



FUNDRAISING EFFECTIVENESS PROJECT



FEP Nonprofit Retention Supplement 2014

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Table of Contents

Content	Pages
What / Why are we researching	3
Who was involved	4 - 6
Summary of Findings	7
Overall Retention Rates	8 - 9
New Donor Retention	10 - 11
Repeat Donor Retention	12 - 13
Retention by Category, Size, Age and Average Gift	14-17
Bottom-line impact to increasing retention	18
Appendix	Page
Definitions of Segments	22

From the Desk of Bill Levis ...

Thank you for taking the time to download and study this vital supplement on nonprofit donor retention.

We started the Fundraising Effectiveness Project (FEP) and the emerging Growth in Giving Initiative (GiGi) to help grow philanthropy's share of the GDP from 2% to 3% or, to more than, \$883 billion.

Our goal, in partnership with the AFP and Urban Institute, is to provide you with data and research needed to help improve fundraising effectiveness.

Donor Retention is getting a lot of attention. Our objective in this supplement is to report on donor and dollar retention by organization type and size and analyze those findings to help inform your marketing and fundraising strategies.

None of this is possible without the dedicated FEP team, contributing analysts, software partners, and, of course, you! I appreciate each one of you and welcome your feedback on this ground-breaking research.

Bill

What is the objective of the retention project?

The Fundraising Effectiveness Project was formed to help you, as a fundraiser, make smarter marketing decisions by analyzing donor transaction data from more than 8,000 nonprofits. It was our goal to dig deeper to understand how much donor and dollar retention are impacting nonprofits across the United States.

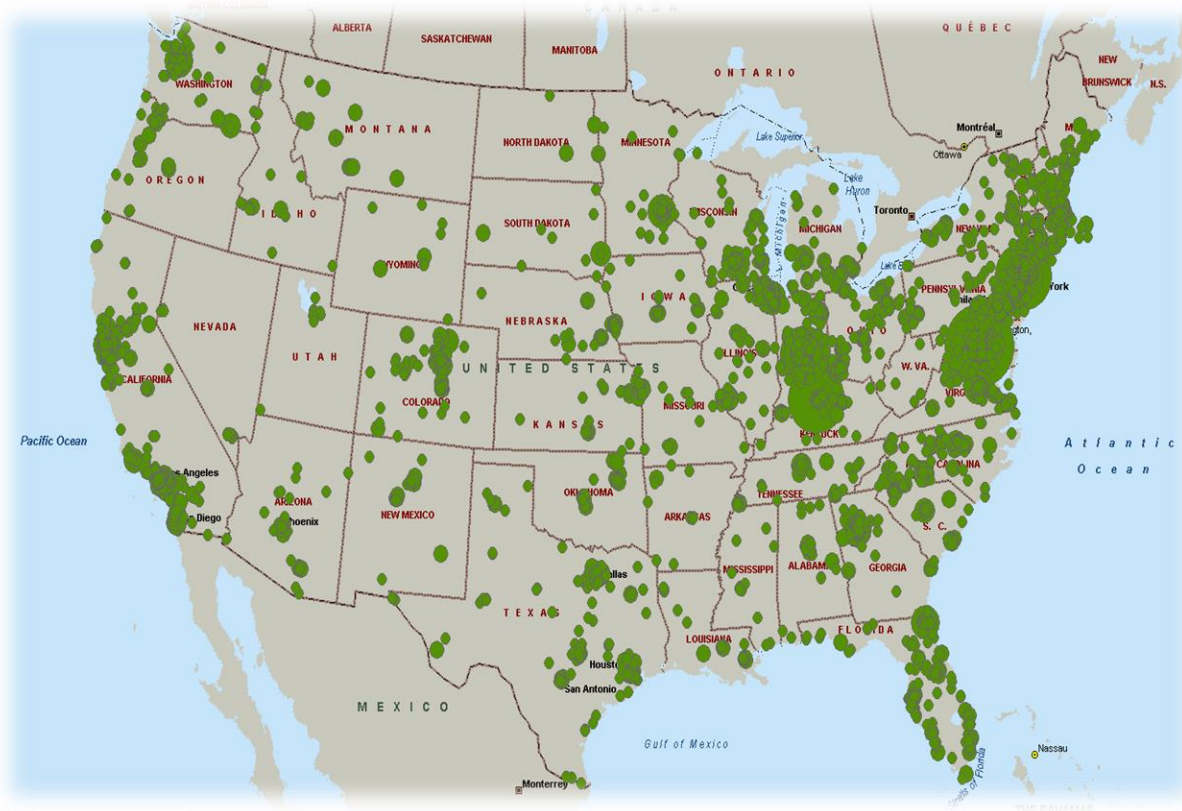
5 Questions you will be able to answer after reviewing this report:

- 1 Overall, did nonprofits gain or lose donors in 2014? How much has donor retention increased / decreased?
- 2 Overall, how much gain / loss in revenue was realized in 2014?
- 3 What is the average donor retention in your sector? How does your organization compare?
- 4 How do you calculate your new donor retention, existing donor retention, and lapsed recapture rates?
- 5 If you improved retention by 1%, how much does it improve your bottom-line?

WHO: 8,000+ Nonprofit Organizations

This donor retention supplement is an analysis of transactional data from more than 8,000 nonprofit organizations.

- ✓ 8,025 nonprofit organizations from the United States
- ✓ Response data from 2013 – 2014
- ✓ Total amount raised 2013-2014: **\$6,688,637,383**
- ✓ Total donors giving in 2014: **6.7 million**



WHO: Donor Software Firms

The FEP wouldn't be possible without data. These software providers make the collection of data for this analysis possible.



