Alumni Engagement Done Right:
Sponsoring Collaborations for Success

Alumni Engagement is only one variation of the very long list of engagement domains in which institutions, employers, retail companies, etc. are competing to capture the attention, commitment, and long-term relationship of people they have interactions with.

Colleges and universities working to secure the engagement of their alumni are at a disadvantage for multiple reasons. Their business model is built on a single, non-repeatable transaction, as most people are students only once. The cost of tuition is high enough to be considered by most as fully covering the value of education received, leaving little reasons for alumni to continue with donations. As most of the alumni end up with increasingly higher education loans and lower prospects of paying them off, they will have limited disposable income for donations. .Also, as alumni are pushed out the door, many other organizations and businesses will compete ferociously for their relationship and for their money.

This whitepaper discusses some innovations and strategies that can help educational institutions to *improve the retention of their alumni* by using a natural advantage that they have over everyone else: Colleges and universities are a tremendous source of highly skilled talent, which constitutes an essential ingredient in building successful ventures. By actively enabling and supporting their alumni to become more successful through powerful partnerships within their community, the educational institutions can secure a very powerful engagement bond to their alumni - leading to donations proportional to the success of their alumni.

The Case of a 300 Million-Dollar Donation

"Because when you're old and lonely, you'll get mail from your alumni association. That's why you need to graduate from college."

It happened at my school, The University of Chicago Booth School of Business. The school received the biggest donation at that time (in 2008) from an alumnus who attributed his success to being a student there.

David Booth went to Chicago GSB in 1971, and met there his future business partner Rex Sinquefield. Ten years later, in 1981, they launched the hugely successful Dimensional Fund Advisors investment firm, which enabled David Booth to make such a sizeable donation, some twenty-five years later.

This should be the best example of an alumni success story, one that had a very considerable impact on the alma mater itself. It should be used as a model for other schools, who should try to empower their alumni, and continue investing in them and supporting them to launch successful careers and ventures. And while not every alumnus might end up on a success scale as Mr. Booth above, the school's effort in helping their alumni towards greater success will definitely earn schools very high levels of engagement, as a measure of the alumni's appreciation.

Current Trends in Engagement Strategies

Education institutions use two main strategies for developing and maintaining their alumni's engagement. One is to *inform* the alumni about notable school, teachers, and alumni news. The other is to *organize events* that both popularizes school research and facilitates *community building* through inter-personal networking.

These efforts are generally coordinated by the Director of Alumni Engagement, and often other departments, organizations, and groups within the schools contribute to this effort as well. The end goal is to funnel as many alumni as possible in school-related activities, and to keep them connected and involved, as this is generally conducive to donations. On the donations side, the development officers are employing multiple tools of various degrees of sophistication that classify, build personas, score and identify various donor profiles and their triggers that result into a higher probability and quantity of donations.

These processes described above are a fairly accurate replica of a sales funnel, with marketing strategies applied to alumni acquisition, and sales strategies driving the donation phases. Some of the more sophisticated institutions even use *marketing automation*, employing technology and data science tools to optimize their funnel.

Our position is that using marketing automation will definitely give colleges and universities *some* advantage in capturing their alumni, especially in today's world of marketing-automation-driven customer acquisition. However, these approaches have several shortcomings, and they will *have to be complemented by specialized engagement strategies and tools*, uniquely designed for the specifics of education space.

Factors that affect a marketing-automation-driven alumni engagement solution

While the trend is showing that more and more institutions will adopt marketing automation tools and strategies, the reality is that their effectiveness is likely to decrease, and that there will be significant churn in all the stages of the pipeline, as illustrated in Fig 1

