

## Rating and Screening Prospects

### Development offices now have dozens of tools for sizing up potential donors

*By Helen Bergan*

Nonprofit fundraising offices rate prospects every day in an informal way. Every time a name is mentioned someone is probably asking a question, consciously or subconsciously, about the person's giving potential. Each time an Internet search engine is consulted, each time a real-estate database is checked, each time a name is run through an online or CD-ROM directory, the researcher is helping to rate a prospect. The goal of research and prospect rating is to focus the development staff on people with the highest giving potential.

Philanthropic guru Harold J. Seymour divides potential prospects into five distinct categories:

- Those who see a need and respond without being asked
- Those who respond when told to do so
- Those who will respond when persuaded
- Those who may or may not respond, even when strongly encouraged
- Those in the inert fifth--nothing could ever get them to give.

Further defined, a good prospect must have an interest in the mission of the organization, the capability to make a major gift, and a relationship with the organization. Finding someone with those qualities is the function of advancement research. But that is not the end of the task; once identified, the prospect should be rated according to giving level.

What is considered a major gift varies greatly among types of organizations. In many larger institutions, a researcher won't have to supply the final answer to the question: "How much can this person give?" Development officers normally have that responsibility. Still, the financial and biographical data gathered by researchers may lead to an answer when combined with other factors such as age, affiliation with the institution, and philanthropic philosophy.

The wide variety of techniques used to rate giving potential was apparent when members of the PRSPCT-L listserv were asked how their institutions rated potential donors. Here are some answers:

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*"An old formula that I was once taught is to take annual salary times ten to establish net worth. Then use 3-5% of that figure to come up with a rough giving ability figure."*

*"We use a formula that figures 5% of the gross salary is a total gift potential. Unless the salary is very large, a prospect who is dependent solely on a salary is not really a major gift prospect, unless we figure in stock, real estate, company ownership, plus motivation and inclination."*

*"We rely fairly strongly on this formula: 10% of a prospect's annual compensation is equal to the amount they can give over five years, i.e., if a prospect makes \$100,000 a year, they should be capable of giving \$10,000 over five years or \$2,000 per year."*

*"When estimating long-term giving such as pledging with so much each year, salary is used. We use net worth for deriving an ask amount for a one-time major gift."*

*"We always use 10% of salary equals giving over five years, so a person making \$250,000 per year would be able to make a gift of \$25,000 over five years, or \$5,000 per year."*

Formulas like these, many of which use salary to gauge net worth, were established before the days of high technology and the attendant fluctuating relationships between salary and stock holdings. No longer can one assume a person's net worth is 10 times his or her annual salary.

Consider this: In 1999, Jeffrey P. Bezos, president and CEO of Amazon.com, received only \$81,840 in "total direct compensation" (read that as salary), but the total value of his equity holdings was \$8,946,424,825. That's right. It was \$8.94 billion (subject to change, of course). A New York Times report that compared executives in the "New Economy" to those in the "Old Economy" (April 2, 2000) showed the disparate ratio of salary to equity holdings. The oldsters got more salary; younger executives had more stock equity.

How one determines a person's inclination to give along with his or her ability to give--then estimate how much they might give--is a tricky and largely speculative concern. For a thorough examination of the procedure, look at Claire Verrette's article, "Get the Picture," in the September 1999 issue of *Currents*.

## Peer Screening

Whether it is called "silent screening," "external screening," "outside screening," or "peer screening," it is basically the same thing. To distinguish it from electronic screening (to be described later), I'll call it "peer screening." The purpose of the process is to fish major donors from a large pool of possible donors.

Depending on the type of nonprofit organization doing the peer screening, the volunteers chosen for the job might be board members, major donors, parents who are active in school activities, development officers, academic deans or community leaders. In short, they should be people who are actively involved with the organization and sympathetic to its need to raise funds in order to function successfully.

Peer screening is used to take a long list and make it shorter. It focuses the work of the development office so the best prospects receive immediate attention and those with less potential as donors get a lower priority. It may help to establish who knows whom. When it is time for a personal solicitation, that detail is significant, as friends often give to friends and support each other's charities. Many feel peer screening works better than other research because someone who knows a prospect will usually tell everything needed to begin a conversation with a prospect.

A peer screening session can go something like this. Appropriate volunteers are personally invited to a meeting that can be a combination social and working event. (Serving food is always a good idea!) After the initial socializing, the host or facilitator explains the reason for the meeting: to share the screeners' information about people who have the capability to give. The leader stresses that confidentiality is crucial to the process and that no screener will be expected to know each person discussed. He or she will say whether or not the ratings will be anonymous. (Experts report best results when ratings do not tell who made them.) Raters may be asked to categorize their relationship with the prospect. Are they personal friends, business associates, or known by reputation only? Would the screener be willing to ask the prospect for a gift?

