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Fundraising Effectiveness Project (FEP)

2015 Fundraising Effectiveness Survey Report

Available at [www.afpnet.org/FEP](http://www.afpnet.org/FEP)

2015 FEP Donor Retention Supplement

**January 6, 2016**

### Participating Donor Software Firms

|  |  |
| --- | --- |
| Abila\* | MatchMaker FundRaising Software\* |
| Bloomerang  | Metafile\* |
| Donor2/Campus Management Corporation\*  | PhilanthrAppeal (FundTrack Software)\* |
| DonorPerfect Fundraising Software\*  | The Raiser’s Edge ® (Blackbaud)\* |
| eTapestry\*  | ROI Solutions |
| GiftWorks (Mission Research)\* | Telosa Software (Exceed!) |

### *\* Charter member of the AFP Donor Software Workgroup*

### Project Sponsors

|  |  |
| --- | --- |
| Association of Fundraising Professionals (AFP)\* | Center on Nonprofits and Philanthropy at the Urban Institute\* |
| Association of Donor Relations Professionals (ADRP) | Center on Philanthropy at Indiana University |
| Council for Advancement and Support of Education (CASE) | Council for Resource Development (CRD) |
| National Committee on Planned Giving (NCPG) |  |

# *\* Founding partners, providing resources for the project.*

2015 FEP Donor Retention Supplement

**January 8, 2016**

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**Summary**

In 2006 the Association of Fundraising Professionals (AFP) and the Center on Nonprofits and Philanthropy at the Urban Institute established the Fundraising Effectiveness Project to conduct research on fundraising effectiveness and help nonprofit organizations increase their fundraising results at a faster pace. Organizations listed on the cover page have joined them as sponsors of the project. The project goal is to help nonprofit organizations measure, compare, and maximize their annual growth in giving. The FEP Fundraising Effectiveness Database housed at the Urban Institute is available free to nonprofit sector researchers on request (FEP@afpnet.org).

The groundbreaking annual **Fundraising Effectiveness Survey**, piloted in November 2006, collects fundraising data from nonprofit organizations beginning with data for 2004-2005. The Fundraising Effectiveness Survey enables participating nonprofits to measure and compare their fundraising gain and loss ratios to those of similar organizations. Participants can use this industry data, *which AFP offers free*, to make better-informed, growth-oriented budget decisions to boost donor revenue.

The 2014 Fundraising Effectiveness Survey Report is based on 8,025 responses for 2013-2014 from nonprofit organizations in the United States. The 2013-2014 responses reflect a total amount raised of $6,688,637,383 from 6.7 million donors with an average gross revenue of $833,475 among the 8,025 participating organizations.

The revenue for the organizations reviewed 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. On average 46% of donors that gave in 2013 gave again to the same organization in 2014. This means that on average 54% of the donor file needed to be replenished by reactivating lapsed donors or acquiring new ones.

*Figure 1*

**2.6%**

**-1.4%**

**Donor Retention 2014**

**Change in Average 2013-2014**

**Donor Retention**

**46%**

In order to provide a more detailed analysis of the organizations a subset of 3,903 organizations was further analyzed. The remainder of this report uses the subset of 3,903 organizations where we had additional data points like NTEE code and age of organization as examples. Using the subset of data allowed us to dig deeper into the data and provided additional views of the data.

**Overall Retention Rate**

**Definition:** *the percentage of the total number of donors last year who gave again this year, divided by total number of donors last year.*

On average, for the 3,903 organizations in the subset, 46% of donors that gave in 2013 gave again in 2014. The retention rates for the organizations are distributed much like a traditional bell curve. One can think of the average retention rate much like the average height of a man/woman. The average height of a male/female in the United States is 5’10”/5’5”, much like the average retention rate for the organizations we reviewed was 46%.

It is useful to compare an organization’s retention rate to the average as one might compare their height to the average. The standard deviation of height for a male is 4” and the standard deviation for retention in the FEP data is 16.8%. Therefore, if you think of a male between 5’6” and 6’2” this is roughly equivalent to an organization with a retention rate between 30% - 60%. In both cases roughly 68% of the population is contained inside that margin.

Just 5% of the organizations in the survey had retention rates above 69%, and only 5% had retention rates less than 14%. For the donors that retained 38% increased their giving compared to 28% giving the same and 34% gave less.

The figure below illustrates the average overall retention for the organizations reviewed.

*Figure 2*

The retention of the organizations reviewed was 46%, indicating that 54% of the file size needed to be replenished through acquisition of new donors or the recapture of lapsed donors. While it is more expensive to acquire a new donor, the ratio of new to recaptured donors was 2.8. This means that for every recaptured donor nearly three new donors were needed to maintain file size.

*Figure 3*

*54% of Current Year Donors Recaptured or New*

*46% of Current Year Donors Retained from Last Year*

The overall retention rates over the organizations appears to be normally distributed (bell curve) but may have a bi-modal distribution. The following figures show the distribution and percentile of the organizations’ retention, with the majority of the organizations between 30% – 60% retention.

*Figure 4*

In keeping with the height comparison, it is useful to think of the growth chart that a child receives during the first five years of doctors’ visits. The chart is meant to track the growth of a child as compared to the average for the age.

The chart below, figure 5 shows the percentile for each retention rate. So that if an organization has a 69.2% overall retention rate or higher, they are in the top 5 percentile of all organizations. Similarly, if an organization has a 13.8% overall retention rate, they are in the bottom 5 percentile. An organization can measure their overall retention rate and compare below to see what percentile the organization is in.