The major reason for the shortcomings of a marketing automation strategy is the distinctive nature of the end goal. In retail these strategies work great because the product and the end goal have a very practical nature, the convenience of making a new transaction., In an educational setting, the end goal of engaging people has a very emotional nature, and it has to be developed using emotion-driven mechanisms and solutions, not automation..
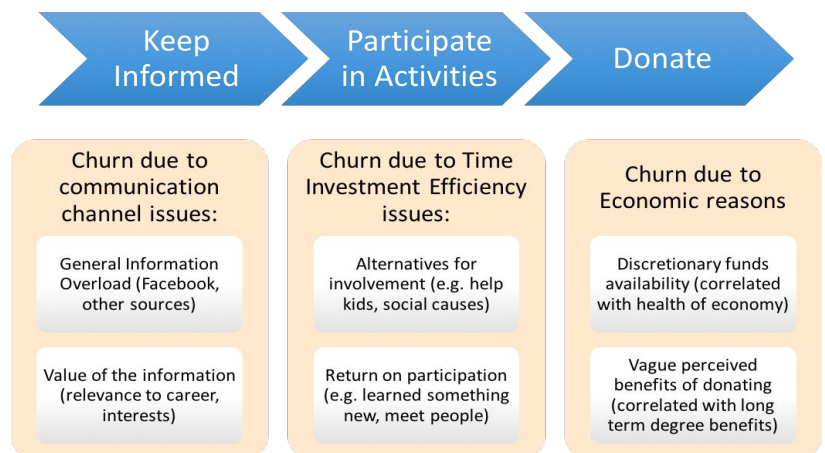

Fig. 1 Alumni engagement funnel, with step-specific shortcomings

One of the effectiveness measures applied to the retention of customers (in our case of keeping alumni engaged) is the *churn*. Churn measures how many customers have been lost in a period of time.

We discuss the churn factors that emerge in an education-specific marketing funnel (see Fig. 1), with the goal of introducing the corrections that need to be put in place by a custom mechanism designed for alumni engagement.

Factors that affect the information strategies of the first stage of the pipeline are mainly clustered around the information overload fatigue, caused by the overwhelming amount in information of today's digital world. Success factors that reduce churn at this stage are related to the value of the information received by the audience, and the obvious *solution is information and interaction personalization*.

Regarding the second stage of the pipeline, focused around activities, the churn is caused by the return value on the participant's invested time. People participate in activities as long as they perceive it as a positive experience and time investment. As time is usually the most valuable commodity, especially for people with high potential, a better engagement *solution* will have to *match* the participant's value of their committed time to the *take-away value* from the event or activity. In other words, we need a precise *skill and interests matching* to ensure an equitable time-value transfer at these activities.

The most critical component of the pipeline is the last element: the place where the money is exchanged, where the alumni make their donation. In the case of the educational domain, this stage is affected by powerful economic trends that lead to increasing levels of churn. The major factor for this is the state of the US consumer's finances (at the moment of writing this white paper - in 2017), which is not very rosy. With the education costs growing disproportionately faster than the other household costs, e.g. the consumer price index (see Fig. 2), there has been a very noticeable increase in the debt levels of young graduates.
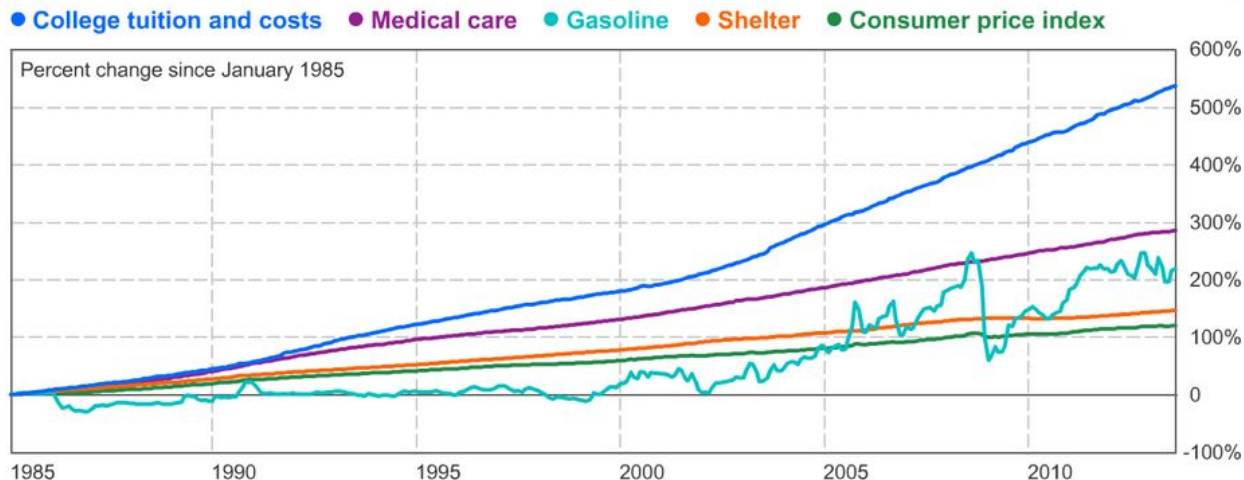

Fig. 2 Education costs grew disproportionately compared to other household expenses

Consequently alumni end up with increasing levels of debt, that are serviced harder by their stationary incomes, hence putting a strain on their discretionary funds available for donations.

