



# How to Use Data to Engage and Upgrade Donors

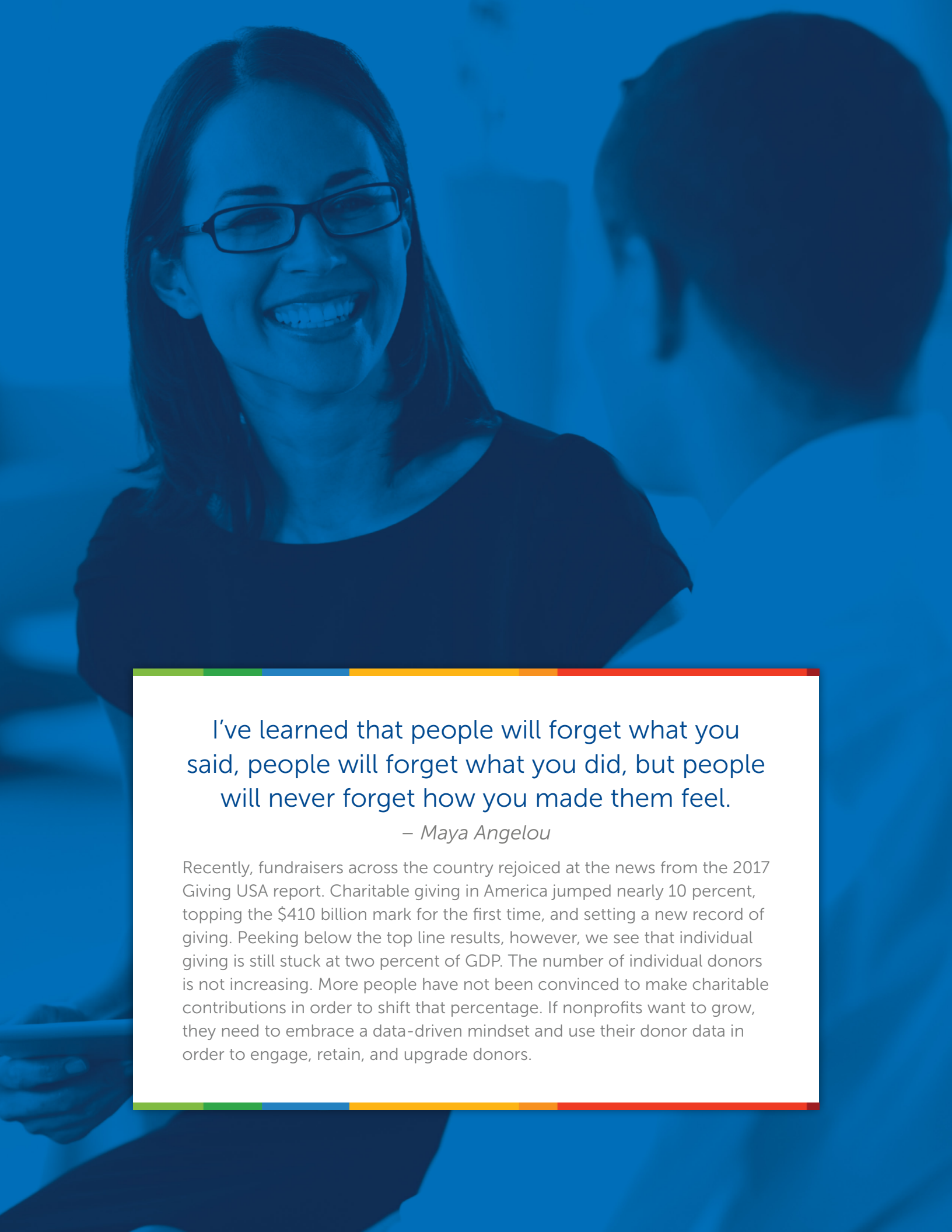
# Table of Contents

What the Data Shows .....	4
Understanding Your Current Donors .....	6
Cultivating First-Time Donors .....	8
Reengaging Lapsed Donors.....	9
How to Retain and Upgrade Donors .....	11

