

Using Analytics to Grow Your Fundraising Program

Your donor database can help you raise more money. In fact, analytics may be one of the most under-utilized tools you have. At Amergent, database analysis is an essential part of our strategic conversation with nonprofits. Used effectively, analytics can help your organization:

- Grow a population of loyal donors
- Acquire new donors with higher retention rates and better ROI
- Consistently cultivate and upgrade donors – increasing net revenue
- Understand why analytics services should be built into your fundraising plan

A White Paper

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Introduction

Recently we did a Google search on the phrase “fundraising is easy.” It yielded 8.9 million hits. Sometimes Google works as an oracle, but not this time.

In reality, direct response fundraising has never been easy and it’s getting tougher.

More fundraising organizations are chasing a dwindling market.

To fundraise effectively, you need to be smarter about it. One of the ways to be smart about it is to use effective analytics – use your donor database to raise more revenue.

The Evolution of Analytics

A comprehensive database management system can merge donor information gathered from multiple sources. A donor database is flexible, as well as comprehensive, and the data can be compiled into reports that answer questions such as:

- Who made gifts of \$25 or more in response to September’s renewal mailing?
- Who made gifts online within two days of the September renewal mailing’s in-home date?

But this paper is not about how to create or manage a database. It’s about what database analytics can do for you. At its most basic, analytics is defined as the prediction of giving behavior based on patterns in a database.

In the past, analytics simply looked at how much money donors gave, how recently they gave it, and how often they gave. These measures are known as donor recency, frequency and monetary value (RFM).

Several years ago, when there were plenty of quality names that could be called on for support, RFM combined with some zip code targeting could fill the bill. While RFM is still a good basic indicator of responsiveness to an offer, it is not enough to meet the demands to reach the best donors and prospects, and do this with limited budget and limited audiences.



In Fundraising, When the Going Gets Tough, the Tough Look for More Information

It's good to have information at your fingertips, but it doesn't improve results if you don't know how to use it. The real trick is to get so good at using it that your donors feel like you know them – like you're an old friend. This is the way that analytics can be used today – to forge and sustain friendships.

All donors can't always talk face-to-face with organizations, but a fundraiser can know what donors want by looking at what they respond to, and when during a month or a year they do it.

This is where analysis of donor behavior moves from "when you last talked to me, and how much you gave me" to "how you've talked to me before (channel of response) about which area of interest (topic of appeal), at what time of the year, with what result (gift/no gift, online or direct mail response, high or low gift within a gift ladder)."

In other words, knowing what information to look for – and how to use it – makes you more relevant and more credible to your donors.

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to:

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Getting Practical

Twenty years ago when fundraising analytics was beginning to get more sophisticated, the goal was to be able to get to the point where donors could be targeted as an "audience of one." That was when modeling of donor segments was gaining popularity, and the capacity of technology plus strategy seemed limitless.

Now, the power of databases and the sophistication of analysis have grown beyond what could have been imagined in the 1990s.

Effective analytics will not alone grow you revenue. But it will give you the tools to:

- find long-term donors
- grow their numbers
- strengthen their loyalty
- increase their long-term value.

Analytics is also critical to finding new donors and turning them into long-term donors.



Using Analytics to Find Long-Term Donors

Developing donors into those that will stay with you and support you for years is the goal. Not only do these donors renew at higher rates – and also give you more gifts each year – but they are also more likely to step up to higher levels of support, like capital campaigns and planned giving.

Analytics can help you build your population of long-term donors each year. Donor-driven segmentation can drive messages to donors that encourage them to become more engaged with your organization.

For example, how do you define an engaged donor?

Is it someone that consistently gives you a \$100 gift in December and has done this for four years, but doesn't give at any other time of the year?

Or, is it a \$100 donor that consistently gives you four \$25 gifts every year, and has for the last five years?

The answer is that both of these are loyal donors engaged with your organization, but they have different ways of showing their commitment to you. The question of how much an organization will capitalize on that loyalty lies in the segmentation strategies that are used to recognize high donor loyalty and perceived donor value.