WHO: Project Sponsors

Dedicated to serving the nonprofit community, our sponsors make the FEP's vital research achievable.



Data Analysis and Visualization:



SUMMARY: What did we learn?



2.6%

Change in Average
2013-2014

**Gross
Revenue**

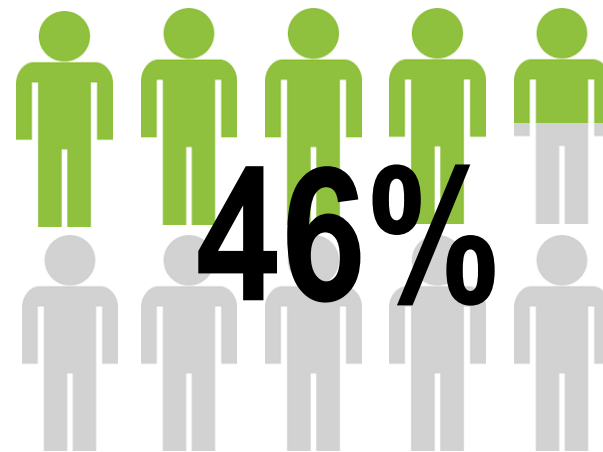
Revenue from the 8,000+ nonprofit organizations analyzed increased by 2.6% while the number of donors decreased by -1.4%. The increase in revenue was driven largely by a 4% increase in average gift size.



-1.4%

Change in Average
2013-2014

**Donor
Retention**



Donor Retention 2014

On average, 46% of the donors that gave in 2013 gave again to the same organization in 2014.

What does this mean? 54% of the donor file needed to be replenished by reactivating lapsed donors or acquiring new ones to offset file decline.

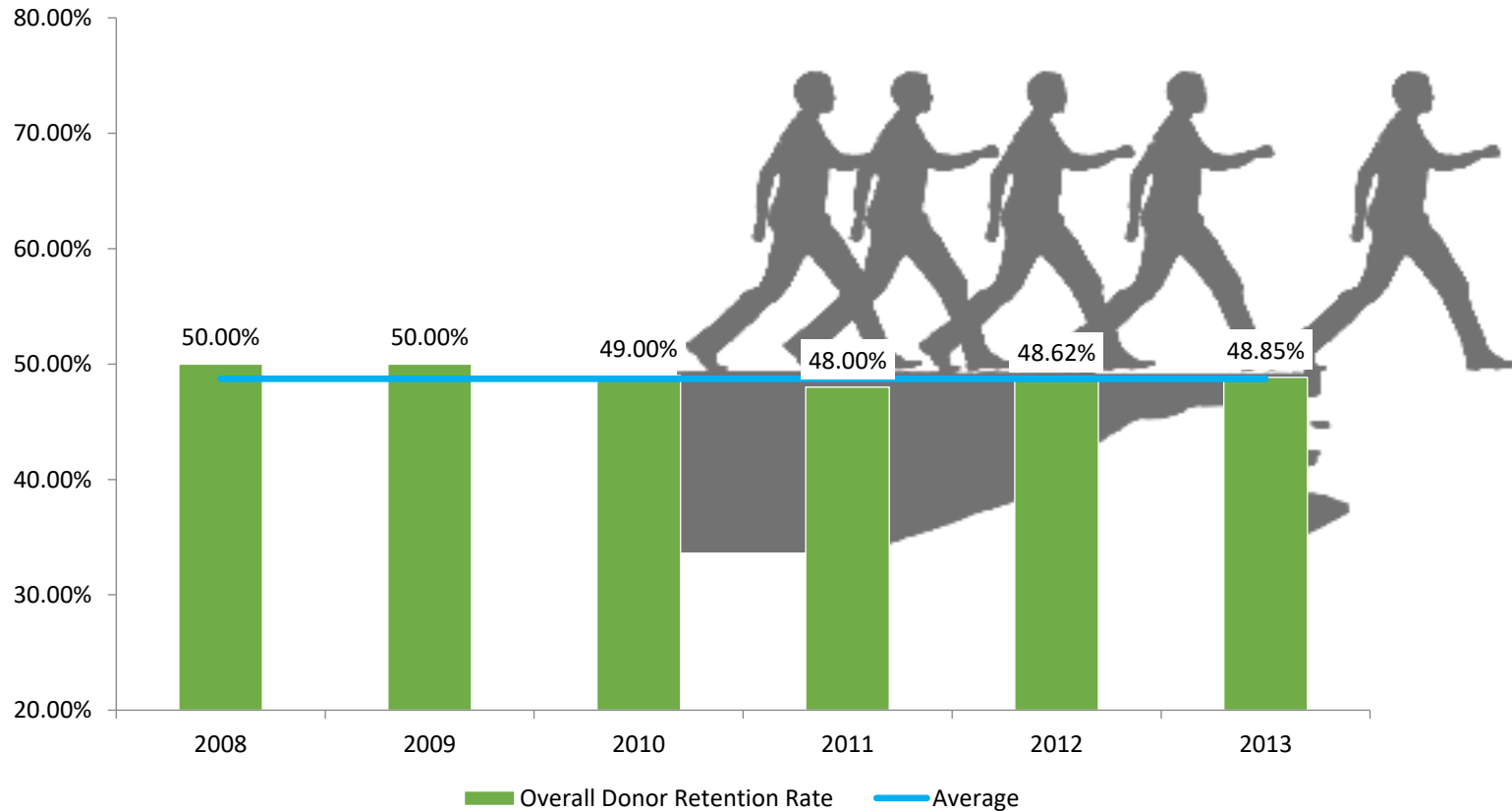
Is your organization acquiring and reactivating enough donors to offset attrition?



