

NAPA GROUP RESEARCH



Alumni Association Funding Models: Summary Findings from 20 Universities

39 Pearl Court • Novato, CA 94947 • 415.408.3940 • www.napagroup.com

FINAL REPORT OF FINDINGS

November, 2010

Conducted by The Napa Group and PEG, Ltd.

PROJECT OVERVIEW

As university and alumni association funding resources become tighter and continue to change, one of the front-burner questions today is: “What is the best funding model for our alumni relations activities?” Traditional options includes dues, service fees, university or foundation funding, annual fund support, student fees, affinity relationships and more. The reality is that strategically driven practices and funding models are more important than ever.

A strategic planning project by The Napa Group for the University of Tennessee Alumni Association and a subsequent research project by PEG, Ltd., with Oakland University prompted this survey of 20 public and private institutions. In the process, we also gathered data on several trends that are impacting alumni relations programming priorities, association structuring, communications, and mission and vision. The question about the best funding model is not being considered in isolation – in fact, a number of associations have initiated and/or completed comprehensive strategic planning projects in recent years to tackle these interrelated questions and position themselves for growth and stability for the future.

During March-June 2010, we interviewed heads of alumni associations or alumni relations offices at 20 institutions:

Penn State	North Dakota State University (NDSU)
Lehigh	University of Illinois
Georgetown	Chico State
Duke	George Washington University (GWU)
Oregon State	University of Central Florida (UCF)
Tennessee (UTAA)	Rochester Institute Of Technology (RIT)
Ohio State	Oakland University
UCLA	University of Missouri
University of Virginia (UVA)	University of Kentucky
Mills College	University of Florida

SUMMARY OF KEY FINDINGS

- **The traditional independence of alumni associations at many universities is changing.** While many continue as dues-paying organizations and hold their 501c3 status, they also are strategically creating alignment with institutional leadership, development, and other parts of the advancement operation to increase the broader goal – alumni “engagement” with their institutions. “Interdependence” rather than traditional “independence” is a common theme. Silos are breaking down for the good of the whole.
- **The causes for these changes are many, including two key trends: (1) dues often no longer cover the costs of delivering effective alumni relations and (2) support from university**

budgets, though increasingly important to delivering alumni programs, is in some cases declining or holding steady at the same time that the alumni population is growing. Further, other traditional income sources, such as affinity partnerships (corporate credit card programs) are also disappearing, and alumni associations are taking a new look at more varied sources of income.

- **Perhaps most significantly, this is driving alumni relations offices toward a more strategic focus on priority-setting based on (1) creating and articulating value, (2) positioning for relevancy, and (3) ensuring ROI as defined by the interests of alumni in each institution.**
- **As a result, associations are adopting a more sophisticated market-driven focus** to (1) understand what alumni need and want in their relationship with alma mater and (2) connect alumni programming more closely to institutional priorities.
- **There is no “one size fits all” for alumni programming or funding.** Yet alumni offices are setting priorities and delivering services to their broad constituencies through a smart blend of high-tech and high-touch activities. In the process, they are considering opportunities for innovation as well as traditional activities they must “stop doing.”
- **Metrics matter.** Alumni relations is increasingly being defined as part of the “engagement funnel,” the entry point in a lifecycle of activities (beginning with students) and ideally converting engagement to giving.
- **The umbrella theme that unites all these activities is “the case for investment” – sustainable funding for alumni relations.** The common denominator for success is a thorough understanding at the university level of the importance of the role of alumni relations and the ability of the alumni relations organization to make itself relevant not only to the colleges and other parts of the university but also to the rest of the advancement team and the broader alumni body.
- **A good example of how developing the “case for investment” has paid off is the University of Tennessee Alumni Association, which undertook a year-long strategic planning project in 2009-2010.** Key wins of this comprehensive project include: greater alignment and role definition between the central association and decentralized campus alumni offices; new investments in technology at the system level for the benefit of all to enhance databases for segmented alumni audiences and affinity groups and eventually eliminate “shadow” databases; a new senior-level position for alumni and development communications and enriched collaboration with the central university Public and Government Relations office; and new short-term funding from the university administration along with a plan for achieving long-term institutional support.