Would you pass over the donor that has made \$25 gifts four times per year for five years when pulling selects for a loyal donor communication just because they don't have any gifts in their record that are \$100+?

If this donor is passed over for a loyal donor message, they would probably keep giving in their current pattern, but have you lost an opportunity to appreciate and possibly upgrade them?

In fact, the \$100 one-time-per-year donor could end up less loyal because of their commitment to only one gift, but the four-gift \$25 donor may be willing to step up to the deeper commitment of monthly giving or a planned gift.

Think of your own giving behavior. Is it a more heartfelt action to remember one of your select charities four separate times during the year, or just once? This is why we say "become more engaged." We know that it isn't just giving higher and higher gift amounts that cause a donor to become more involved in your mission. They may show their loyalty by responding online in response to a direct mail piece, or by signing an online pledge. Some donors consider themselves monthly donors without formally joining as a sustainer. They just write a check 9 or 10 months of the year.

It requires thinking like a donor to be able to make informed decisions like these. This is what makes a loyal, long-standing donor, and analytics is working behind it all making sure that analytics paired with experience can help you ensure that donors are receiving messages that are relevant to their experience over time.



Donor Value Over Time

Each year, the real payback of any direct response fundraising program is in keeping as many satisfied donors as you can.

Analytics plays a vitally important role in making sure a fundraiser's donor development program stays on track – from when donors first come on to the file, forward. This means using analytics to target newer donors to make second and third gifts as soon as possible, increasing their bond with you early in the relationship.

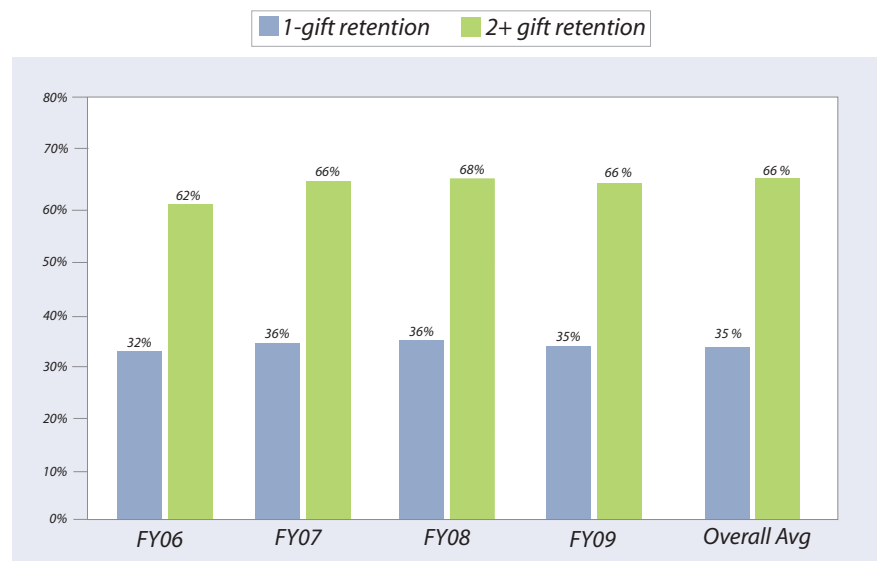
If you use analytics to drive more gifts early, the growth curve of your program will have a larger population of loyal donors to support you through thick and thin.

The First-Year Second Gift – Key to Growth

Using sophisticated analytics, Amergent has found that getting two or more gifts in the first year a new donor is on file is one of the most powerful long-term retention success strategies. Getting a second gift soon after the first puts a donor on a completely different growth trajectory than we find with one-gift donors.

Here's an example of how two or more gifts affect retention rates for our food bank clients:

Effect of a 2nd Gift in Year 1 on 2nd Year Retention



Analysis allows an organization to target one-gift donors with messages in their first year on file that highlight the value of their support at a time when they are most inclined to give another gift – when the feeling of giving to the new organization is strongest.

When you acquire a new donor's first gift, it can also lead to achieving success with getting more second gifts in the near-term. Timing plays a large role in the renewal process.