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Retention Rates: Year over Year

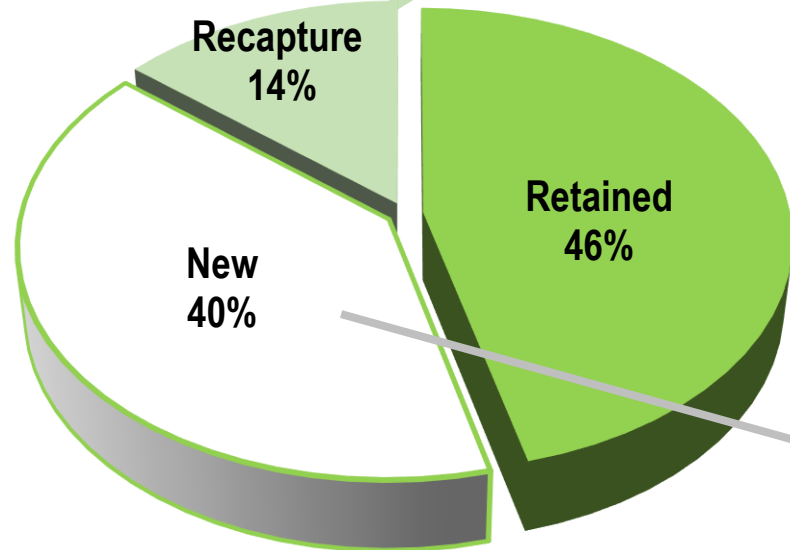


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Replacing Lost Donors

How is your organization balancing the investment between acquiring new donors from outside lists and reactivating lapsed donors?



2014 Average Donor File Make Up

14 % of the donors were recaptured through lapsed donors.

Lapsed Donors



2.8 times more donors were acquired from outside lists than through lapsed donor populations.

Outside Lists

40% of the donors were acquired through prospecting to 'cold lists'.

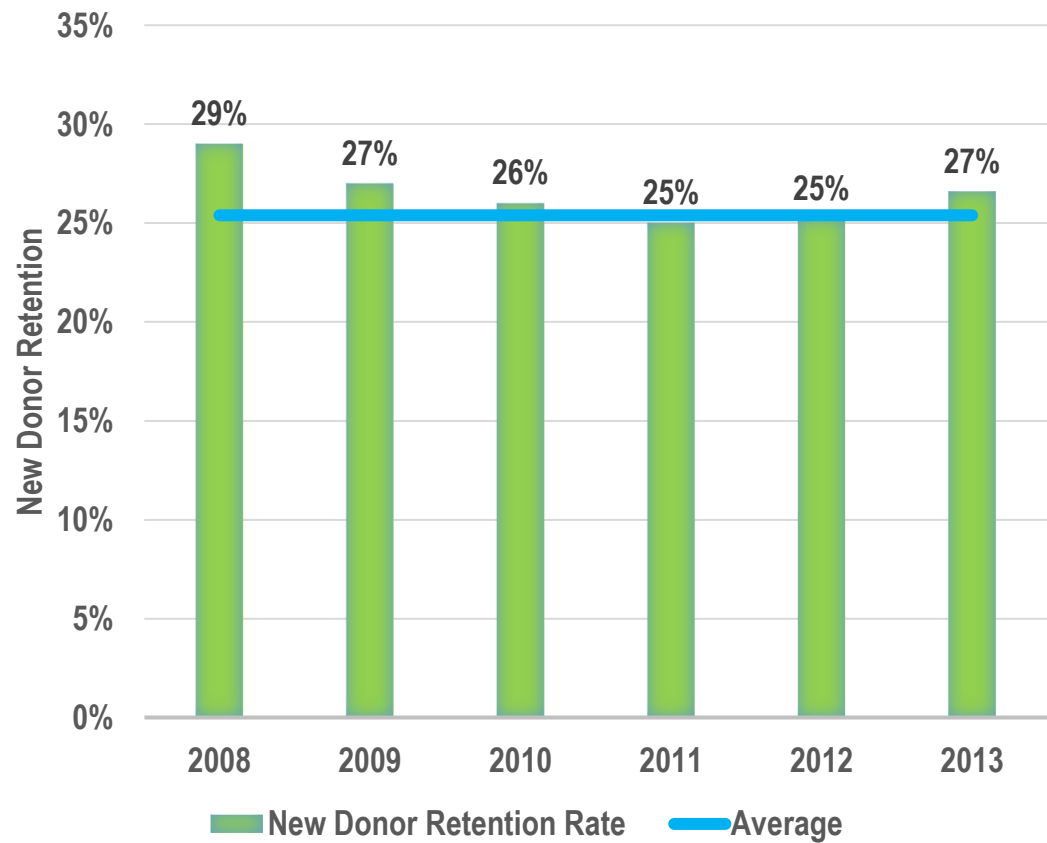


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💰 New Donor Retention

How do new donors retain in the following year after joining?



