ESSENTIAL METRICS YOUR NONPROFIT SHOULD MONITOR

Alternate titles:

NONPROFIT FUNDRAISING: THE NEW MODEL
REVITALIZE YOUR FUNDRAISING EFFORTS: METRICS FOR NONPROFITS
MONEY THROUGH METRICS: HOW TO SUPERCHARGE FUNDRAISING EFFORTS
MAXIMIZE YOUR FUNDRAISING THROUGH METRICS
MAKE MORE MONEY WITH FUNDRAISING METRICS
FUNDRAISING 2.0: DONOR ENGAGEMENT & METRICS

From a broad philanthropic perspective, business as usual is no longer cutting it in the nonprofit space. Old models that focused on fundraising, philanthropy and direct response are now challenged more than ever.

At the same time, traditional models for acquiring new donors are performing worse than ever. New donors are scarce.

Because of these factors, it’s time to adopt data-informed strategies to help with fundraising. They can help prioritize your efforts when resources are limited. These strategies can help nonprofits find ways to engage donors under new models. Data-informed strategies are perfect for nonprofits looking to engage donors in new ways.

We’ll help you determine which essential metrics can inform your strategies. You can implement these metrics today.

Big Picture: Getting Started with Metrics

Tracking every metric can be a bit overwhelming at first, especially if an organization isn't used to keeping metrics at all.

Start by tracking **active donor metrics** within a single calendar year. Gather any information you can from past years and the present year. Active donor metrics tell you how many people made a gift each year and how things look over time.

Following the trends from year to year is a great initial step for determining how dynamic your program is. You can start to see if your program is growing or contracting, and you can use this simple bit of information to make changes.

Since you're dealing with fundraising, **dollars raised each year** are the manifestation of the quality of your donors. To successfully raise money, you have to create a case for support and engage your donors in your cause. Dollars raised shows how efficiently you're getting your donors on board with your purpose.

Donor Metrics: Do You Have a Leaky Bucket?

The lifeblood of your organization is having a growing number of donors.

Of course, you have a core base of donors who love you and give to you year after year. They're known as your **base donors**. They're engaged and dedicated to your cause.

A percentage of those loyal donors will fall off every year. Maybe you didn't ask for a gift, their financial circumstances changed, or they chose to support another nonprofit. Those regular donors who miss a year of donating are known as **lapsed donors**.

Every year you should be adding **new donors** to your files. Without new blood, your organization will contract.

Imagine donor metrics as a bucket. The bucket is full to the top with your current donors. If you have 40% lapsed donors at the end of the year, you only have 60% of your base remaining. If new donors only flow in to fill 30% of your bucket, you're down 10% of donors overall.

Your **donor coverage ratio** shows the bucket isn't full and has a leak. Your donor bucket should be full or overflowing, or else it will dry up.

Fundraising Sources

Imagine a door into your organization for each way potential donors can connect with you. A gala, direct mailer or facility visit are potential doors for connecting with your nonprofit.

What did it cost to acquire donors through each touchpoint? How much did it cost to throw an event, design and send a mailer, or work the front desk of your organization? This tells you which one is the most efficient to acquire different donors.

Do you need to change how one of these doors operates, close it completely and rededicate resources elsewhere?

Cost per dollar raised is an advanced metric to help you manage these donor doors. This metric allows you to look at every pathway into your nonprofit to determine how efficient that channel was for acquiring a donor.

Giving Pyramid: Focusing Your Fundraising

The **giving pyramid** is an easy way to visualize your levels of donors, making it simpler to focus your marketing and fundraising efforts each year. It's divided by the RFM model: *recency*, *frequency*, and *monetary compensation*.

The giving pyramid is a first-level approach to segmenting a donor file based on monetary criteria. You want to look at the number of **donors** and **dollars** at each level.

The giving pyramid allows many organizations to evaluate their donors in order to assess and determine the relative strength and impact of their program within three tiers:

- **General-Level**. Anyone who gives up to $1,000 per year. They represent your organization's widest reach and may overlap with the services you provide. Examples include those adopting a shelter pet and then donating more to that shelter or performing arts donors who also purchase tickets to attend performances. They are the pipeline for becoming your mid-level and major donors. General-level giving is an acquisition point and an introduction for many members of the general public into your organization. Your responsibility is to recognize that donor and choose to cultivate relationships that show potential impact.
- **Mid-Level**. Anyone who gives $1,000 to $10,000 or more each year. There's magic at this level because they connect genera- level donors to major level donors. About 25% to 30% of your donors live in this range.
- **Major**. Anyone who gives $10,000 or more within a single year.

Your vertical will determine different cutoffs for giving levels. These tiers are often subjective and are based on your organization's program.

Moving Donors up the Giving Pyramid

Donor migration is the movement between these levels of the giving pyramid. Most organizations raise more money through major donors than through general- and mid-levels combined.

To maximize the lifetime value of your donors, you need to build a relationship with them and show them greater ways they can engage and connect with the organization. Measuring donor migration shows how effective your organization is with building relationships.

Acquisition: Getting New Donors

One of the most common goals of any organization is to acquire more donors, which improves your ability to do outreach in the world.