Consecutive Donors are Precious

Donors that support your organization with gifts for two or more consecutive years are gems. They contribute more gifts and higher average gifts year after year, resulting in high net revenue.

Here's an example from one of our faith-based clients:

Long-Standing Donors	FY07	FY08	FY09	FY10
% Renewed annually	66%	64%	65%	63%
# Gifts per Donor (freq)	2.64	2.51	2.51	2.43
Average gift size	\$25.15	\$25.56	\$24.38	\$25.11
Annual Donor Value	\$66.38	\$64.11	\$61.29	\$61.05

Long-Standing Donors are donors that have renewed at least two consecutive years. You can rely on these donors as a base of support every year. They renew at high rates and give two or more gifts. Average gift amount is consistent (or growing). The goal of any organization should be to cultivate as many donors as possible into this segment.

One-Year New Donors	FY07	FY08	FY09	FY10
% Renewed annually	31%	29%	34%	35%
# Gifts per Donor (freq)	1.97	1.9	1.86	1.79
Average gift size	\$20.60	\$21.33	\$20.07	\$20.24
Annual Donor Value	\$40.52	\$41.32	\$37.39	\$36.29

One-Year New Donors are newly acquired donors that are renewing into their second year of consecutive support. Amergent recommends renewing at least 30% - 35% of newly acquired donors in each year. The program illustrated in this chart has achieved (and grown) those renewal rates by making sure that most donors are making two or more gifts per year.

Donor Seasonality

It is well known that year-end is when many, if not most donors make gifts. But, what about other times during the year? There's no single answer to that question because outside of the last couple of months in the year, every program is different.

Some fundraisers are inclined to mail almost every month, accepting the reality that they get higher responses in some months and lower responses in others.

There is another way that fundraisers can honor donor giving behaviors – by asking them for gifts when they prefer to give to you. If a long-standing active donor of 10+ years has never given you a gift in July, she is unlikely to start this year. So, getting a package from you in July could be viewed as a waste of her money.



Donor Seasonality (continued)

How can you make sure that you avoid this mistake? Use analytics to follow your donors' giving behavior, and ask them for their support when they want to give it to you.

Donor-driven segmentation can reveal that a donor has given you gifts in November for the last three of four years. This allows you to say, "We hope that you will consider a gift of \$40 as you often do at this time of year."

Being specific lets the donor know that you are honoring their preferences and that you keep track of their gifts. It suggests to them you are a careful steward of their contributions. It gives the donor some satisfaction that you understand to whom you are writing in this letter.