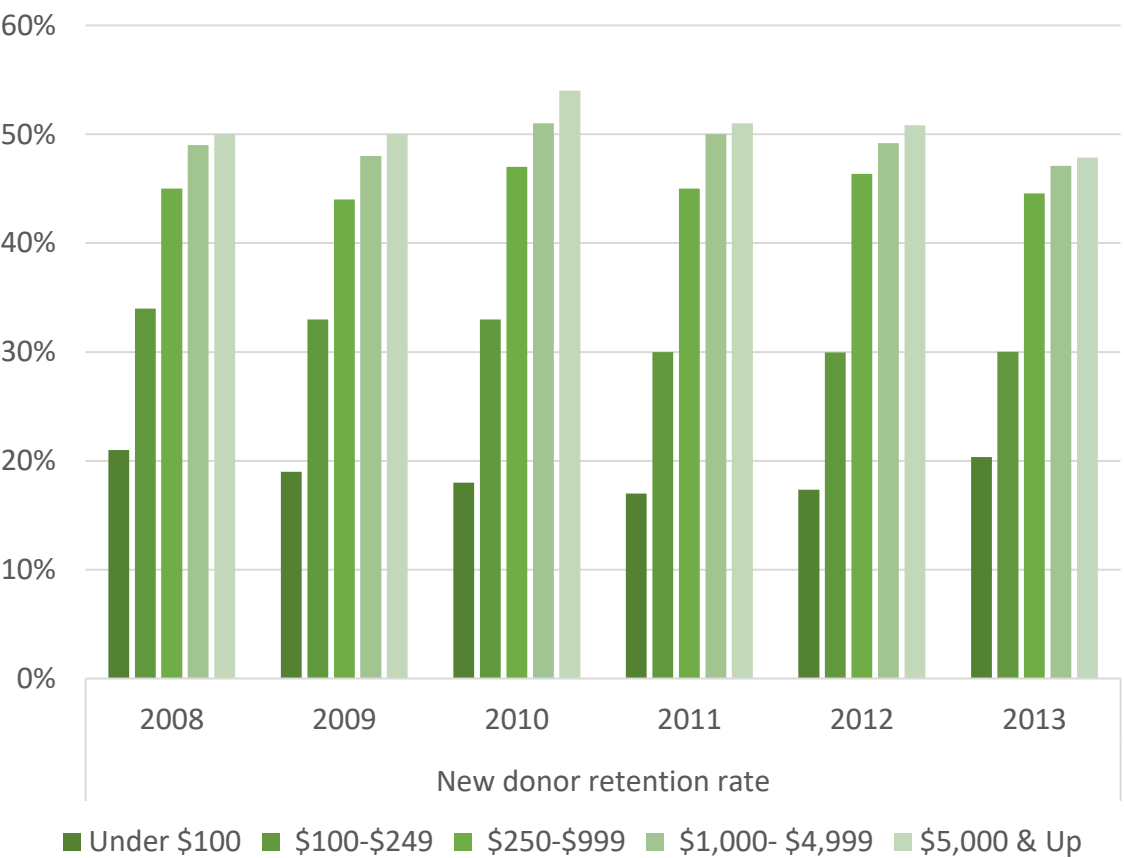
[Ben's Analysis]

It is important to separate the retention rate of new donors compared to existing donors. They have starkly different rates of retention. In addition, the strategies used to improve retention vary widely between these two populations.

The average new donor retention over the time period below was 25.4%.

💰 New Donor Retention by Giving Level

How do new donors retain in the following year after joining?



[Ben's Analysis]

There is a large distinction between under \$100 donors and those giving more than \$250.

The average new donor retention rate for donors under \$100 is only 18% compared to 47% for those above \$250.

The \$100 - \$249 segment is right in between at 30% during the same time period.