A list of names with a short identification is distributed and screeners are asked to add relevant details about names they identify. Comments should include indications of wealth. These can include businesses and real property owned by the listed person, access to inherited wealth, and family

foundations or trusts. Screeners are encouraged to add comments, but the conversation should never be allowed to degenerate into gossip or rumor.

Two techniques are commonly used. Some group leaders go down the list, name by name, asking those who recognize a name to make verbal comments. One or two note-takers should be on hand to record what has been stated--even picking up mentioned names that may not be on the list. Other groups distribute lists and ask that screeners silently add notes to the list, giving relevant details. Following the meeting, all lists should be returned and the information on them considered confidential.

Colleges and universities have successfully used peer screening when their alumni and donors are scattered around the country. Using their organization's software tracking system, development staff can get computer printouts of those living in a specific area or city. If several people are living in an area, screening sessions are planned as a social event. An appropriate host is chosen and invited to participate. A key to the session's success is choosing the right person as host. A good choice is some well-known and highly visible person who is committed to the cause. Sometimes that person may even underwrite the event. The college president, vice president for advancement, or a prominent graduate may attend. He or she will explain the rationale and procedure for the meeting that is intended to reacquaint alumni with their school and its continuing need for funding. That person can state how those attending can help their alma mater by identifying persons able to provide financial support.

This is old-fashioned prospect research--talking to people about other people. You learn information about prospects from people who know them--not cold facts from a biographical reference source. Another way to screen is to convene a focus group or committee session. At this type of event, a small number of engaged volunteers review names and determine ratings for a small number prospects.

Perhaps the most important aspect of peer screening is what happens after the sessions are over. Thank-you letters should go out promptly to all who participated. You may also wish to send a statistical summary of the session's results, so that participants feel they were part of a worthwhile endeavor. The sooner the new data is entered into the main database, the quicker development officers can be assigned new prospects and benefit from the momentum created by peer screening.

## **Staff Screening**

If you have the right electronic tools, enough staff, and available time, you can do some screening yourself. If you have entered relevant information into your internal data management system, many options are available. You can bring up reports on persons who have contributed a certain amount annually, live on streets known to contain houses worth \$1 million (or whatever amount you choose), and/or have executive titles like CEO, CFO, or President. Mining data from records should be an ongoing process in most advancement research offices to ensure that no good prospect falls through the cracks. Once identified, these names may be further researched and given to development officers for cultivation.

As you look for prospects in your own system, you are, in effect, screening. You are taking the name of one person, researching, and determining if he or she is a major gift candidate. You may choose to take some names and individually check for them in a CD-ROM or an Internet database, such as the Dun & Bradstreet Million Dollar Directory, which gives information on 1.3 million public and private companies. Such a directory can help you determine which corporate executives are graduates of your institution, live in your city or state, or work for large corporations. Other companies provide databases online for a monthly subscription or per-use fee. With those, researchers can run a check on new prospects as their names become known.

## **Electronic Screening**

Is there a magic technique that will churn out the names of wealthy prospects as fast as development officers can contact them and convince them to become a major donor? Nope. Sorry. Using off-site electronic screening toward that end is a topic that every development staff (and thus, every nonprofit researcher) will eventually consider. Either they will embrace the concept, spend a lot of money on the procedure, then live with the results, or they will ignore the concept altogether.

For organizations that know nothing about their donors except name, address and giving history, a screening can fill in the blanks. It can help them determine who has the financial capacity to make a sizable contribution.

Electronic screening is becoming increasingly sophisticated. Now many databases of wealthy persons can be matched against a prospect list. Some screening companies even attempt to determine a prospect's propensity to

give while showing the ability to give. At best, electronic screening is a quick way for a nonprofit to find wealthy persons in its database of names and to discover connections between those who serve together on corporate boards.

When names on a prospect or donor list are sent to a screening company, they are filtered through databases of persons with stock holdings, real estate, businesses, executive positions, corporate insider status, corporate board connections, and other indicators of wealth. Names are matched for demographic characteristics by zip code or other factors and to biographical directories of persons of achievement. For prospects that are "matches," a profile compiled from the screened databases is sent back to the nonprofit organization. Staffs in the development or advancement office use the returned information to target those donors most likely to respond.

Organizations that hire a company to do a screening often wonder if they really hired the right firm, if it was worth what it cost, and if the information was completely accurate. On the other hand, organizations that don't use a screening company often wonder if they should have used one.

## **Determining Your Needs**

The following questions might be considered to determine if your organization should do a computer-assisted screening of your prospect and donor list. When that decision is made in the affirmative, you will want to ask lots and lots of questions to representatives of companies that do such screening. When the screening is completed, you will need to ask other questions about how to use the new data.

The following questions should be considered--and answered-- the entire development staff:

- What do you hope to accomplish by a screening?
- Are you trying to identify previously unknown prospects or seeking further information on your current prospects?
- Is your database "clean" enough for a successful screening, or is it clogged with incorrect addresses and incomplete names?
- Should you send your list to an address verification company before doing a further screening?
- Are you realistic in your expectations about a screening? Are you aware that not all financial assets can be identified?

