

What No One Is Telling You About Your Donors

They might not donate next year

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What Do You Mean My Donors Won't Donate?

Think about it. How many of your donors from five years ago donated to your cause this year? Three years ago? Last year? Do you know why your donors gave in the first place? Have you spoken to your top donors? Do you know your top donors?

Although fundraising can often be the toughest and least desirable part of the job for many nonprofits, it is necessary and important. The central purpose of your nonprofit is to fulfill its mission, but you won't have much luck serving your community without the funding to do so. If you haven't put much thought into creating solid and lasting relationships with your donors, then you need to make it a priority. Today.

How Do I Keep My Current Donors?

In the for profit world, one of the costliest processes in the business cycle is finding new customers. It is much cheaper in terms of **time** and **money** to simply retain a customer than find new ones.

The same can be said for nonprofits. It is easier to maintain current relationships, than to cultivate new ones. Nonprofit organizations should make it a regular habit to look at their donor retention rates and set new goals and targets on a quarterly or yearly basis. Donor engagement and retention can be solved through proper performance management and stewardship.

What The Research Says

The Association of Fundraising Professionals (AFP) and Centre on Nonprofits and Philanthropy have worked together since 2006 to create a report called the Fundraising Effectiveness Project. Some findings from the 2016 FEP Donor Retention Supplement report are as follows (see fig. 1);