## ABOUT NETWORK FOR GOOD

Since 2001 Network for Good has been instrumental at helping tens of thousands of nonprofits raise more funds by engaging supporters and donors in a more meaningful and impactful way. Refreshingly easy to use Donor Management Software, Fundraising Pages, and Personal Fundraising Coaches provide nonprofits with a complete fundraising solution, reducing their need for disparate systems, saving them time and enabling them to raise more funds to support their mission.





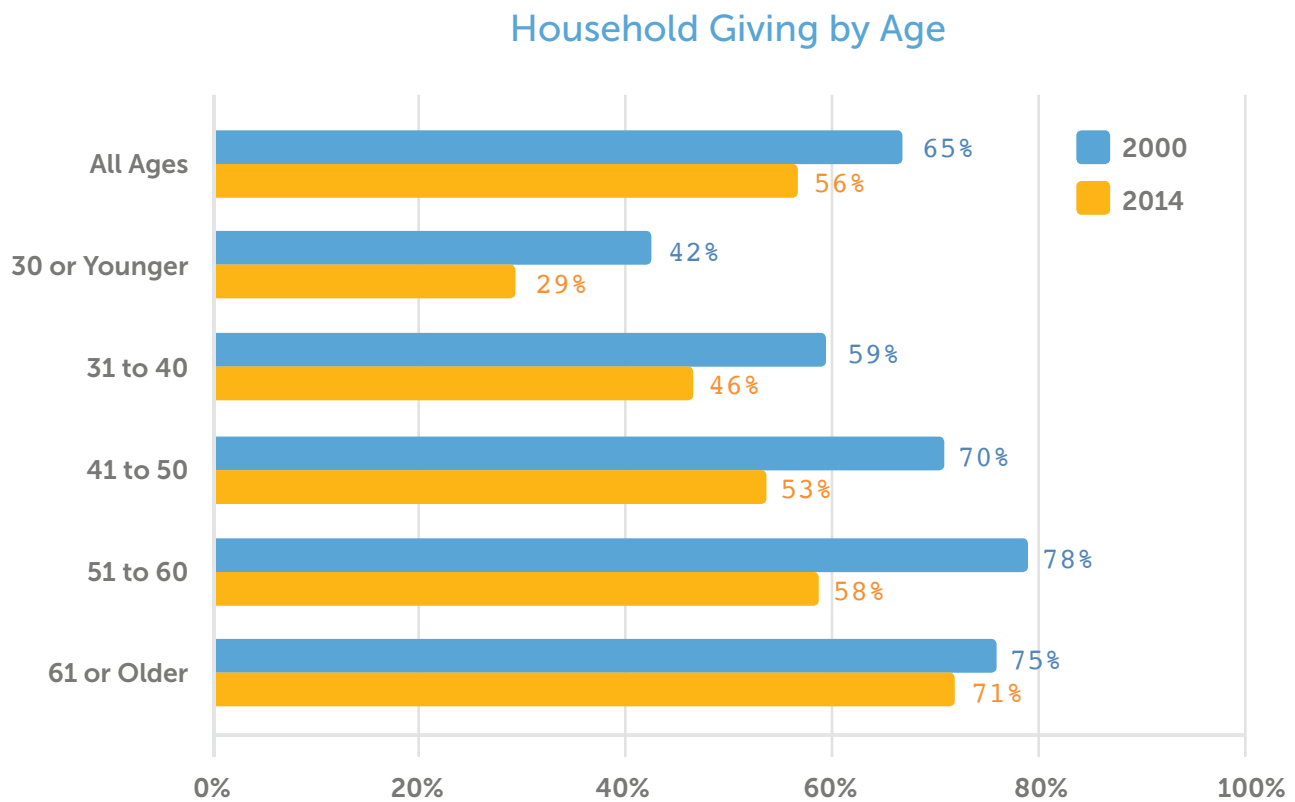
I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel.

