
A SMARTER AND EASIER WAY TO RAISE MONEY: DONOR RETENTION

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Long before COVID-19, the nonprofit sector faced a crisis: embarrassingly low donor retention rates. Today, less than half of the average organization's donors will give again the following year.

Over time, the impact of this statistic is devastating. Consider a nonprofit with 1,000 donors. Even if the organization beats the national average and maintains a 60% retention rate, its donor base would fall to 600 in year two. After five years, the organization would have only 78 donors left.

As professional fundraisers, we are spinning our wheels. In 2017, \$6.008 billion in gifts were generated from new, upgraded current and previously lapsed donors, but about the same amount (\$5.762 billion) was lost through reduced gifts and lapsed donors. This means that **of every \$100 gained, \$96 was lost through gift attrition.**¹

The cause of low donor and donation retention rates is unknown. Perhaps it's because, as a culture, we're obsessed with the new and the shiny. Or maybe our boards equate new donors with more awareness for our cause. Whatever the reasons, the COVID-19 pandemic has forced us to return to fundamentals, and proper donor stewardship is at the top of that list.

Consider the Potential

The Fundraising Effectiveness Project estimates that if an organization (one that raises at least \$1 million per year) raises its donor retention rate by just 1%, they will add \$19,692 to their bottom line the following year. **If they raise their retention rate by 10%, that's \$196,920 in new revenue the next year.** And if retention rates rise year after year, these results are compounded for even greater growth.

Donor retention is critical for the long-term health of any institution or organization.

The average major donor doesn't become a major donor until after they've given five gifts. **At current retention rates, half of your major gift prospects walk out the door each year.** These are donors who have already expressed an interest in your mission. You've already accomplished the difficult task of donor identification and acquisition; keeping them should be equally as important.

¹ Bill Levis, Ben Miller, and Cathy Williams, "2018 Fundraising Effectiveness Survey Report," Fundraising Effectiveness Project, April 12, 2018, <http://afpfe.org/wp-content/uploads/2018/04/2018-Fundraising-Effectiveness-Survey-Report.pdf>



Value of 1% of Retention

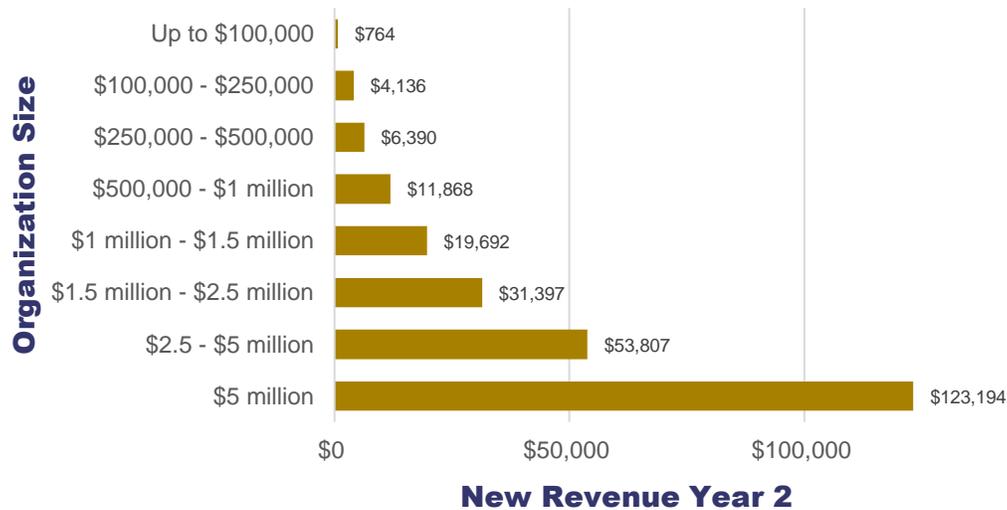


Figure 1: The Fundraising Effectiveness Project's 2015 Donor Retention Supplement shows the impact of a 1% rise in retention rates for various sized organizations shown on the chart's left-hand side.

If your organization is considering a capital campaign in the coming years, you'll need a strong and committed donor pool—one that has been carefully cultivated and engaged. **A revolving door of donors fails to create that base of supporters you need for visionary projects that will transform your organization or institution.** Similarly, that same committed base of supporters is the one you can turn to in a crisis like COVID-19.

Don't assume that once a donor leaves, it's easy to reengage them. The recapture rate of a donor who has left is about 5%. Your chances of getting those SYBUNTS back are slim, so do everything you can to keep them in the first place.

Keeping New COVID-19 Donors

Many frontline organizations like hospitals, food banks, and homeless shelters have **seen exponential increases in the number of new donors wanting to help others during the COVID-19 crisis.** Even institutions that aren't on the frontline are seeing increases. Universities and

independent schools have received new contributions to bolster financial aid and services for their at-risk students. Churches and ministries are receiving new contributions as people are searching for connection, hope, and faith.

Because retention rates for new donors hover around an abysmal 20%, the challenge over the coming year will be keeping them.

Let 2017 be a cautionary tale. In 2017, Hurricanes Maria, Irma, and Harvey ravaged Texas, Florida, and Puerto Rico. Wildfires raged in California and a devastating earthquake hit Mexico City. Donors responded in force to these disasters; the value of gifts from new donors grew by 24%². The next year, however, new donor retention rates dropped significantly as organizations did little to retain their interest. Imagine the revenue those organizations would have to address today's pandemic if they had focused on retaining those new donors.

² Giving USA 2018.



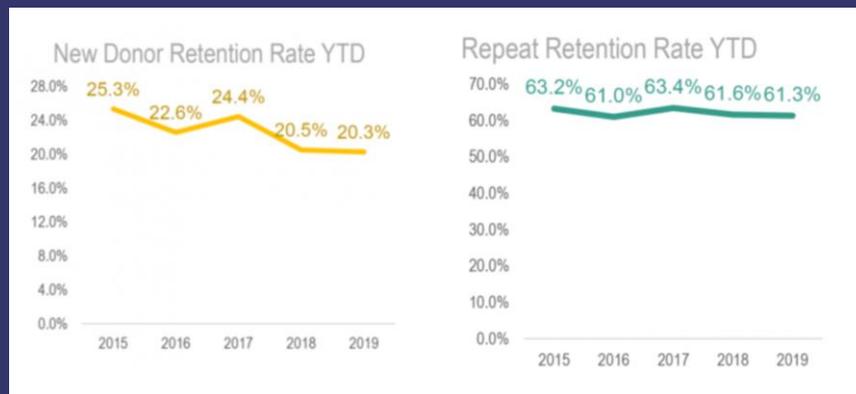
Instead of waving goodbye to your donors next year, spend some time this year making them feel special. Acknowledge their newness and spend

time introducing them to the good work you do throughout the year. Thank them and engage them—and not just in response to their first gift.

Bucking the Trend

Reversing donor attrition isn't hard, but it will take some intentionality. We suggest:

- Thanking your donors repeatedly. Actively show them what their gift means to the children, animals, sick, homeless you serve.
- Treating your donors as investors. Engage them in your organization through surveys, special donor meetings, or non-fundraising insider events.
- Educating your board around the importance of retention and its potential ROI.
- Welcoming new donors with open arms. Carefully segment them and show them some special love. When it's time to renew their gift next year, thank them for their first-year investment and ask them to give again.



Source: Bloomerang.co/retention

Donor Retention Analysis

Ready to take action but don't know where to start? The Winkler Group can conduct a comprehensive donor retention assessment and make recommendations that will increase your retention rates.

Email ssprinkle@winklergroup.com for details and how to get started right away.

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