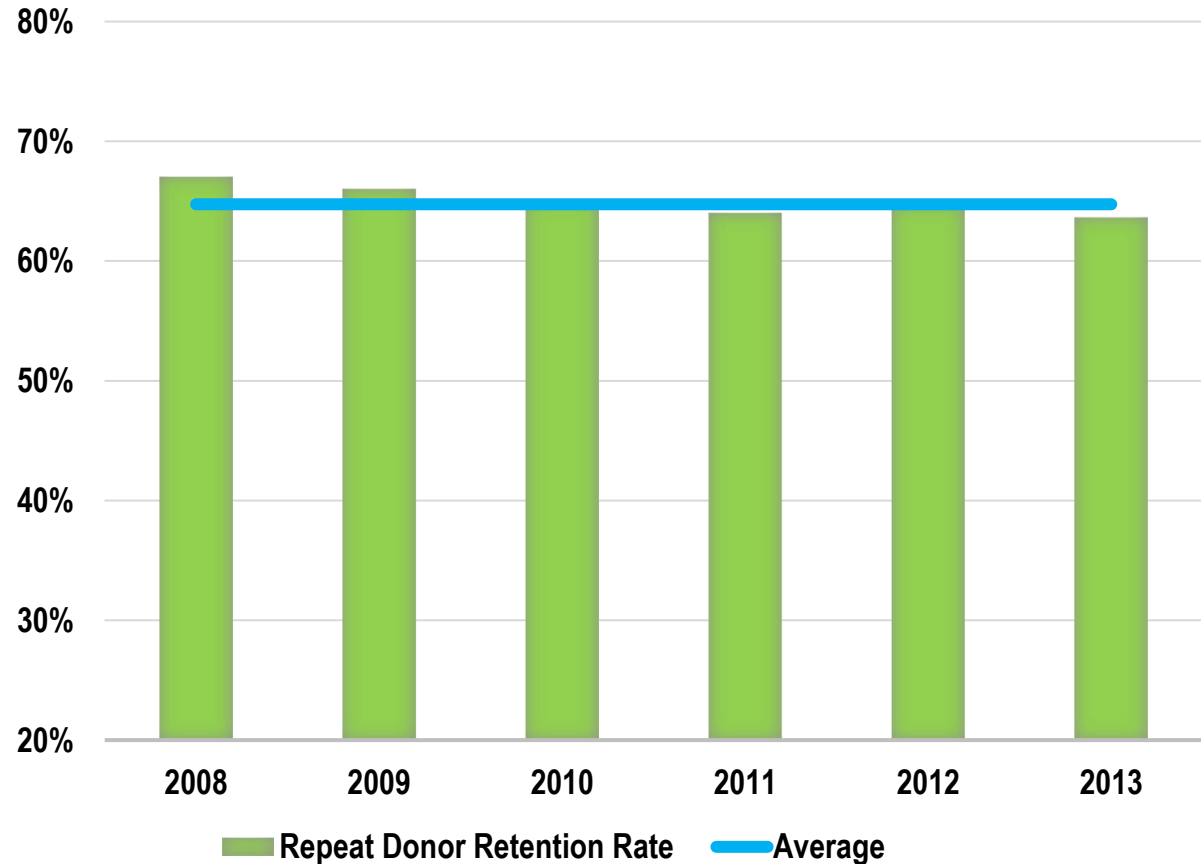


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Repeat Donor Retention

How do existing donors retain?



[Ben's Analysis]

The average repeat donor retention over the last six years was 64.8%.

While the repeat retention rate is remarkably consistent, there has been a steady decline over the last six years averaging -0.68% per year.

Repeat Donor Retention by Giving Level

How do existing donors retain?



[Ben's Analysis]

The repeat retention increases as the giving level increases. There is a direct relationship between gift value and loyalty.

Donors giving less than \$100 had an average retention of 53.5% over the last 7 years as compared to the \$250 and above which retained at an average of 76%.

Again the \$100 - \$249 was right in the middle with an average of 65%.



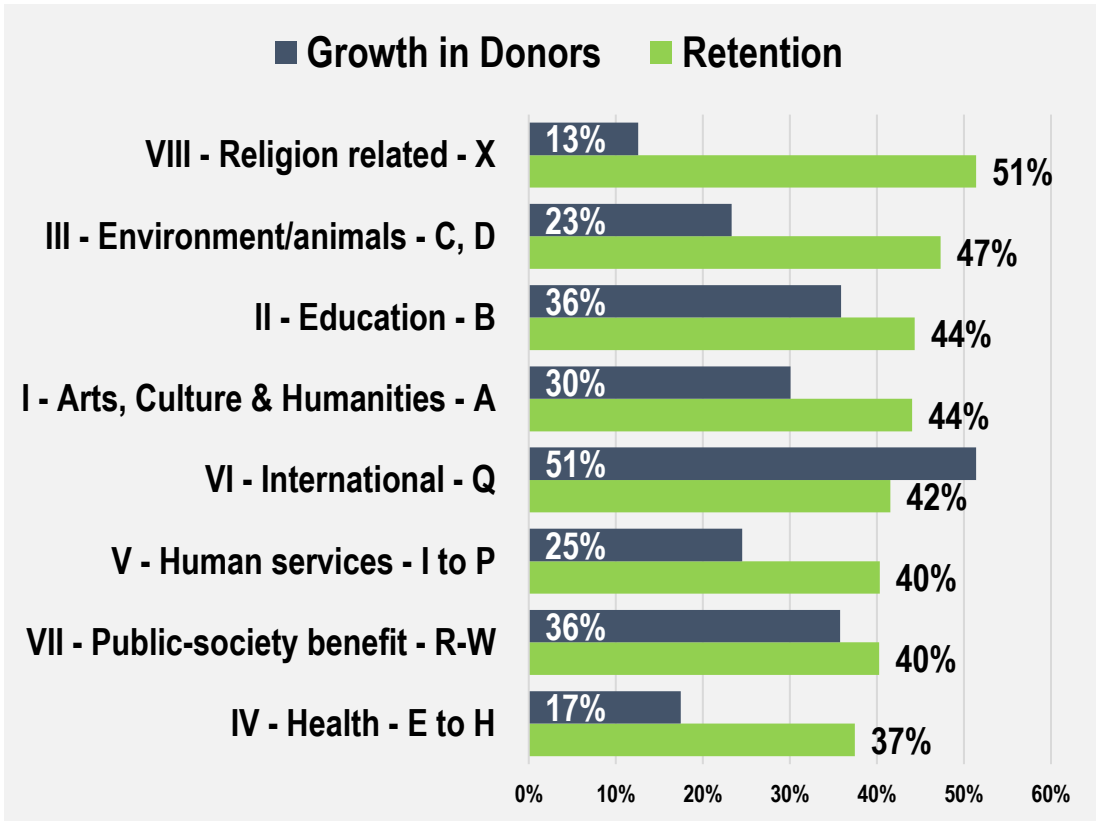
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Donor Growth & Retention by Category

Is there a relationship between file growth and retention? How does growth and retention compare between sectors / categories?



[Ben's Analysis]

Organizations that enjoyed **higher donor retention rates**, experienced **slower donor file growth**. For example Religion had one of the highest average retention, but also had one of the lowest growth rates.

This is counterintuitive to the current rhetoric on donor retention.

Environment, Religion, and Education had the highest retention numbers in 2014.

Human Services, Societal Benefit, and Health had the lowest retention for 2014.