In addition to the decreasing of the discretionary purchasing power of people, the high costs of education, in conjunction with technology platform innovations have led to the emergence of the online education solutions (Coursera, Udacity, etc) which will further cannibalize on the classical college candidates and their potential donations..

In a world with decreasing participation in a traditional education program, and with reduced purchasing power, the solution that we foresee will need to *help the alumni become more successful and grow their net worth and potential for donations*.
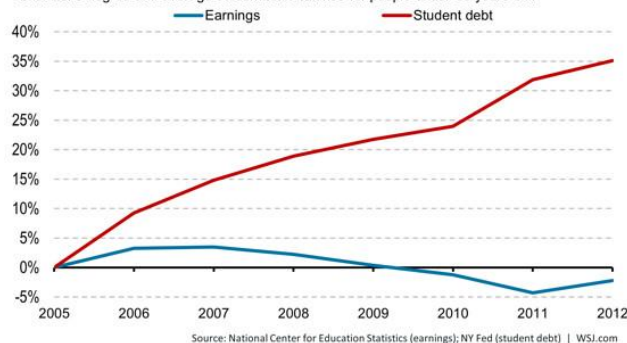

Fig. 3 Student debt growth compared to earnings growth

Redesigning Engagement Solutions

Evidence from surveys shows that while there are very encouraging donation participation rates (somewhere between 20-40%), especially at the medium-to-highly engaged end of the distribution, there is also a very high potential for engaging more people (fig. 4), who feel they could be more engaged, given the right mechanisms and avenues.

Also donation capacity estimates (Fig. 5) show that there are inefficiencies in reaching the potential levels of donations - most likely due to the motivations and incentives associated with making those donations. Given the $300M donation example in the beginning of this white paper, it is conceivable that the donations will be higher when the donor's success and wealth is more heavily determined by their alma mater.
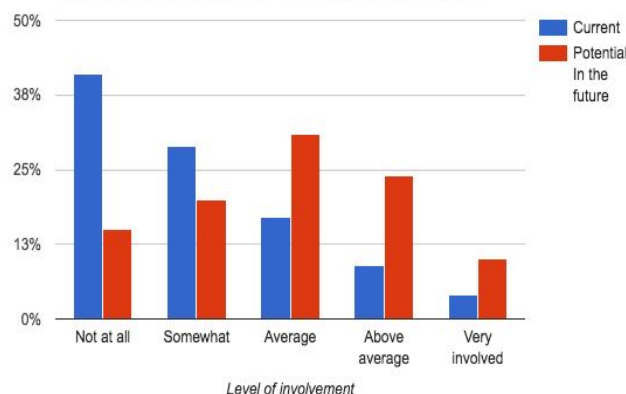