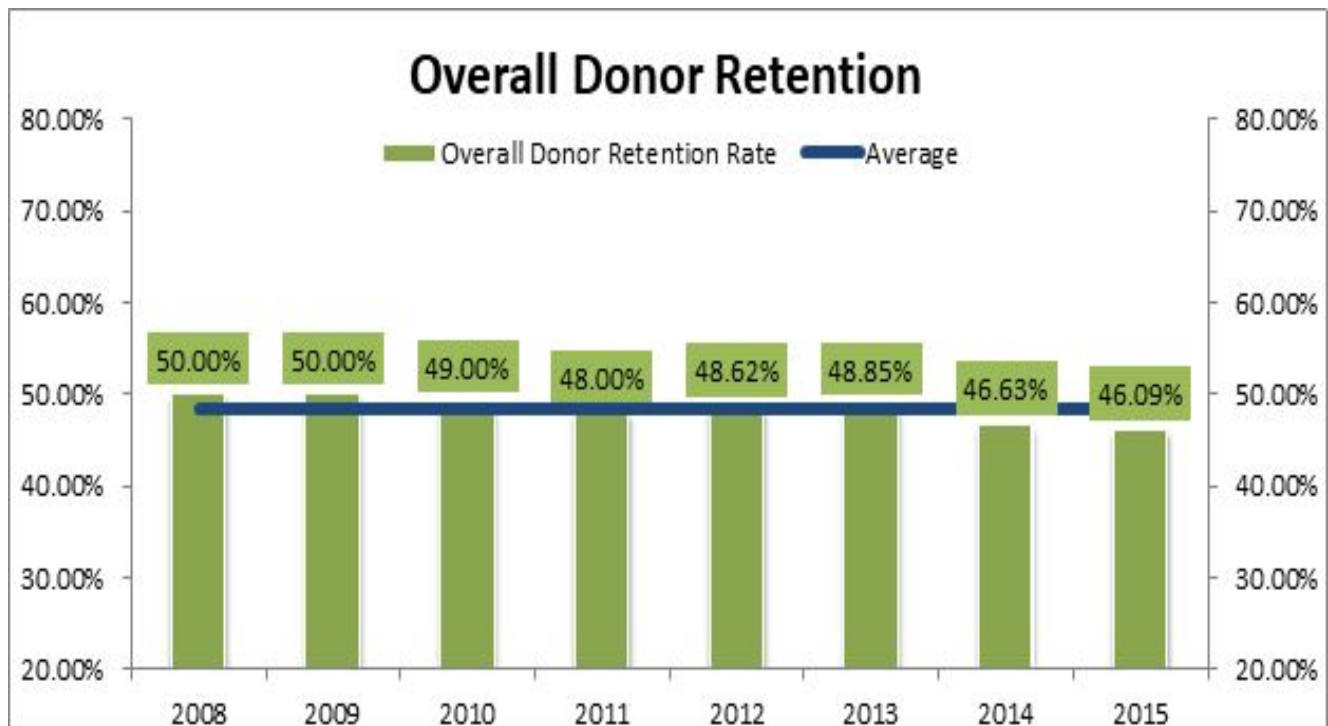


Fig 1. 2016 FEP Donor Retention Supplement, Author: Ben Miller , Contributions by: Bill Levis, Heather McGinness, Nathan Dietz, Cathy Williams, Michael Nilsen, December 31, 2016

As you can see in the graph, the overall donor retention rates have declined from 50% in 2008 to just over 46% in 2015. A 4% drop may not seem like much to most, but Michael J. Rosen, President of ML Innovations, Inc., and AFP Certified Master Trainer thinks differently. In a 2017 post he shares the following:

Individual charities are losing massive amounts of support because of feeble donor-retention efforts. The report mentions that increasing an organization's donor-retention rate by just one-percentage point can have a significant impact in just one year. Organizations of \$500,000 to \$1 million in size would see a single-year gain of \$11,759. Organizations over \$5 million in size would see a single-year gain of \$186,873. These numbers don't even reflect increases to the lifetime value of donors nor do they reflect the long-term impact that the increased retention rates can have on major gift and planned gift fundraising.¹

¹What are the Obstacles to Improving Donor-Retention Rates?, Author Michael J. Rosen, February 1, 2017, <https://michaelrosensays.wordpress.com/2017/02/01/what-are-the-obstacles-to-improving-donor-retention-rates/>

The Importance of Tracking your Retention Rates

Retention rates are a simple calculation; however, they can make a big impact in your organization. Let us look at an example:

If 500 people donated to your cause in 2017, and 125 of those donated again in 2018, that means 375 of your donors stopped contributing. That is a 75% attrition rate. The remaining 25% makes up your retention rate. However, if we assume that the retention rate is constant, and multiply the retention rate by the number of donors left, this is what happens over a four year period:

Year	Starting # of Donors	Retention Rate	Donors Remaining	Average Donation	Donation Amount
1	500	0.25	125	\$50	\$6,250
2	125	0.25	31	\$50	\$1,550
3	31	0.25	8	\$50	\$400
4	8	0.25	2	\$50	\$100

We Lost How Much?

Almost none of the initial donors from year one, donate four years later. Big trouble for this organization!

In addition, if the average donation is \$50, we will drop from \$6,250 in year one, to a mere \$100 in year four. As an organization, can you afford to leave that kind of money on the table?

Failing to Plan is Planning to Fail

It is important for your nonprofit to set goals and look at your stewardship model to ensure that you are keeping donors engaged in your cause. You can ensure that donors contribute year after year, and your goals will guide you on where to allocate your resources. If you feel that your donor retention is too low, it important to build the relationship with your existing donors. Once you make that a standard practice, donors will continue to invest in your organization.

“Improving donor retention by just 10% can double the lifetime value of your donor database!”-- Dr. Adrian

Sargeant, Director of the Centre for Sustainable Philanthropy at the University of Plymouth

What is Donor Stewardship?

Stewardship is a fancy way of saying how to manage donors and their preferences after they have made a gift to your organization. To say it even more plainly, stewardship is about keeping our promises to donors.

If someone were to give you a large gift, like a brand new car, you would probably let the person who gave it to you know how things are going with the car over time, and say thank you many times over to show your appreciation.

Likewise, donor stewardship includes four pillars:

- Acknowledgment - thanking your donor **promptly** after receiving the gift. For example, a thank you letter.
- Reporting - letting the donor know that you used their gift the way you said you were going to, and demonstrating the **impact** of their giving.
- Recognition - demonstrating an **appropriate** level of appreciation for the gift. For example, displaying a donor wall.
- Engagement - finding ways to keep your donor **up-to-date** and **interested** on the activities of your organization. For example, inviting the donor to upcoming events.