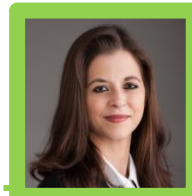
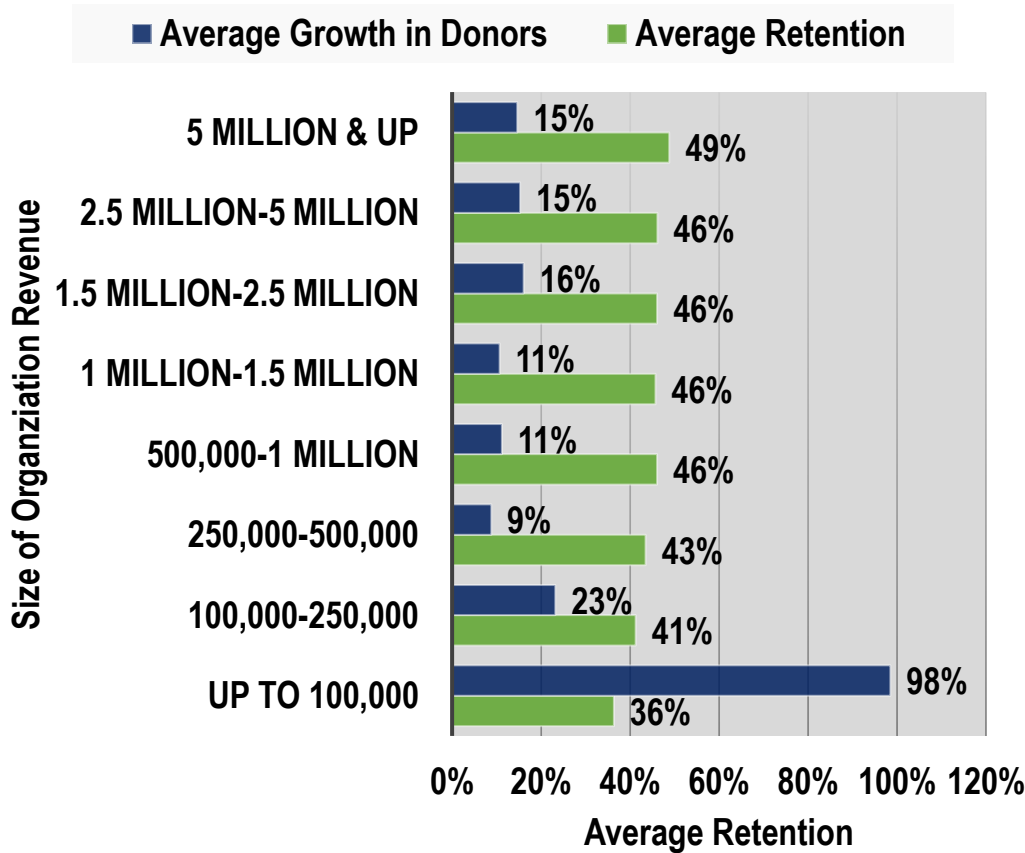
Organization classification is defined by the NTEE. Visit nccs.urban.org for more information. See the Appendix for a breakdown of this chart by sub-category.



*The remainder of this report uses a subset of 3,903 organizations where additional data points existed.

Donor Retention by Organization Size

Does the size of the organization impact file growth and retention? How does growth and retention compare between organizations of different sizes?



[Heather's Analysis]

The size of an organization does seem to impact retention up to a point. This may be attributed to availability of resources to invest in tailored, segmented donor cultivation and stewardship. Smaller organizations with limited budgets may be more focused on low-cost growth and acquisition strategies, as reflected in the 98% growth but only 36% retention rates for non-profits with \$100,000 or less in annual revenue.

Organizations with less than \$100,000 in revenue retain 36% of their donors on average. Once a non-profit makes more than \$500,000 the average retention plateaus at 46%.

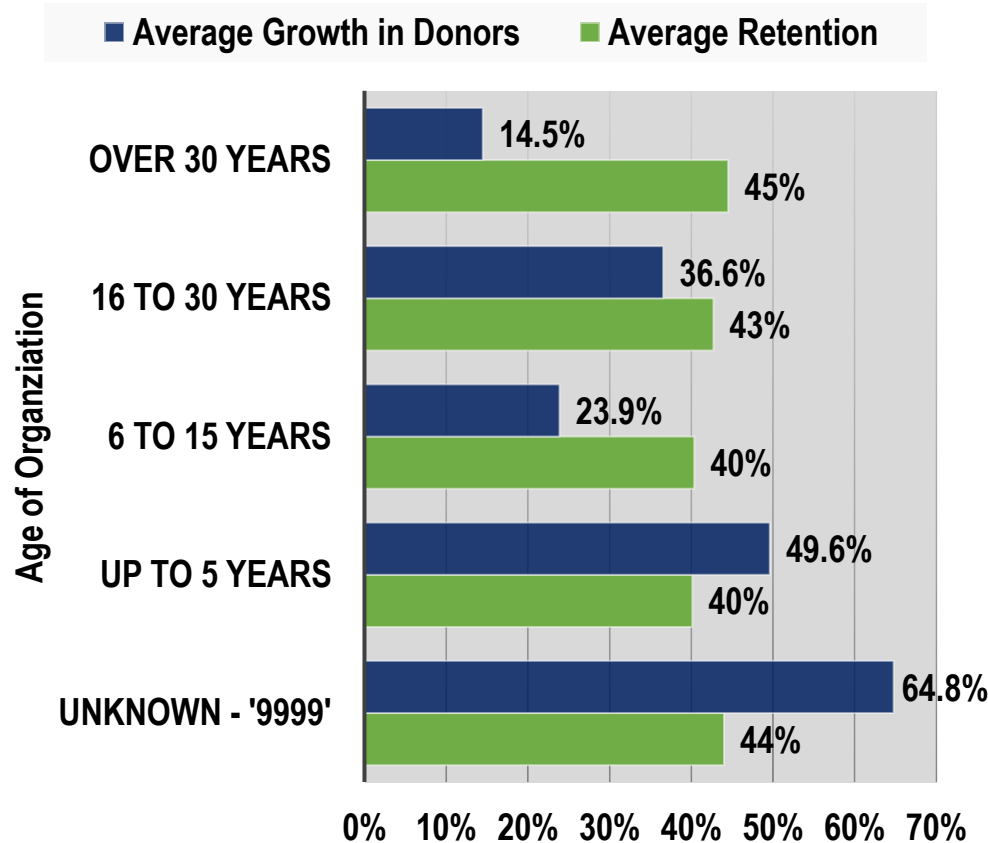
Once revenue reaches \$5,000,000 + retention rates average 49%.