You are seeking volume and efficiency, which is why you should track **new donors and dollars by source**. Acquisition programs are a collective blend of tactics that balance volume and efficiency. Many organizations need a high volume of names steadily flowing into their donor files.

Peer-to-peer walks or traditional events often serve as reliable acquisition vehicles that bring in high volume, but they can be very expensive to produce. On the flip side, face-to-face engagement is efficient but doesn't deliver the necessary volume.

You have to create an acquisition portfolio of channels that balance the volume you need to grow and build a vibrant file, with the expense and your efficiency in acquiring and cultivating donor relationships over time. It's a challenge but you can manage it with the right tools.

What Does Each New Donor Cost?

Examining your **donor acquisition cost** from events, direct mail and other channels will help you determine which of your channels is the most efficient and drives value for you over time. You can determine which actions are worth the expense and which should be altered or eliminated.

For example, many organizations have an annual walking or running event but are shutting them down. The cost to acquire new donors through these channels is too expensive to justify this type of fundraising.

Tracking **new donors by channel** separates your online versus offline donations. In this digital age, online giving is very popular. It can be easy to acquire new donors via online sources: your website, digital newsletter or social giving. It's also a less costly means of gaining new donors.

Loyalty: Helping Donors Love You

It’s less costly to keep your current donor list actively engaged than it is to acquire new donors. Your current donors have already been enlightened on your organization’s good works and have an established connection to you.

Loyalty is the second part of donor acquisition. At Pursuant, we believe that organizations that are following the old model (fundraising, philanthropy and direct response) are typically not paying enough attention to the opportunity that donor loyalty can provide.

Specifically, it often costs more to acquire a single donor than that donor might give back to you within a single year. Donor loyalty and retention are the keys to breaking even on acquisition programs and building growth and value in your donor file over time.

Focusing on donor retention and lifetime value builds connection with your donors so you can cultivate a relationship that engages them with your organization’s story, encouraging them to increase their relationship and donations over time. Donors who are more loyal have greater lifetime value and provide the most opportunity for organizations.

The Metrics of Loyalty

Paying attention to the right metrics can help you nurture donor loyalty.

Donor retention examines giving year over year. A donor who gives in year one chooses to give again in year two. In the nonprofit world, retention is very low. It ranges between 30% and 50% of all of your donors, depending on your type of organization.

Using donor retention data, you seek to optimize the donor experience to boost retention. The first thing you can do is simply listen to what your donors are telling you through the amount of their gifts, campaign and channel used for their gifts.

Consumer data appends can enrich insights about donors so they can be engaged based on their capacity for service. Seek to map those insights about who they are in connection with your mission and needs so that every future touchpoint and engagement with them approaches them with an offer most suitable to their interests.

Let’s look at a donor who chooses to give after watching puppy videos from an animal rescue group. *Donor affinity* engages the person who prefers dogs to cats, birds or livestock. *Channel interest* gets this donor to connect with online video. The experience can be tailored to this donor based on what you’ve learned from donor affinity and channel interest.

Lifetime value starts from the very first donation a donor makes to your nonprofit. The data and insights on donors can help you draft a roadmap to improve donor experience and optimization. You can see where to invest more resources or reduce your spending. See the impact of incremental changes, such as instituting a “thank you” campaign for donations, so you can make changes that drive long-term and meaningful value.

Giving frequency is the average number of gifts a donor makes in a year. If a donor gives five times in year one and 15 times in year two, giving frequency averages out to 10 times per year.

Giving capacity is the size of the donor’s philanthropic wallet. This metric looks at the dollar value of all charitable gifts someone made in a year and the percentage of gifts given to your organization. Enriched data provides third-party consumer data while insights provide overall giving behavior of donors. (Enriched consumer data provides demographics and behavior in aggregates, not information about specific individual donors.)

For prospective donors, identify and describe your target audience as the donor identity with the greatest giving capacity. When looking to acquire new donors, focus on this segment. Examine their demographics to reach them on the channels they prefer and where others like them might be. Giving capacity feeds into target audience profile.

Lifecycle: Engaging Donors Year After Year

Overall lifecycle is an important segmentation approach that allows organizations to divide and regard their donor files based on the length of time each supporter has given to an organization. What's been universally found is that new donors are generally more fragile than donors who have given for multiple consecutive years.

Looking at donor files through a lifecycle lens will show how dynamic or static your file might be. A static file might have tons of key multi-year donors and no new donors, showing an organization entrenched in the same donors and no real growth with new donors. The opposite of that is a donor file with lots of new donors but few long-term donors, meaning new donors aren't receiving the relationship development necessary to continue so they bounce out of your donor file.

The Donor Ladder

Consider your donor file as a ladder. You coach and engage your donors to progress up the ladder through communication. The bottom of the ladder holds your newest donors with your longest consecutive donors at the top.

Assess your files for the percentage of new people and percentage of revenue driven by new people. Use these metrics for **new donors and dollars** to see how dynamic your file is. This would be the first rung of your ladder.

New continuing donors give for a second consecutive year. They were engaged enough in the first year as a donor to continue their relationship with your organization. These donors and dollars are the second rung of the ladder.