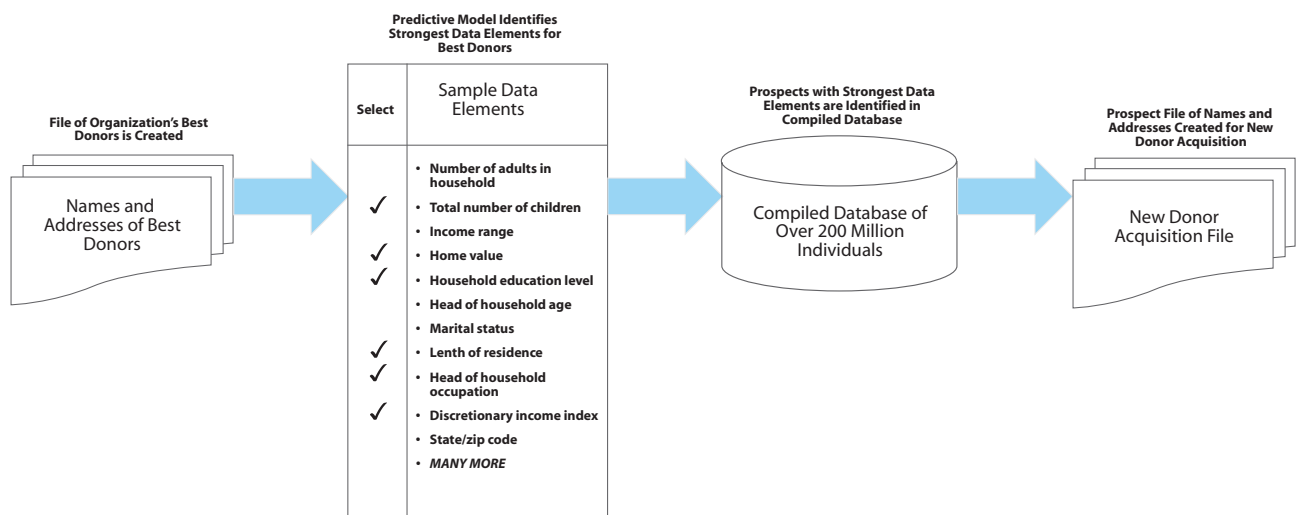
Acquisition

Considering the realities of the fundraising arena, no organization really likes to do acquisition.

Still, every organization has to do it every year, or their program will take a big hit in its long-term viability. The answer is to do it smarter.

Carefully executed modeling has grown into a viable alternative to using response lists for finding new donors. The model looks for prospects that look like your best donors – the donors that stay with you for years and support you no matter what.

Modeling the attributes of your best donors to find more new donors just like them builds the strength of the entire donor file.

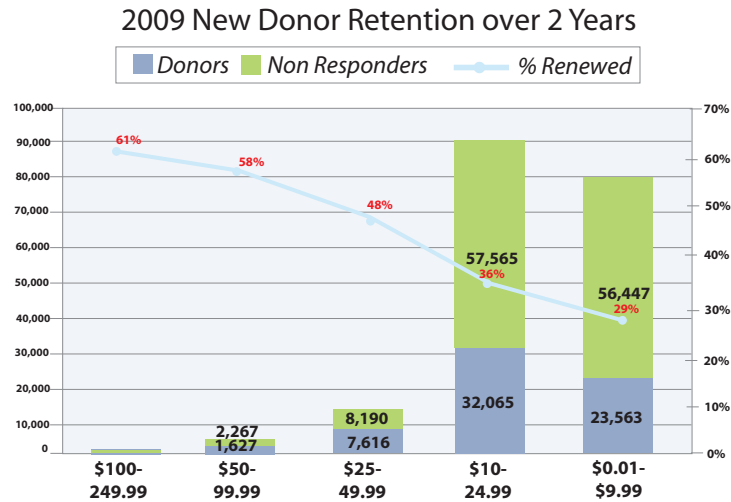


Using publicly available attributes, prospects that resemble an organization's best donors are selected from a database(s) of names, often at a lower cost than renting response lists. The real benefit to you is this: some of the prospective donors found by the model are not on the rental and exchange lists, and will respond with higher first gifts.

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Working Together to Create Friends for Life

Acquisition (continued)

Through response analysis, we know that new donors who give higher first gifts will continue to give higher gifts, and will stay on a file longer.



The benefit of identifying prospects who can give a higher first gift is apparent in this chart. When newly acquired donors from high-potential name sources give higher first gifts, they are renewed at higher rates into their second consecutive year.

Using analytic models in acquisition can give traction to programs that have been standing still.

Three-Year Giving Trends

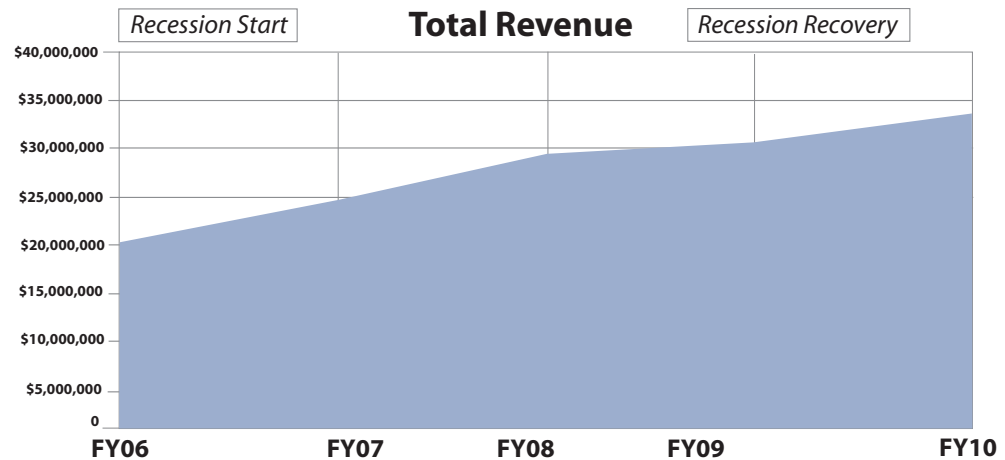
When all of the analytic tools described here are in place and are being applied consistently to a direct response program, three-year growth patterns typically increase year after year.