– *Maya Angelou*

Recently, fundraisers across the country rejoiced at the news from the 2017 Giving USA report. Charitable giving in America jumped nearly 10 percent, topping the \$410 billion mark for the first time, and setting a new record of giving. Peeking below the top line results, however, we see that individual giving is still stuck at two percent of GDP. The number of individual donors is not increasing. More people have not been convinced to make charitable contributions in order to shift that percentage. If nonprofits want to grow, they need to embrace a data-driven mindset and use their donor data in order to engage, retain, and upgrade donors.

# What the Data Shows

Dig deeper into the data and you will see that the number of donors is actually declining. According to Indiana University's Lilly Family School of Philanthropy, 56 percent of American households made a charitable donation in 2014, down from 66 percent in 2000. Giving declined across every age group and demographic, and most among donors aged 51-60 years old—the “ideal” age for major donors.



Source: Indiana University Lilly School of Philanthropy

Compound this with the average donor retention rate stuck at about 45 percent, according to the Fundraising Effectiveness Project. What is a nonprofit to make of these two concerning data points of decreasing donors and stagnant retention rates? Take a hard look at how your fundraising is trending and use simple-to-calculate data to focus your limited bandwidth and staff resources on the groups and activities that will yield the best results.



## Not All Donors Are Created Equally

Every one of your donors is special and important. But if you are a small development team, there is no way you can possibly focus equal attention on every single donor.

**Job #1** is keeping as many donors as you can each year.

**Job #2** is increasing revenue from your donors.

Simple analysis of the data in your [donor management system](#) (DMS) can help you prioritize three core segments that, if engaged effectively, can help you build stronger relationships with your organization.



Ask us about using your DMS to analyze your donor data.



# Understanding Your Current Donors

This seems like a no brainer. Besides watching how your current fiscal year revenue is tracking against previous years (quarterly comparisons can help you measure if you're on course), you also want to understand how your donors are feeling about their experience with your nonprofit. The more connected they feel to your organization, the more likely they will become long-term donors, and even increase their giving over time. Three metrics to track regularly are:

## Donor Retention

Fundraising success isn't just about how much money you raise. It's also about how many donors are staying with you year in and year out. Do you know how many of your donors you're retaining year over year? If your average donor retention rate is less than 50 percent, you want to be sure you're doing everything you can to keep every single donor. If you don't know what your specific retention rate is, now is the perfect time to calculate it. Divide the number of donors two years ago by the total number of the same donors who gave again last fiscal year. Multiply that number by 100 and you have your donor retention rate.

$$\frac{\text{2016 Donors Who Gave in 2017}}{\text{2016 Donors}} \times 100 = \text{2017 Donor Retention Rate}$$

## Lifetime Value (LTV)

Next, what's your donors' worth over their lifetime supporting you? As explained in this blog post from [Fundraising Report Card](#), LTV is a prediction of how much money you can expect a donor to give over the course of their lifetime. You can either calculate it for your aggregate donor groups or for different segments. In fact, calculating the LTV for various donor groups can show you where your time is best spent. Knowing each donor's lifetime value can prove what revenue you risk losing if you don't steward your donors. To calculate a donor's LTV, you'll need their estimated lifespan, average donation amount, and donation frequency.

$$\text{LTV} = \text{Estimated Lifespan} \times \text{Average Donation Amount} \times \text{Donation Frequency}$$

## Giving Trends

Drill down further and look at what levels your donors are giving. While you're tracking how many donors you are keeping, you also can look at their average gift amount from year to year. Is the average gift increasing? Decreasing? Staying the same? To calculate average gift, take the total revenue in a fiscal year and divide by the total number of donors that year. That's your average gift. Factor that number for a few fiscal years to look for your trend line. If the amount increases over time, that means your donors are connecting with your mission and making larger gifts. That's great! If it's decreasing or staying flat, consider incorporating more personal outreach. Custom questions, [donor surveys](#), and personal calls are great opportunities to learn more about your donors.