Key multi-year donors make continued, consecutive gifts. They've given consistently for three or more years. These donors are more committed and have higher value to your organization. They're cheaper to keep in your donor file because they've already been acquired and enlightened on your mission.

The key is to keep your donors progressing up the ladder over time.

With retention rate for nonprofit donors ranging from 30% to 50%, some of your donors will fall off the ladder. These are your **lapsed donors**. They are aware of your mission and have given to you in the past, but you may need to ask yourself as an organization how they were acquired and what made them stop giving. Somehow, you failed to engage and cultivate them.

Organizations that see a lot of new donors may achieve those numbers because they charge for performances or events, or they may see a large influx of new donors after a disaster. These donors are typically transaction and not philanthropically motivated. They are giving to get something back.

Many donors lapse because they aren't mission driven or are less interested in the philanthropic aspect of their gift. Strive to find the needles in the haystack, the lapsed donors who are mission driven and can be re-engaged to give again.

For example, an animal welfare organization receives hundreds of thousands of dollars in donations after a disaster. Years after the disaster has passed, the organization still has the mission to provide care for animals in critical, life-saving situations. Donors who made a gift because of the disaster are not necessarily driven by the day-to-day focus of the organization. Those lapsed donors may not have understood what the animal welfare organization faces outside of disaster relief. Learning to enlighten new donors on the regular mission of the organization while they're fresh in the donor file may reduce some lapsed donors.

Of course, if you engage them again and they resume donations the following year, they become **reactivated donors**. These reactivated donors start back on the bottom rung of the ladder and move up as they continue their consecutive annual gifts.

Donor Experience: Satisfaction in Fundraising

If you make donating easy and keep your donors happy, it follows that you'll have greater success with fundraising.

Tracking **experience satisfaction** takes a broad look at the organization and the experience your donors have with you. Do your donors feel aligned with or part of your mission?

Here are some examples of positive experiences donors might want from an organization.

- Someone rescues a litter of stray kittens and takes them to the local animal welfare shelter. The kittens are welcomed with open arms and the rescuer is assured they'll receive the necessary care and would find homes. The rescuer becomes a donor.
- The organization shares before and after photos of rescued animals. Someone is engaged enough by those photos and the stories to pay an adoption fee and take one of them home as a pet. This new donor feels aligned and connected to the organization's mission.
- A parent takes their child to a children's hospital for treatment and has a positive experience. Their child is loved and treated well. That parent donates to the children's hospital.
- A performing arts organization brings a favorite musical to a town. The actors are amazing, and the show is well done. An audience member chooses to become a donor.

A good experience can be translated to continued philanthropic support.

Maximizing and Improving Relationships

Donor commitment and preference show that you've become your organization's charity of choice. You're looking to capture the greatest share of your donor's philanthropic wallet. Find out where you rank among the charities they support. If you're at the top of their list and they have a high giving capacity, you're doing a great job engaging that donor and capturing the largest share of their wallet. Your organization is maximizing the relationship.

On the flip side, a donor may rank you fifth or eighth on the list of charities they support annually. Your organization is less relevant to them. This donor is more likely to lapse when times get tough, circumstances change, or you haven't reached out for continued support or a subsequent gift.

Customer dissatisfaction isn't expressed the same as it with for-profit companies. A displeased donor probably won't stand at the counter and demand to talk to the manager. Most organizations have a customer service function to address concerns when voiced, but dissatisfaction isn't always obvious.

Here are some clues that donor experience may be unsatisfactory.

- Membership models where donors reduce their levels. The membership benefits may not suit their preferences.
- Events with displeasing elements like difficult ticketing, terrible sightlines and seating, subpar performances.
- Services recipient engages about a specific type of complaint.

The positive aspect of expressed dissatisfaction is that it shows engagement, even if it is a complaint. (A complaint is high-level engagement that shows your donor cares enough to seek remedy.) Your organization is interested in connecting with donors who engage at a higher level. If someone takes the opportunity to complain, you have the opportunity to stand up and make it right. Those donors are expressing what it will take to re-engage them and strengthen the relationship

Look at **retention by customer service touchpoint** to determine if those who engage at a customer service level retain at a higher rate. Customer service is an opportunity to build connection. It is vitally important.

Donor Preferences: Give Them What They Want

When you know how your donor base likes to support you and how they like to give, you can fortify those things to make it easier for them to help you. A lot of this information will be connected to demographics. Age and education-level translate into how they like to give.

Channel preference shows how someone likes to be contacted and how they like to give. Email, direct mail or telephone call reminders each appeal to different people. Solicitation is often disconnected from the way an individual might naturally reply. They might choose to mail in a check or donate online.

Contactability is the percentage of your donor files that have contact information so that you can actually contact them to engage in a conversation about giving. Mailing addresses, email addresses and phone numbers are needed to reach your donors. Mobile phone numbers enable you to text them. Keep these as up to date as possible to assist your efforts.

Social media engagement shows how well they engage with programs in the social digital channel. They might like or share your posts, or they may promote a social giving campaign.

Make it simple for donors to connect with you and help support your cause with their gifts. Meet them where they like to engage and help make donation easy.