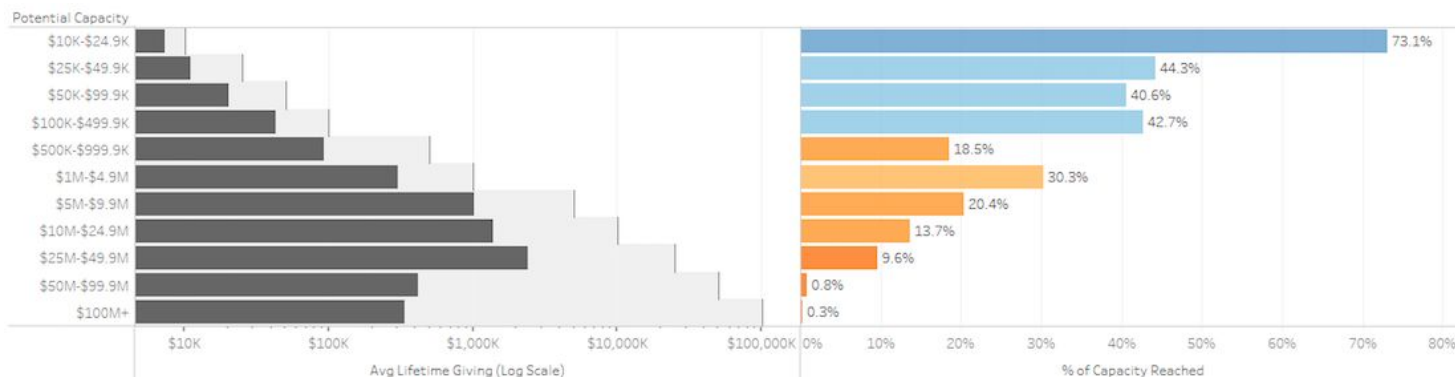Fig. 4 Levels of involvement: current, and future potential

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Fig. 5 Potential for donations at different wealth levels

Our proposal to complement marketing-automation strategies with *matchmaking tools* that *actively help alumni become more successful* is ideal for the Alumni Engagement, Development, and other centers, institutions and administrative departments. Such a continuous investment on behalf of the school will signal alumni that the education received from their school is only the first step in a life-long relationship, which will definitely elicit the emotional response, commitment and engagement that will lead to donations. This is a "*pay it forward*" strategy, that is proven (by game theory) to have the best payoff.

In practice, we designed a **specialized "engagement channel"** which addresses the factors mentioned above, such that it aligns with the ideal engagement experience that alumni expressed in the aforementioned surveys. From the alumni feedback on the features of an ideal engagement mechanism (Fig. 6), it is apparent that what is needed is a *targeted mechanism of discovery of shared interests*, such that the interaction with the other members of the institution is precisely targeted and highly rewarding for all the parties involved in it. This covers both the personalization requirement and the value-delivering matchmaking requirement which we identified as weaknesses in the current alumni interaction strategies.

Furthermore, applying the matchmaking solution such that it enables the *creation of partnerships within the alumni community*, has the potential to lead to successful ventures that can benefit all the parties involved. This will result in the alumni's increased wealth and career success, and will provide them with additional resources (and incentive) to contribute with donations to their Alma Mater.

It is recommended that education institutions start applying this mechanism at every potential occasion: from targeted, special topics events, to the broader audience across the school, and from tightly knit incoming cohorts to potential collaborations across universities. This is an iterative process, which needs to be applied across multiple groups, at different occasions, and which will complement the existing communication and activity engagement strategies. As partnerships emerge from the process, so shall increase the level of alumni engagement.
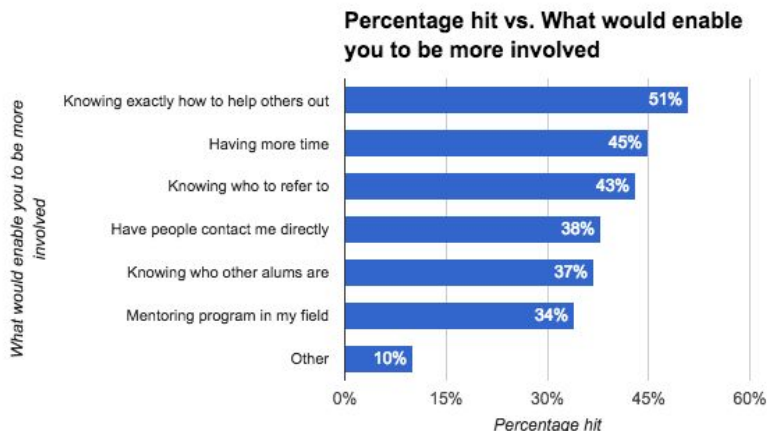

Fig. 6 Activities more conducive to engagement

With team composition being the top success factor for new ventures, and with an amazing pool of talent available to colleges and universities, the availability of a scalable and accurate solution that identify those successful partnerships across your whole alumni community should be a very powerful tool in the education institutions' toolkit of alumni engagement.

We encourage you to think more about your alumni's success - and they will remember (and reward) you in return.

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