$$\frac{\text{2017 Total Revenue}}{\text{2017 Total Donors}} = \text{2017 Average Gift}$$

One additional point about giving levels: it's useful to examine what dollar ranges your donors' gifts fall into. Use the filters in your donor management system to run a report that breaks down total giving in categories such as \$1-\$99, \$100-\$249, \$250-\$499, \$500-\$999, \$1,000-\$2,499 and so on. Save these giving filters so you can pull this report on a regular basis. By looking at giving in these categories you can start to see a few important guides.

First, you now know where you need to focus on motivating your donors to upgrade their levels of support. Personalize your communications and outreach to encourage increased giving to the higher category. Incorporate tailored ask strings in your solicitation letters to promote an increased gift. Create a giving circle and invite donors to join by making a stretch gift that they can pay through monthly giving. If you don't have a monthly giving program, download Network for Good's [Quick-Start Guide to Monthly Giving](#) to learn how you can incorporate it into your fundraising strategy.

According to the Fundraising Effectiveness Project, monthly donors have an average 90 percent retention rate. And this trend is becoming standard. M+R's 2018 [Benchmarks Report](#) discovered that revenue from monthly gifts rose by 40 percent from 2016 to 2017, and monthly giving as a share of all online revenue rose from 14 to 16 percent.

Second, seeing how gifts break down also defines where your mid-to-major gift range is for your organization. You may be surprised that the levels for a mid-level and major gift are higher than you thought.

# Cultivating First-Time Donors

How often do you hear from your executive director or board that all your fundraising woes would be solved if you only had more donors? The truth is that getting new donors is:

- **Expensive.** It costs anywhere from \$.25-\$1.50 to raise \$1.
- **A Slow Return on Investment.** Acquisition campaigns have a very low ROI of \$1<sup>1</sup> which is why they can't be done just one-time.
- **Unsustainable.** Only 23 percent of first-time donors ever give a second gift.<sup>2</sup>

That is an awful lot of work to merely break even or see a slight loss each year. On the other hand, with careful and consistent attention paid to your first-time donors, you can directly change the likelihood that they will make a second gift. Once they make a second gift, their retention rates increase significantly.

On a weekly basis, run a report to see who your new donors are. Call them personally, or recruit board members to call them to say welcome and thank you. The simple act of a phone call by a board member is a powerful gesture, as Penelope Burke's *Donor-Centered Fundraising* revealed.

**95%** of donors who received a thank you call from a board member said that they would definitely or probably give again.



**84%**

said they would make a larger gift.



**75%**

would continue giving indefinitely.

Plan a special set of touchpoints for your first-time donors. Including a welcome kit, a personal phone call, targeted letters and email updates within the first two months will be like open arms for your new supporters. After a few months, you can follow up with another solicitation, but ONLY after you've reported on how much of a difference their gift had on your mission and how awesome you think they are.

<sup>1</sup> DMA 2013 Response Rate Report

<sup>2</sup> Fundraising Effectiveness Project. 2017. <http://afpfp.org>.



# Reengaging Lapsed Donors

Studies consistently show that donors will stop giving if they don't know that their gift made a difference in your mission. Lapsed donors are, by definition, donors who are no longer giving to you. Generally you don't need to go back farther than a few years. The longer they have not given to you, the less likely they will reengage.

To help donors understand the importance of their gifts to you, answer these core questions in all donor communications:

- Why is this gift needed now?
- What will happen if your organization doesn't do this work?
- How will the donor be part of solving a problem?

A contributing factor to losing a donor's interest is not just what you say to them, but how you say it. Personalization in donor communications no longer means just inserting your donor names in a salutation. It goes deeper than that. Do you know your donors' interests, and, in particular, what they want to know more about your organization? Do you know what they think about your communications? And how often they want to hear from you?