Not every gift to your organization needs to include all four pillars; however, organizations with strong stewardship plans position themselves for building long-term relationships with donors.

The Importance of Saying “Thank You”

Those two little words can go a long way in building relationships with your donors. Every current donor to your organization should receive a thank you that promptly follows their donation, and is appropriately customized according to their giving level.

An important best practice is for charities to define what constitutes a major gift. For example, if a major gift to your organization is defined as \$5,000, donors who have contributed at this level should receive a much more personalized thank you.

The goal is not to treat larger donors better than smaller donors, but to recognize that they may be more invested in your mission. Seeking input from these larger donors may go a long way in creating consistent funding to support your organization's work.

- For donors that contribute at a lower level, stewardship should be **highly automated**. Administrative level staff can perform the functions of recognizing these gifts. Any reporting can be general.
- For donors that contribute at a higher level, stewardship should be **highly personalized**. Higher level staff/volunteers should perform the function of recognizing these gifts. Reporting should be specific to the preferences of the donor.

Celebrate Good Times!

We all love celebrating milestones. Whether it is a milestone birthday, special anniversary, or years of employment. Find the same opportunities to celebrate milestones with your donors by recognizing those who have generously supported your mission for many years.

For example, you may have a donor who has given you \$100 annually for the past 10 years. Even though your organization may not recognize the amount of \$100 as a major gift, this individual has given your organization \$1,000, and consistently supports you annually. So, this person should certainly be identified as someone who is connected with your mission, and should be invited to engage more deeply with you.

What's Your Preference?

Some donors do not appreciate any public recognition, and their wishes must be respected. Other donors prefer public recognition. For example, many organizations consider public recognition as part of their marketing and publicity campaigns. Never make assumptions and always allow your donors the opportunity to remain anonymous.

Organizations must take their donor's preferences and privacy seriously to maintain strong relationships with them. Charities should be aware of Canada's laws on personal information protection. A donor's personal information must not be shared without consent.

For more information visit their website at:

<https://www.priv.gc.ca/en/privacy-topics/privacy-laws-in-canada/the-privacy-act/>



Not All Donations are Monetary

Generosity can come in many forms. Some of the people closest to your organization may be giving you hours of their time.

Volunteers are engaged members of your organization, and are likely to consider donating monetarily in the future. Still, for those members who cannot contribute financially, their contribution of time and skills can be invaluable.

And Let's Get Serious for a Second...A Note About Planned Giving

A planned gift is any major gift, made in lifetime or at death as part of a donor's overall financial and/or estate planning.²

Although most gifts are stewarded after they are received, it is important to steward a planned gift **immediately** after the donor's commitment. Planned giving campaigns should be handled with sensitivity since it can feel difficult to start a conversation with a donor about considering a planned gift.

²plannedgiving.com

Generally, long-time consistent donors are good prospects for planned giving. Hopefully, your organization tracks these individuals, and has already formed a strong relationship with them. For example, a donor that has given your organization \$10 each month for the last ten years is a great prospect.

Planned giving options should start with member education - letting highly engaged members know that a planned gift is an option, and giving them confidence that their money will be used responsibly, appropriately, and as the donor wishes.

The Canadian Association of Gift Planners has many resources on planned giving and can help you get your program started. Visit their website at <https://www.cagp-acpdp.org>.

Now, What's Your Plan?

Congratulations! You've read the ebook and you agree with us right? And now, you're ready to start retaining your donors!

We know you are doing amazing work within your organizations and we wish you the best of luck in your fundraising goals.



Get Started Today!

Fundraising success is all about developing a plan that your organization has the capacity to follow-through with for every donor. If you need help figuring out where to start, contact info@storypoint.ca and we will help you develop a plan appropriate for your current donors.

Your friends in fundraising,

Roxanne & Rochelle