*The remainder of this report uses a subset of 3,903 organizations where additional data points existed.

Donor Retention by Organization Age

Does the age of the organization impact file growth and retention? How does growth and retention compare to organizations of different ages?



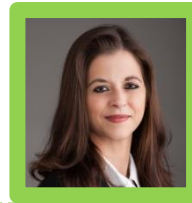
[Heather's Analysis]

The organizations that were less than 5 years old had the lowest average retention at 40%, whereas the organizations that had been in operation for more than 30 years had an average retention of 45%. This may be attributed to brand recognition of more established organizations.

Older organizations grew 15% and had retention rates between 45% – 49% for 2014. By comparison, younger, less established, organizations that grew 50% – 98%, but retained only 36% - 40% of their donors. Organizations less than five years old may have not fully realized conversion and LTV of newly acquired donors due to the shorter timeframe.

Donor Retention by Average Gift

Does the average gift of the organization impact file growth and retention?
How does growth and retention compare to organizations with different average gifts?

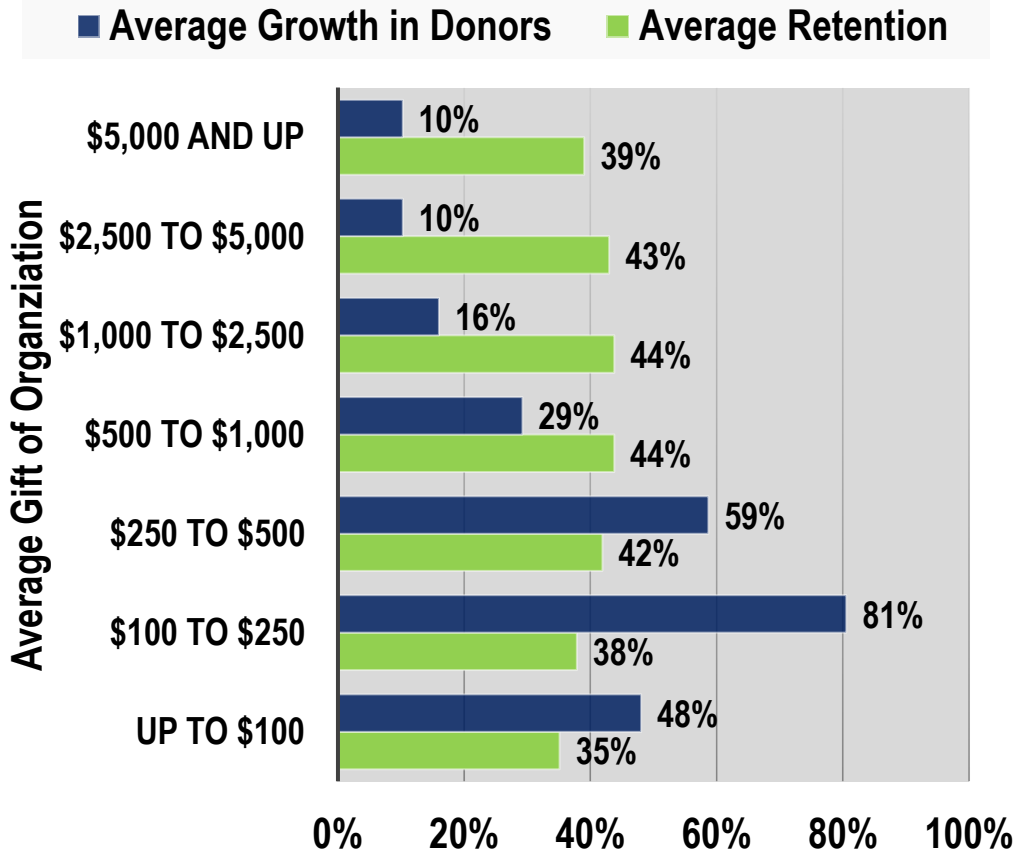


[Heather's Analysis]

Organizations with low average gifts demonstrated the largest average growth rates, but also had the lowest retention rates. Retention rates increased with average gift size for gifts \$100 to \$2,500.

Interestingly, when looking at the average gift amounts \$2,500 and above, there is a drop off in retention, especially for average gifts of \$5,000 and higher. This is counterintuitive, and not typical trend when analyzing a donor file.

One possible explanation could be a longer gift cycle for donors giving larger amounts. Normally there is higher retention for the donors giving the highest gift amounts, however, when grouped together those organizations generating the highest gift amounts, only show a 39% average retention.