Now that you know how to keep your donors, what do you do when they've stopped supporting you? What does your data tell you?



## Find out who your lapsed donors are.

First, pull a lapsed donor report to learn more about who stopped giving to you. Look at your LYBUNT donors—people who gave “last year, but unfortunately not this” year. Did they give one gift and never felt inspired to make a second one? Or were they donors who supported you over several years and then stopped? If they made repeat gifts to you over a period of time prior to their lapse, that’s even more reason to reach out to them.

## Ask them what happened.

Segment your lapsed donors into first-time donors and those who gave multiple gifts. For donors whose lifetime value is higher, make personal calls to show them you miss them. Make sure it’s clear you miss them—not their money.

Involve your board members and senior staff to make those calls. Even if you end up leaving a voicemail, the personal touch will let donors know they were a big part of your success, and that you hope to meet or talk with them to thank them.

Create a survey for your other lapsed donors. Ask them about their reasons for supporting you, what they liked learning about your organization, whether they realized they hadn’t made a gift recently, causes for no longer supporting you, and factors that could inspire them to give again.

## Ask for one more chance.

Before you write these lapsed donors off completely, continue to include them in your communications and solicitations for a little while longer. But only after you’ve reached out via phone, mail, and electronic survey to tell them you’ve noticed they’re not around. Reference how much of a superstar they were to get you to this point. Talk about what you’re doing as an organization, where you want to go, and why they’re still needed as part of the solution you’re creating.



# How to Retain and Upgrade Donors

Once you've done your research and have segmented your lists into current, lapsed, and new donors, put together a plan for how you will create meaningful donor experiences for each of these groups. Make your donors feel like the superstars they are. Like heroes. Like collaborators in your success. After all, without them, you couldn't do your work.

We know that one of the top reasons donors give is to feel like they are making a difference. They want to have an impact. Transparency and accountability are key in donor communications. Share with your donors where their money is going, how their gift made a difference, and how much they matter to you.

Use these three essential anchors in your donor communications strategy:

- Personal phone calls.
- Relevant notes and letters to targeted segments.
- Regular updates about your work, the community you serve, and who makes it all possible (staff, volunteers, board, donors, etc.).

Weave individual success stories into your calls, letters, and newsletters to illustrate how well your nonprofit is fulfilling your mission.

Due to your limited time and bandwidth, don't try to steward each individual donor. Rather, focus on creating a tailored, personalized stewardship plan for specific groups of donors such as:

- Major donors and/or your larger annual donors.
- Long-term donors (any gift level).
- Largest cumulative amount over their lifetime.



**Ask us about segmenting your donors to boost engagement.**



Running reports from your donor management system can help you segment your attention. Be sure to also include your lapsed and first-time donors.

Use these methods to steward each individual group:

- Call and write them in order to get to know them better.
- Ask specific questions to better understand what values inform their giving decisions.
- Don't be afraid to ask them what they like and don't like about your organization.
- Offer them additional ways to be involved with your nonprofit.

Start small. Concentrate on the top 10-15 of each group for your personal attention. Grow your stewardship efforts as you can.

Other ways to bring donors closer to your organization include site visits and 1-on-1 meetings to share accomplishments and thank them in person. Host a "behind-the-scenes" event in which your donors can meet key staff, beneficiaries, and experience first-hand how much they mean to your organization. Use those more structured events to create mini "mission moments" where your attendees understand and learn about your organization before, during, and even after the event.





## Donor Management Made Easy

Fundraising is not just about raising money. It's about creating ongoing conversations with donors that inspire them to continue to invest in you. With your limited time and bandwidth, embracing data-driven fundraising will help you understand where you need to focus your time so you can be more efficient and effective in the long run.

[SCHEDULE A DEMO NOW](#)