You should aim for consistent, steady growth in donors, contributions and revenues. Our experience shows that you achieve this with modest (and thoughtful!) increases in acquisition mailings from year to year and concentrated efforts to select and speak to all existing donor segments. This strategy encourages donors to both increase their giving and stay with you.



Three-Year Giving Trends (continued)

This example from Amergent's client files is a program that has done consistently well over the course of five years by following that strategy. This chart encompasses the economic downturn, which slowed but did not stop the client's revenue growth:



Paying close attention to the details can help any program grow and produce increased momentum, even through difficult economic times. Programs like the one above are evidence of that.

Amergent's Unique Approach to Analytics – Vital Signs Analysis™

Amergent's dedication to strategic fundraising services for our clients led us develop a suite of analysis tools that assured that we would be able to observe data and develop fundraising strategies for each of our clients' unique programs.

Amergent uses our Vital Signs Analysis from the very start of a relationship with an organization. This allows our first recommendations to be based soundly in the analysis of a new client's donor data, allowing for a solid footing for financial forecasting and strategic planning early in the relationship, and ongoing.

Most of our clients have budgeted for two Vital Signs analyses per year. The first is to start the year with a forecast that is rooted in the multi-year donor trends that have been observed by the analysis and by our strategists for each client. Communications plans are formed using the Vital Signs Analysis, the seasoned experience of the Amergent account managers and the goals that have been set by the client.

The mid-year Vital Signs Analysis serves as a reality check for the plans that were set six months before. Is everything trending the way that we forecasted? If not, we can identify exactly why and still have six months left in the year to correct the situation.



Amergent's Unique Approach to Analytics – Vital Signs Analysis™ (continued)

Vital Signs Analysis allows the Amergent team to never fly blind. We always have our hands on the controls and can see exactly where the programs are headed. The client is in the copilot's seat the entire time.

Vital Signs is unique because it is designed specifically to stabilize and grow our clients' programs. It is fully actionable in every way – designed by fundraisers for fundraisers. We say it's actionable because we never provide analysis without a plan of action on what should be done, based on the results.

It is designed to provide you multiple strategic solutions (options) to achieve your goals.

Using actionable analysis is what we do every day. Doing this gives our clients the best of both worlds – sophisticated analysis and seasoned strategy. In a fundraising world that is getting more and more challenging to navigate, it's the best way to go.

Analytics: The Cornerstone of Fundraising Performance

We've discussed some things effective analytics can do to support your donor conversation. By supporting that conversation, and thus giving donors the opportunity to support you at the highest level they want, you can impact your business in a number of ways. Effective analytics will help you...

- **Predict and sustain growth:**
 - Provide a stable path to forecast-able growth of your donor file
- **Determine investment levels:**
 - Plan most economical investment in your direct marketing plan that will meet the requirements of your budget
- **Limit costs/improve ROI:**
 - Appeal to donors for support when you know they are likely to respond
 - Invest in new donor acquisition to 1) offset lapsing, and 2) satisfy your growth goals
- **Identify new sources of support:**
 - Use predictive models to find prospects that resemble your best donors and reduce reliance on rental and exchange lists
- **Improve targeting:**
 - Understand donor preferences → why/when they enjoy supporting you
- **Do everything to make your fundraising program perform better!**

