

So Much Data!

BY MELISSA S. BROWN AND ANDREW WATT, FInstF

At the 2014 Blackbaud conference (bbcon) held in Nashville, Tenn., last October, Andrew Watt, FInstF, president and CEO of the Association of Fundraising Professionals (AFP), and Melissa Brown, a member of the AFP Research Council and coordinator of the Nonprofit Research Collaborative, presented the session, “Fundraising Data and Trends: Putting It All Together.”

AP: Andrew, why have a session on fundraising data?

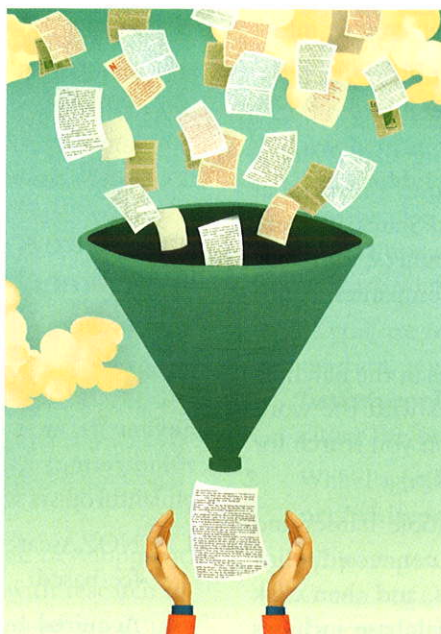
Watt: Until recently, we in the nonprofit sector didn’t have a great deal of data to use in analysis. Now, we’re faced with an entirely different problem: There’s so much data that all the information can be overwhelming. So, our session was a step to help fundraisers, gift-processing staff and others learn more about the various measures and data points so they can use them effectively.

AP: Melissa, if you had one piece of advice for using the many metrics available, what would it be?

Brown: An organization needs goals and action steps leading toward the goals. My single piece of advice is to select measures or benchmarks that help you evaluate whether you are on track to meet your goals and ignore the many others. If your goals are about online giving, use online-giving metrics. If your goals are about retention, use retention metrics and so on. You may need to do an assessment using several metrics first to find out where you need to make changes, but once you’ve set a course, steer by the guideposts you have selected.

AP: Andrew, what is your take, your one piece of advice?

Watt: We measure fundraising to see how we are doing and how we can get better, to improve fundraising man-



agement. But the key thing is that we raise funds so that our organizations can have a positive impact on the world.

I like to put fundraising results into terms that help our constituents understand that fundraising is essential to meeting the mission. You can see that in a “return on investment” figure, something like, “For every \$1 we spend on fundraising, we add \$3.55 toward our organization’s work in ...,” whatever it may be.

So, my key point is that how we measure fundraising results and how we communicate those measurements matter within the organization for management purposes, with constituents for their understanding

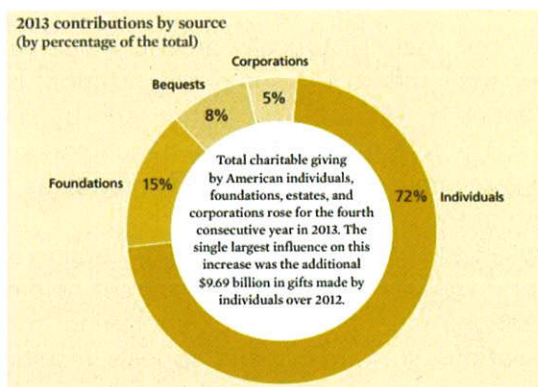
of our ethical practices and generally across the nonprofit sector to focus on the good work being done. If we talk about “cost to raise a dollar,” we sound as though our mission is raising money when, indeed, we only raise those dollars to bring about some other change. That may be meeting humans’ most basic needs, such as clean drinking water, or sharing some of the most glorious expressions of our humanity, such as art or music.

AP: So, where do you start? What is the first set of metrics to consider?

Watt: I start at the top with the “grandmother” of all giving data, *Giving USA*. I recommend that all organizations become familiar with the annual report. It is a 30,000-foot view and is essential for board members and others to understand the nonprofit sector overall.

In 2013, Americans donated an estimated \$335.17 billion, for example, and 72 percent of that was from living individuals. (See Figure 1.) We saw the fourth straight year of gains overall. In Canada, individuals are central to giving as well. In other countries, philanthropy is expressed differently, but the concept is the same: Identify the total and what share comes from different types of donors.

Figure 1. Total 2013 Contributions:
\$335.17 billion



Source: *The Giving USA 2014 report*
(www.givingusareports.org).