THEMES AND TRENDS FROM THE SURVEY

Current funding mechanisms:

- Primarily membership dues (annual and lifetime)
 - Missouri
 - Oakland
 - University of Florida
 - Penn State
 - Ohio State
 - Fees-for-services rendered
 - NDSU
 - Primarily or solely institutionally funded/in transition
 - Mills
 - Lehigh
 - RIT
 - GWU
 - Foundation-funded
 - UCF (in transition)
 - UTAA (in transition)
 - Alumni gifts
 - Illinois
 - Primarily blended sources:
 - Georgetown
 - Duke
 - Oregon State
 - UCLA
 - UVA
 - Chico State
 - Kentucky
-
- **Dues-paying alumni association are relying less on dues to fund their activities.** Certain associations have taken steps recently to change their funding models. The most recent example is the University of Illinois Alumni Association. In addition, UCF is moving from a successful dues-pay model to funding by the UCF Foundation for mutual benefit – to minimize direct competition with fundraising, become more inclusive with the rest of the university, expand foundation outreach to the entire alumni base, and increase focus on building affinity and engagement with all alumni. Other associations express the concern that emphasis on dues undervalues engagement and that alumni are confused about the differences between dues and giving as part of their association or institutional support.
 - **Certain well-established public institutions with robust alumni associations focus on engaging all alumni and conduct this outreach at the same time that they have strong success with a membership-dues structure** – including Penn State, Oregon State, Missouri, Kentucky and the University of Virginia (UVA). They believe this approach provides more stability, autonomy, and leverage. While retaining its independent status, for example, the UVA Alumni Association

collaborates with central development's Office of Engagement in several areas for mutual benefit, including regularly updating contact reports.

- **A wide range of funding sources support alumni relations, depending on the institutional history, culture, and structure** – primarily dues, institutional support, affinity programs, donations/gifts, events, and conference center income.
- **Percentages of institutional funding for alumni relations continue to vary widely.** At Mills College, the alumni relations office is funded 100% by the central administration; at Lehigh, the association (no dues) receives about 85% of its revenues from the university (with events and affinity programs supplying the rest); at Chico State, university support is 50%; at Oregon State, a dues association, university funding is less than 20%.
- **Several alumni associations have built endowments from membership dues, especially lifetime memberships, and rely on that income for operating expenses.** Increasingly they are adding dedicated fundraisers to their own operations to build their own revenue-generating programs that are different from those in the development office (such as association-funded student scholarships or overall endowment growth for various programs and needs). Others say they are considering short-term or one-time endowment campaigns to build a firm funding base for services in demand.
- **Because of reductions in funding, participants at alumni and parent events are increasingly being asked to pay nominal fees.**

Organizational Structure and Integration

- **Alumni associations typically fit in one of three categories with respect to their organization and relationship to the university – dependent, interdependent, or independent. These structures are shifting as funding resources become more critical and as associations are rebranding themselves and reevaluating their mission, vision, and value proposition for the 21st century.**
- Historically independent associations, such as Ohio State this year, are becoming more interdependent with their institutions, to strengthen their collaboration with alumni and the university, to leverage their value with the rest of the institution and its priorities, and to develop more sustainable support for their activities through additional institutional resources.
- At the same time, associations are reevaluating the mission and outcome of alumni relations. At Missouri, for example, the association's mission statement focuses on "time and talent" – "Support alumni in giving time and talent to the university." At George Washington University, the mission also encompasses "treasure" – "Encourage alumni, gather the voice of alumni, cultivate philanthropy."
- **Increasingly alumni relations and development are viewed as part of the same relationship-building spectrum, not as disconnected activities.** Once deliberately separate, there is a greater appreciation of each other's contributions to the whole and respect for the activities. In fact, the traditional terms "friendraiser" and "fundraiser" are thought to be outdated terms but the concept of not confusing alumni relations as strictly a fundraising function is recognized as very important.
- **How advancement offices distinguish the function varies.** At Lehigh, the alumni program is focused on engagement – recruiting and building – and annual fund discovery. At UCLA, at the other end of

the continuum, major gift fundraisers also make sure that donors join the alumni association, if they are not members, as part of the lifetime value of these relationships. At Penn State, there is a high correlation between association membership and giving to the university – in 2008-09, alumni contributed one-third of the total gifts to the university and of that group, 36% were members of the alumni association. In these examples, association membership is purposeful – alumni are cultivated as part of an overall collaborative strategy with development and as one of the first steps in ongoing affinity to the institution itself. This has caused these organizations to align their activities for greater collaboration and interdependence. Studies at Oregon State have shown that dues-payers make more gifts to the institution and the average amount of their gifts is higher.

- **At many institutions, the alumni association or alumni relations and development report to the same person** – for example at UCLA, Penn State, GWU, UTAA, Lehigh, Mills, and Missouri. This is seen as an opportunity to leverage a lifecycle of relationships and, ultimately, financial support to the institution.
- **Restructuring advancement offices is leading to broader collaboration among development, communications, and alumni relations and is accompanied by access to more sustained funding for alumni associations.** Sometimes this is not structural but rather built on strong internal relationships, such as at Oregon State.