*Figure 5*

**New Donor Retention**

**Definition:** *the percentage of last year’s new donors who gave again this year, divided by all of last year’s new donors.*

It is important to separate out he 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 chart on the following page, figure 6, illustrates that the average new donor retention over the time period below was 25.4%.

*Figure 6*

When looking at new donor retention there is a large distinction between under $100 donors and those greater than $250. You can see in the chart below that 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.

*Figure 7*

**Repeat Donor Retention**

**Definition:** *the 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 (*excluding new donors last year)*.*

In the chart below you see that the average repeat donor retention over the time period below 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.

*Figure 8*

As you would expect, 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 demonstrated an average of 76%. Again the $100 - $249 was right in the middle with an average of 65%.

*Figure 9*

**Overall Donor Retention by Organization Type**

The following section will analyze the retention of organizations by their National Taxonomy of Exempt Entities (NTEE) code, size in gross revenue, age, and the average gift size of the organization.

**Retention by NTEE Code**

Religion, Environment, and Education had the highest retention numbers in 2014. Human Services, Societal Benefit, and Health had the lowest retention for 2014. The relationship between the growth in donors and retention can be seen in the charts below as variable. For example, Religion had one of the highest average retention, but also had one of the lowest growth in donors.

The following chart shows the average retention and corresponding growth in donors of the organizations by the NTEE code.

*Figure 10*

**Retention by Size**

The organizations analyzed were divided into eight classifications of size. The size refers to the annual gross revenue of the organization.

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 in donors but only 36% retention rates for non-profits with $100,000 or less in annual revenue.

*Figure 11*

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

It is important to note that a 50% growth in donors for an organization raising less than $100,000 could mean an increase of only hundreds of donors, however for organizations raising $5 million or more, that rate could mean an increase in the tens of thousands of donors. It is easy to see how the rate of growth in donors necessarily diminishes as an organization grows.

**Retention by Age**

In addition to the size of an organization, the age of an organization plays a part in the ability to grow and retain donors. 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.

*Figure 12*

Older organizations grew their donor files by 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 the life time value of newly acquired donors due to the shorter timeframe.

**Retention by Average Gift Size**

Earlier retention by a donors’ average gift size was reported, in contrast the following graphs show the average gift of the organization. One particularly interesting finding was that the average gift size of an organization had an inverse relationship to growth in donors. Organizations with low average gifts, demonstrated the largest average growth in donor file. The chart below maps retention, growth in donors, and gift size. Another divergence from the gift size of an individual as compared to the average gift size to the organization is when looking at the higher gift amounts; we see a drop off in retention. This is counterintuitive, and requires further study.

*Figure 13*

**Conclusions**

2014 the overall retention rate was at 46.6% compared to the average of 48.7% over the last 7 years. While the repeat donor retention rate has been consistent, there has been a gradual decline in repeat donor retention of -0.68% over the last seven years. Even with the decline in retention, there was an increase of 2.6% in revenue generated from the organizations studied.

Sectors experiencing the highest retention rates in 2014 were Religion, Environment, and Education as compared to those experiencing the least Human Services, Societal Benefit, and Health. The size, age, and average gift of an organization also play a role in the retention. The larger and more established organizations exhibited higher retention rates.

The question then becomes what can be done about retention, and what resources should an organization employ toward improving their retention. This question is not easily answered, and likely varies widely depending on a variety of factors. To help organizations develop strategies toward improving retention, here are two findings from the data reviewed.

**Correlation of Growth to Retention, New and Lapsed Donors**

The donor growth rate is equal to (New donors + Reactivated donors – lapsed donors[attrition]) / Total Donors Last Year, and measures the rate with which the number of donors contributing within a year increases or decreases. The Fundraising Effectiveness Project’s goal is to increase giving at a faster pace. Therefore, we analyzed the relationship of the factors that increase giving; retained, new, and lapsed donors to better understand the elements of growth.

There was a large amount of variability in the donor growth rate for small and young organizations within the data set. To control for this variability, the dataset was filtered down to organizations with more than 1,000 donors and older than 5 years of age. The correlation was then run to determine the strength of the relationship between retention, new donors, and lapsed donors on the donor growth rate.

A surprising outcome was that the retention had the lowest correlation (.377) compared to the correlation of new donors (.649) and lapsed donors (.389). This indicates that the relationship of existing donors either retained from the prior year or recaptured from previous years is not nearly as strong as the relationship between new donors and donor growth rate. While obviously both are important and should not be neglected, it is important to understand how closely the donor growth rate is related to the acquisition of new donors. Especially when considering the costs associated with acquiring donors as opposed to retaining and stewarding them.   Since acquisition is so much more expensive it is often the first expense that is cut for organizations of all sizes.

**Value of Retention**

Perhaps the most important question is not how many donors are we retaining, but instead what is the value of that retention. For it is only once that value is understood, can an organization set expenses toward maintaining/improving retention. We calculated the revenue generated by an increase of 1% of retention. This will give organizations a good rule of thumb for the expense they are willing to allocate toward increasing that retention.

It is important to note, that the following calculations are an average. This value can and should be calculated individually for each organization.

This calculation was done in the following manner: the value of 1 percentage point is the total value of the donors retained for an organization, and then divided that by the percentage retained.

$$Value of 1 \% of Retention=\frac{Repeat Donor Revenue}{(Overall Retention Rate/100)}$$

Repeat Donor Revenue = Revenue from donors that gave both this year and last year.

An example is if an organization retained 50% of their donors and the revenue retained was $500,000 the relative value of a percentage point is $10,000, or 50 \* (1%) \* $10,000 = $500,000. The average value of a percentage point of retention was calculated by the size of the organization in the chart below.

*Figure 14*