- Does your office have sufficient staff to get your lists ready to be screened and to incorporate the new data into your fundraising software database, so that you can make the best use of data received?
- Should you screen your entire database or just selected portions of it?
- Is the development staff enthusiastic about doing a screening and willing to work together toward its successful completion?
- Can you afford to do an extensive electronic screening? Should you consider a partial screening--only for stock holdings, for example?

Because some screening companies use an address to distinguish between persons with the same name, it is essential that the submitted list be as accurate as possible. It's counterproductive, and a waste of money, to submit outdated or incorrect addresses. It has been estimated that the U.S. Postal Service records over 750,000 address changes a month--nearly 9 million annually. Many direct-mail marketing companies will take your list and run it through a program that updates addresses using U.S. Postal Service change-of-address information.

### **Choosing a Company**

Electronic screening is expensive, so make sure the money is well spent. Find out which companies provide what types of screening and get pricing details. Ask a lot of questions. A well-informed representative should be able to answer them confidently and may even suggest ways to cut costs.

Deal with the company rep as a respected colleague. Personality does count. You will need to get along with--and communicate effectively with--the rep. Contacts with the company before you sign the contract should give you clues as to how their staff will communicate with you before, during, and after the screening. If they have trouble answering your questions, or give inconsistent answers, or don't return your calls or e-mails promptly before the contract is signed, things aren't likely to get better once you have signed the contract. Don't expect miracles, but do expect good service.

Here are examples of the kinds of questions you should ask screening companies before you make your decision:

- How will the company assure that the information on your list will not be sold or shared with anyone else for any purpose?
- What is the required minimum number of prospects screened?

- Will the company run a sample test, using some of your names? Can you pick which names you want tested?
- Will the company give you a list of their nonprofit clients for whom they have done previous screenings, so you can get opinions of the company's past performance?
- What databases are matched? Do they own or rent the databases? Are the databases current? How far back do the databases go?
- Can separate services be purchased individually?
- What stock wealth is revealed? Does it include options and vesting schedules?
- How is real estate evaluated? Does it include multiple properties and investment property or just the main residence?
- Can the company find private company executives?
- If Social Security numbers are included for some names, will they be used for definite matches?
- Is there an analysis of inclination to give, or just the ability to give?
- How are persons with the same names distinguished from one another?
- Does the company screen using middle names or initials, if available?
- What demographic factors are used?
- Will you be assigned a representative who will come to your office for a consultation before and/or after the screening? Will that person make recommendations on how to use the data following the screening?
- Will screening results be delivered on a printed list, a software database, or a CD-ROM? Will the results be searchable?
- Will results be delivered in a format that is compatible with your prospect tracking software?
- Can the company databases be purchased on CD-ROMs or online, so research staff can screen prospects themselves?
- Are matches returned in separate tables for sure matches and possible matches?
- What will the screening cost? How is the cost determined?
- What is the turnaround time?

Based on the answers to these questions, other decisions must be made. For example, how much of your list do you want to screen? Because most screening companies charge a basic fee, then charge by the number of names analyzed, you may want to screen all names with the hope that they will reveal some surprises. Consider the following questions:

- If your institution is a college or university, do you want to screen all alumni or just those who graduated more than 10 years ago?

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- Do you want to screen only donors who have given above a certain amount?
- Do you want to screen only new names--for example, names added to the donor list during the last five years?
- Do you want to remove names of those with whom you already have a continuing relationship, such as board members, trustees, and major donors?
- Have you weeded out names that should not be screened--dead people, duplicate names, international addresses, corporate and foundation names?
- Have you run your names through an address update service, such as the NCOA (National Change of Address) service?

### After Screening

When you look back on the entire screening process and analyze whether it was beneficial, much will depend on how your organization used the results. It has been estimated that up to one-third of off-site screenings fail because of poor planning about the use of the results. Before you start, plan how you will finish.

The hoped-for result may be that the screening process will unearth hundreds of persons capable of making a large contribution. If so, your office will need to add those names to your own database system and do further research on each one. A successful screening will allow development officers to prioritize their donor solicitation and concentrate on the very best prospects.

If even a few of those prospects eventually become major donors, the time and money invested in the screening process will almost certainly have been well spent.

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*Helen Bergan, former chief of the biography division of the District of Columbia Public Library, is the author of four books on prospect research, including Where the Money Is: Advancement Research for Nonprofit Organizations, from which this article is adapted. Copyright © 2001, Helen Bergan. Where the Money Is: Advancement Research for Nonprofit Organizations tells how to locate donors using both traditional techniques and the latest technology. It is available for \$45 plus \$5 shipping from BioGuide Press, P.O. Box 42005, Arlington, VA 22204. For credit card orders, call (703) 820-9045. [www.bioguidepress.com](http://www.bioguidepress.com)*

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