AP: But what about fundraising costs? We hear so much about those.

Watt: Donors want us to be careful and ethical with their money, but largely, they want to see positive change resulting from their contributions. So, part of our work is to show that our organizations generate the changes we intend to bring about. That is just good stewardship. To have the funding necessary to meet our missions, we need fundraising metrics to improve the efficiency (cost) and effectiveness (total raised), but those are largely internal, management-focused measures.

AP: So what should we choose for the internal metrics?

Brown: We first need to consider carefully what our organizations need to accomplish and then find benchmarks that can be guideposts along the way in the direction we want to go. Some benchmarks may not apply to all organizations, and not all of our audiences will be interested in certain benchmarks.

The list of popular metrics is long: number of requests, number of donors, number of gifts, amount of donations, total raised and total costs (expenses). From these, we can calculate averages. We can get at the cost to raise a dollar, net income and more. To identify specific areas for improved effort, we can track new and recaptured donors, donors who give more this year than last (upgrades) and donors who do not renew or who give but give less. And for specific fundraising vehicles, such as online, there are additional metrics, such as click-throughs, conversions and others.

Watt: I always want the big picture first, or return on investment (ROI). Is the development program raising more than it spends? How much is it generating for the mission of the organization? This is basically the amount raised divided by all expenses (including the value of staff time on development functions).

Some groups consider only cash received and do not count pledges. Others include new pledged amounts, but they should then remove from cash whatever was paid on earlier pledges made (because those were counted in an earlier year). Both the Association for Healthcare Philanthropy (AHP) and the Council for Advancement and Support of Education (CASE) have standards for gift tracking.

One year of data is helpful, but it is also immensely informative to look at trends and then to break down totals program by program. Is the annual campaign raising more than it spends? What about special events? Major gifts? And so on.

AP: Do you compare these data against those of other organizations?

Watt: Comparison with others can be helpful, although comparing against your own organization is best. There are some exceptions. If you've never done the analysis before, it can help you to see where others are. Another exception is if you can compare with a peer group that is very close to your own organization, which is possible with data-mining tools such as that run by AHP for its members.

The key is to find out where your organization stands now. Once you've done that, the advancement team can set goals for raising more for every dollar invested, even if it is just a little bit more next year.

AP: Any tips on using metrics to identify how you raise more?

Watt: We are seeing tremendous results when AFP members use tools such as the Fundraising Fitness Test. This free tool, which includes instructions, uses just three fields of gift data from your donor records and calculates metrics for you. Among the most important are data on donor retention. When you know whether your fundraising program is a bucket, retaining donors over time, or a sieve, you can make plans for communications, stewardship or other improvements to better your results.

You can run this tool program by program, class by class (in an education institution) or gift officer by gift officer, as long as you've kept records that way. More

An Overview of Selected Benchmarks

1. Giving USA (www.givingusareports.org) is annual, usually released the third week of June. Published by the Giving USA Foundation, the report is researched and written at the Indiana University Lilly Family School of Philanthropy in Indianapolis.

This work contains each year's first estimates of charitable giving totals, plus summaries of other organizations' work. It is the most comprehensive benchmarking tool available. The *Giving USA* estimates cover changes in and total amounts contributed by living individuals, foundations, corporations and through bequests. Eight subsectors are included: arts, culture and humanities; education; environment and animals; health; human services; international aid and development; public-society benefit; and religion. Giving to foundations (a portion of public-society benefit) is reported separately.

You can track your organization's changes in contributions—total and by type of donor—over five years and plot against the percentage changes reported in *Giving USA* for the same five years. If your organization is trending in the same direction, you are “on track” with national results. If you are consistently below *Giving USA*'s rates of change, evaluate your fundraising approaches. The report includes data tables with benchmarks from others in the nonprofit sector, such as trustee giving at private schools, the cost to raise a dollar at healthcare institutions and average foundation grant amounts for each subsector.

2. Fundraising Effectiveness Project (FEP) (<http://afpfep.org>). The annual report is usually released around Sept. 1. This is a partnership between the Association of Fundraising Professionals and the Urban Institute.

The FEP has the only data available about retention. More than a dozen donor software firms enable clients to participate in this national project. Each year since 2006, analysts have used the anonymous giving records to ascertain what percentage of donors from “last year” gave

again “this year.” Historically, around 40 percent renew their gift to the same organization, but this varies by size of organization and by subsector. The free report provides benchmarks by organizational size and subsector, as well as by region of the country.