*The remainder of this report uses a subset of 3,903 organizations where additional data points existed.

Increase Retention: Bottom-line Impact



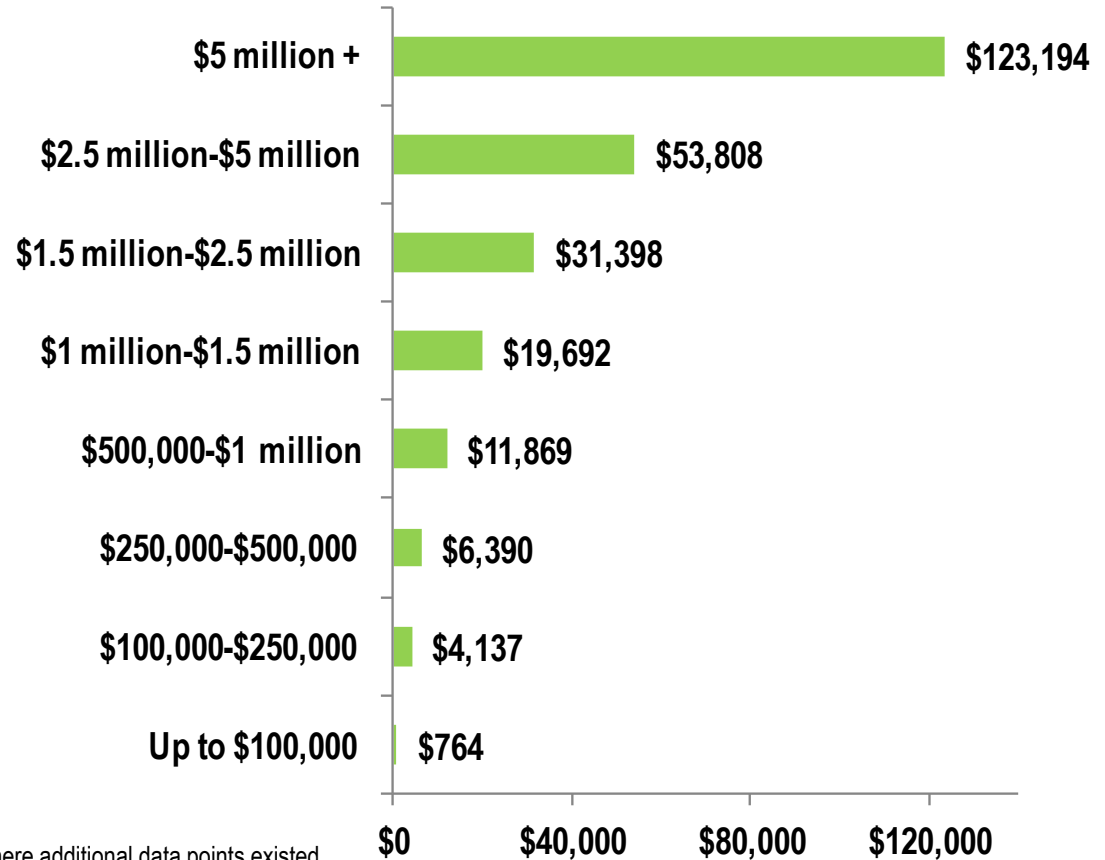
[Ben's Analysis]

Perhaps the most important question is not how many donors are we retaining, but instead what is that worth to us.

Understanding what a plausible increase in retention means to your organization is vital to making smart marketing decisions.

Our goal is to give organizations a good rule of thumb for the expense they are willing to spend to increase that retention.

Value of Increasing Retention by 1%



*The remainder of this report uses a subset of 3,903 organizations where additional data points existed.

Action Steps: Start improving retention today

- Know your numbers. Understand your fundraising vital signs. Need help calculating your retention? Contact us: retention@afpfep.org.
- Define your retention goals.
- Break your goals into manageable strategies – with benchmarks so you can track success.
- Visit the ‘Retention Resource’ guide in this supplement for a list of Retention Experts/ reading materials.
- Contact the FEP to tell us your retention success story.

Further Questions?

We want to hear from you. Questions/ comments / feedback, please reach out to the analysts.



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APPENDIX



Definitions of Segments: Retention

FEP measures and publishes statistics on gains, losses and net growth for both “number of donors” and “amount of gifts” (dollars). FEP retention statistics are referred to in this supplement as “donor retention” and “dollar retention.”

<p>New Donor Retention Rate</p>	<p>Overall Donor Retention Rate</p>	<p>Database Donor Retention Rate</p>	<p>Repeat Donor Retention Rate</p>
<ul style="list-style-type: none"> Percentage of last year’s new donors who gave again this year, divided by all of last year’s new donors. 	<ul style="list-style-type: none"> Percentage of the total number of donors last year who gave again this year, divided by total number of donors last year. 	<ul style="list-style-type: none"> Percentage of donors who gave this year (excluding new donors this year), divided by all donors of record in the database. 	<ul style="list-style-type: none"> Percentage of last year’s donors who renewed their gift this year (excluding new donors last year), divided by all donors who gave last year.
<p>Donor Reactivation Rate</p>		<p>Donor Recapture Rate</p>	
<ul style="list-style-type: none"> Percentage of previously lapsed donors reactivated this year, divided by all lapsed donors. 		<ul style="list-style-type: none"> Percentage of previously lapsed donors reactivated this year, divided by all lapsed donors. 	
<p>New Donor Acquisition Rate</p>			
<ul style="list-style-type: none"> Percentage of new donors this year, divided by all the new donors last year. 			