You can begin taking steps to get to know them, introduce them to your organization, and build a relationship with them. You may even be able to work with them to identify potential corporate sponsorships or others in their network who may be interested in giving to your cause.

One thing you may have noticed about all those components is that they all depend on one thing: information. You need to know your prospect's assets, interests, relationships, business dealings, and giving history. For that, you'll need the right tools and resources.

Tools to Help With Donor Research

All the information you need for donor prospecting is out there. But finding and compiling the information you need is an almost impossible task to do for one donor—never mind all of them—unless you have supporting systems in place. That's why you will need a few tools to support your strategy. Here are some resources you'll want to use as you conduct your donor research.

Constituent Relationship Management (CRM)

The first thing you'll need to support your donor prospecting is a constituent relationship management platform (CRM). A CRM allows you to collect all your donor information and organize it in a single place. Specifically, a CRM should track all basic donor details like name and address, as well as:

- Family relationships
- Business connections
- Donation history

- Average donation amount
- Seasonal addresses
- Nonprofit involvement

- Board participation

- Education
- Work status
- Hobbies and interests
- Volunteer activity
- Net worth

Aside from these standard fields, it's also good to use a CRM that allows you to track custom fields for details that are important to your organization. For example, if you were an animal shelter, you may want to track details on pets like names and types so you can customize communications you send to your supporter.

Real-Time Data

You can only obtain so much data from donors' self-reporting unless you want to burden them with extensive and invasive interviews (we're big fans of using donor surveys to understand supporters, but asking questions about net worth and other important data points can feel intrusive). Alternatively, you could search for your donors on search engines, social media sites, government databases, and hundreds of other places to get insight into their net worth and charitable giving. Or, you can work with a platform that aggregates this data for you.

Some data analytics platforms have developed algorithms for mining all these sites for information on donors and compiling it into accurate estimates of net worth, giving history, and more. All the information collected is publicly available and voluntarily given, so it's perfectly acceptable to use. Just make sure you work with a highly rated and reputable data aggregator when selecting a vendor.

Donor Relationship Mapping

How does one donor connect to another? This information can be vital during major donor prospecting because it helps you build bridges. While you may not have a direct connection to a high-value donor you've located, one of your existing donors may. Perhaps they work together or serve on the same nonprofit board or have children in the same activities at school. Can you ask your existing donor to introduce you to your potential donor? By mapping the relationship from one donor to another, you've built a roadmap to a personal connection with that prospect.

This is also ideal for seeking out corporate giving prospects. You may notice many of your one-time donors are coming from the same major company. That's a prospect for corporate matching that could have amazing potential.

Machine Learning & Predictive Analytics

Machine learning and predictive analytics may seem like intimidating terms—not to mention expensive—but this type of technology has come a long way in a short period of time. Many donor prospect research tools use advanced algorithms and processes to understand donor behavior and make predictions about it. This is especially true in future prospecting where the net worth of an individual donor now doesn't necessarily indicate their future earning capacity.

This is often called "propensity modeling"—an organization builds predictive models based on past donor behavior. For example, say a donor with an estimated net worth of $50,000 gives $25 to your organization. This individual is not a high-value donor prospect now, but propensity modeling tells you they might be in ten years.

It tells you that donors with similar backgrounds to this one, who made similar donations, went on to significantly increase their net worth and make average contributions of over $10,000 annually after one decade of consistent giving. The ability to predict future behavior tells you to cultivate this relationship early and often.

ow with them. Our revenue-based pricing model makes us a particularly desirable option for rapidly growing organizations.

Use Neon CRM in Your Donor Prospecting

The foundation of your donor prospect research is a CRM. With the right platform, you can gather all the information you need to find donors whose passions match your own and provide support. You have to think beyond wealth—extending your efforts to understanding their relationships, interests, and connections—to truly create an effective donor prospecting strategy. That information will help you build relationships now that will bear fruit in the future.

Neon CRM helps support your donor prospect research with an intuitive, customizable tool for database management. To see how it can help improve donor prospecting, request a demo!