Based on the FEP, AFP's “How to Retain Your Donors” workshop and other resources help organizations identify areas for improving communications, stewardship and appeals, resulting in better retention.

3. Nonprofit Research Collaborative (NRC) (www.npresearch.org). The semiannual reports are released in the spring in conjunction with AFP's annual International Fundraising Conference and in early fall. This is a collaboration involving seven different organizations, including AFP.

This is the only free source of information about performance by nearly every fundraising activity or method. The NRC surveys ask about specific activities—direct mail, major gifts, special events and a dozen others—and whether an organization is seeing an increase in funds raised, no change from a year ago or a decrease. Reports show what percentage of responding organizations saw each type of change.

Organizations use the benchmarks a) to see if they are consistently in the “same” or “decreasing” group, in which case they shift their approach, or b) to identify areas of growth for other organizations as part of planning for and implementing a new activity.

The reports include analysis by subsector, five different size categories and region of the United States, with a separate analysis for Canada.

4. Blackbaud Giving Index (www.blackbaud.com/nonprofit-resources/blackbaud-index). These are monthly reports with data showing an approximate two-month lag. (For example, the October 2014 edition showed August 2013 to August 2014 data.) The reports are compiled by software vendor Blackbaud using reported gifts at clients' and other partners' organizations.

than 1,000 organizations have used it since its launch in 2014, and we have reports of increased amounts raised at hospitals, social service organizations and elsewhere.


Brown: With software and analysis packages, pulling fundraising activity and money metrics can be relatively easy. AFP released a compilation of information from groups for response rates and average board giving from the Nonprofit Research Collaborative. These can be starting points for organizations beginning their assessment to find where they would like to plan improvements.

To raise more, however, the work of AFP colleagues such as Penelope Burk and Adrian Sargeant shows that donors value the quality of their engagement with our work, and they want us to value that, too.

Organizations are finding ways to adapt data fields in their software programs to capture what donors say when asked why they give to a group, how else they would like to engage and other information the donors share. There are no standards or benchmarks for this type of

information. I encourage everyone to consider how to collect, manage and ethically apply information about donor engagement. This could be anything from event participation to volunteer hours, from a meeting with a major gift officer to the story someone tells about how her grandmother used to come to your organization.

AP: Any closing thoughts?

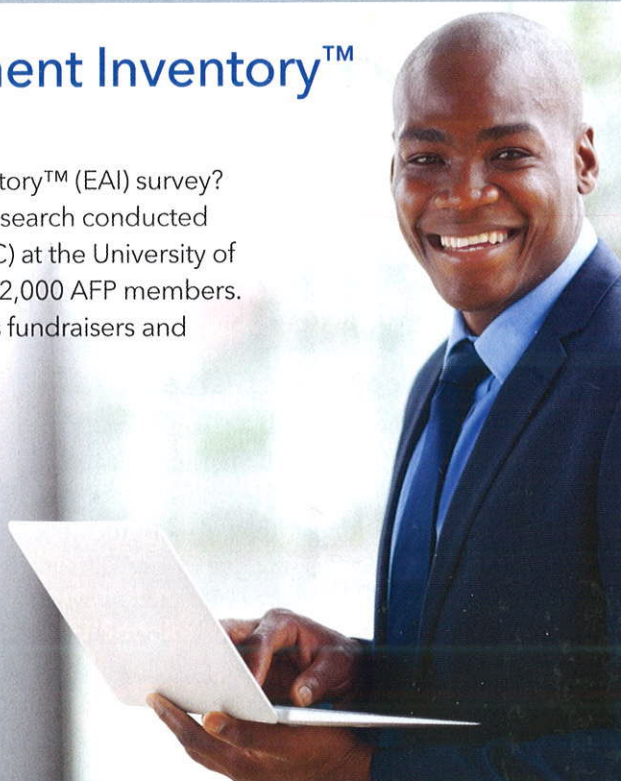
Watt: I hope these thoughts give you both some tactical ideas and also some strategic thoughts on why this all matters and why what we do—in the trenches of data collection—affects all of us in the sector. 

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The AFP Ethics Assessment Inventory™

Have you taken the AFP Ethics Assessment Inventory™ (EAI) survey? The voluntary self-assessment tool is based on research conducted by the Center for Ethical Business Cultures (CEBC) at the University of St. Thomas~Minnesota and on input from nearly 2,000 AFP members. A 14-item online survey instrument, the EAI gives fundraisers and organizations the following:

- A snapshot of their ethical performance
- A comparison with peers from across AFP
- A way to assess and strengthen ethical dimensions of their practice



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