Programming

- **Many universities are bringing alumni relations and the annual fund together into one functional area.** Both activities are focused on messaging to the middle and entry level audiences on the development pyramid. Annual fund programs are becoming integrated into alumni relations and/or alumni associations at some public and private institutions, including Missouri, Lehigh, Georgetown, and Mills College. In part this is seen as the front end of the engagement curve that eventually leads to higher levels of giving in partnership with the development office, which typically concentrates on major gifts.
- **Career networking, both for alumni and students, frequently leads the list of programs with an increasingly higher priority for alumni relations,** given the state of the economy, the job market, and the mutual benefits of alumni networking and mentoring. Other top program priorities: recognizing and sharing successes of distinguished alumni through awards and other spotlights, regional events, social networking, athletics-related activities, community service, and student programming.
- **Student programming is gaining ground as a strategic opportunity – not only for “alumni in training” but also for early cultivation of lifetime relationships, including giving.** Ohio State calls it “investing in the future.” At UVA, for example, students receive association membership and benefits free while they are students, and then are given another seven years upon graduation to complete paying their \$450 lifetime membership in the association. This early focus has helped the association grow to 54,000 lifetime members (for a onetime fee of \$450) versus its 4000 annual members who pay \$35 a year.

Governance

- **As alumni associations conduct self-studies to benefit from governance best practices, there is also a trend toward requiring donations by alumni board members** – at any level (Georgetown) or at a minimum level (\$1000 at Oregon State and \$500 at UCF). Other associations strongly encourage but do not require giving (Chico State, Duke, Illinois, Lehigh Mills, Ohio State, NDSU, Kentucky, UVA).

Other

- **Associations are becoming more data-driven in all respects, with an eye on measuring ROI, setting priorities, and proving the value of their mission, vision, and programming.**
- **Objectives for alumni communications activities are undergoing changes as association mission, vision, strategy, and structure within the institution evolve, and the balance between print, electronic, and social media is also changing.** While we did not dig deeply into this issue, the survey found an increasing trend toward segmenting alumni marketing messages along with these overall messaging priorities: awareness of the institution, its priorities, and its successes; awareness of the association and its benefits; ways to engage with the association and the university; career and business networking activities; association-only activities; and broadcast emails/newsletters for campus, regional, and chapter events.

THREE TOP PRIORITIES OR SUCCESSES IN THE VALUE PROPOSITION

Having established the various funding mechanisms, we also asked the institutions to describe how they spent their revenues. Their responses indicate that their decision making is driven increasingly by (1) creating and articulating value, (2) positioning themselves for relevancy, and (3) ensuring ROI, although their spending priorities varied widely – from staff and operations to scholarships, reunions, communications and the magazine, travel and education, other events, student programming, and miscellaneous forms of outreach.

So we asked them to state their top two or three priorities or what they do best, which provided a clearer picture of how their funding mechanisms advanced their strategic direction. Again, there was wide variation but also some common themes among those who responded to this question:

- **Chico State:** Communications, engagement, fundraising
- **Duke:** Connect Duke alums with each other and Duke students with the institution, high-caliber and meaningful programming, engagement
- **Georgetown:** Engaging more alumni, deepening relationship between alumni and alma mater, engaging alumni through specific and tailored programming
- **GWU:** Strategic communications, career services, grassroots requests
- **Illinois:** Lifecycle of affinity, advocacy, career services
- **Kentucky:** Engagement, connection with each other, support for the university
- **Lehigh:** Career networking, student/young alumni programming, traditional class-based reunions

- **Mills:** Increasing engagement overall, including annual fund participation; more successful reunion programs; educating the students about the importance of giving back
- **Missouri:** Student programs, communications, membership
- **NDSU:** Strategic communication, student engagement, services (career and grassroots requests)
- **Oakland:** Lifelong connections, contribute to association and university brand awareness, new funding resources
- **Ohio State:** Good value proposition for alumni, expand alumni engagement, voice of alumni to university
- **Oregon State:** Communications, membership program, programs of increasing value and engagement with university and each other
- **Penn State:** Membership growth that allows more programs and services, student and young alumni relationships
- **RIT:** Helping development raise \$50 million/year, staff retention for long-term relationship-building
- **Tennessee:** Engagement, legislative advocacy, volunteer leadership for university
- **UCLA:** Strategic marketing community, engagement, being seen as experts in alumni relations
- **UCF:** Consistent communications, right messaging, increasing sponsorships and affinity programs
- **UVA:** Engagement, high-value programs, volunteer training and support