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- Nearly every organization that depends on donor support could give more attention to people who gave money in the past.
- Average donor retention rates fell during the recession but have leveled off more recently.

# Donor Retention Matters

Putnam Barber and Bill Levis

Examination of anonymous records of donations by 1.8 million people shows that many organizations that rely on public donations to achieve their missions experience very high turnover rates in their donor rolls. This pattern leads to high costs of fundraising for some organizations. Other groups, though, see much higher rates of retention year after year, suggesting that it is possible for more organizations to trim costly acquisition campaigns and the loss of potential long-term supporters. This policy brief reports some key findings from the Fundraising Effectiveness Project. Continuing research will explore in more detail the underlying trends and patterns that affect this measure of nonprofits' connections with the communities they serve.

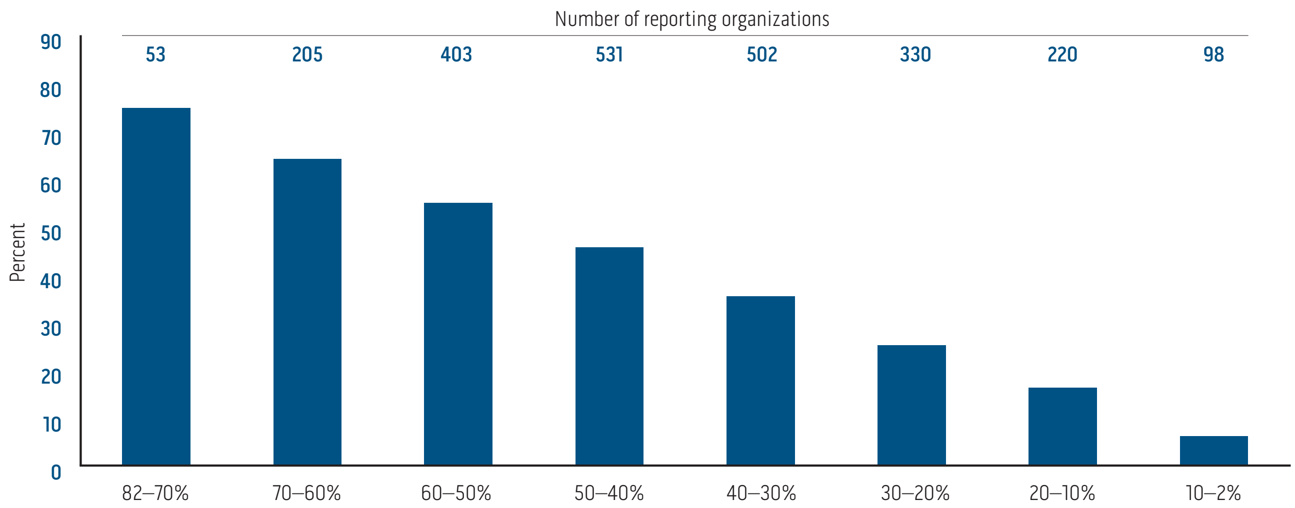
Statistics for about 1.8 million people who donated to 2,342 nonprofit organizations in 2009 and 2010 paint a pretty discouraging picture. Only 43 percent of donors who gave to these organizations in 2009 gave again to the same organization in 2010. That doesn't mean the donors stopped giving entirely, of course. Many of them may have given equally generously, but to *different* recipients.

Prospecting for new donors is expensive, no matter how it's done. Communicating with existing donors is usually much less costly—and a good idea for lots of other reasons.[1] So it makes sense to focus more on renewing current donors, alongside other measures of successful fundraising efforts. (See the worksheet on page 6 for a simple calculation to help gauge success—or the need for expanded efforts.)

Retention of donors is clearly not impossible. As figure 1 shows, some groups see more than 70 percent of their donors return in the second year. But doing so is rare; only 53 organizations (2 percent of the total supplying data) are in that high-scoring category. Far more organizations have room to improve their record from this point of view. The 98 organizations where less than 10 percent made a donation in the second year appear to be paying too much attention to finding new donors and not enough to staying connected to people who have shown support in the past.

Prospecting for new donors is generally costlier than maintaining connections with existing ones.

## Figure 1. Donor Retention by Overall Retention Rate, 2009–10




Notes: Total number of responding organizations is 2,342. Numbers above bars represent number of responding organizations in each category.

Close inspection of retention results for each organization will naturally lead to different conclusions. Some programs will always benefit from one-time gifts that are unlikely to be repeated; others are built around a core of active supporters whose connections to the work extend broadly into their lives. Typically, organizations use software packages for fundraising that offer a wide range of other tools to manage communications with donors along with other current and potential supporters. Providers of such software report, though, that their customers often use no more than 15 percent of the available features and thus miss opportunities to create strong ties with stakeholders.

The data for figure 1 come from an ongoing project that brings together the Center on Nonprofits and Philanthropy at the Urban Institute, the Association of Fundraising Professionals, and several providers of software for managing development activities. With their customers' permission, these donor software providers have collected anonymous data on yearly donations since 2004 to support this Fundraising Effectiveness Project in its explorations of the effect of variations in fundraising practices on recorded results.

A look back at the overall average rates of donor retention over seven years reflects falling retention as the economy soured in 2008 and 2009—as might be expected—followed by a more recent leveling off (figure 2). In contrast, the results from the broader survey of American philanthropy reported in *Giving USA* show a sharp decline of 6.5 percent in 2009 that was followed by increases of 3.8 percent in 2010 and 3.9 percent in 2011.[2]

The results for 2005 show, though, that even in good economic times donor retention is tough. The broadest conclusion from the Fundraising Effectiveness Project is that nearly every organization that depends on donors for essential support could probably do better—in good times and bad—at securing long-term, stable income by giving more attention to staying in touch with people who decided to give to them in the past.

There are more sophisticated ways of looking at donor retention. Two important modifications can be explored with more detailed information about donors' histories. The first is to look at the retention of people who gave *for the first time* last year, since an upward trend in "new-donor" retention would be a good sign. While overall donor retention from 2009 to 2010 was 43 percent, new-donor retention was only 27 percent. The second is to look at the retention of "repeat" donors—that is, people who gave last year and in prior years. Repeat-donor retention for 2009–10 was 70 percent, nearly three times the rate of new-donor retention.[3]

Figure 2. Overall Donor Retention Rates, 2004–05 through 2010–11

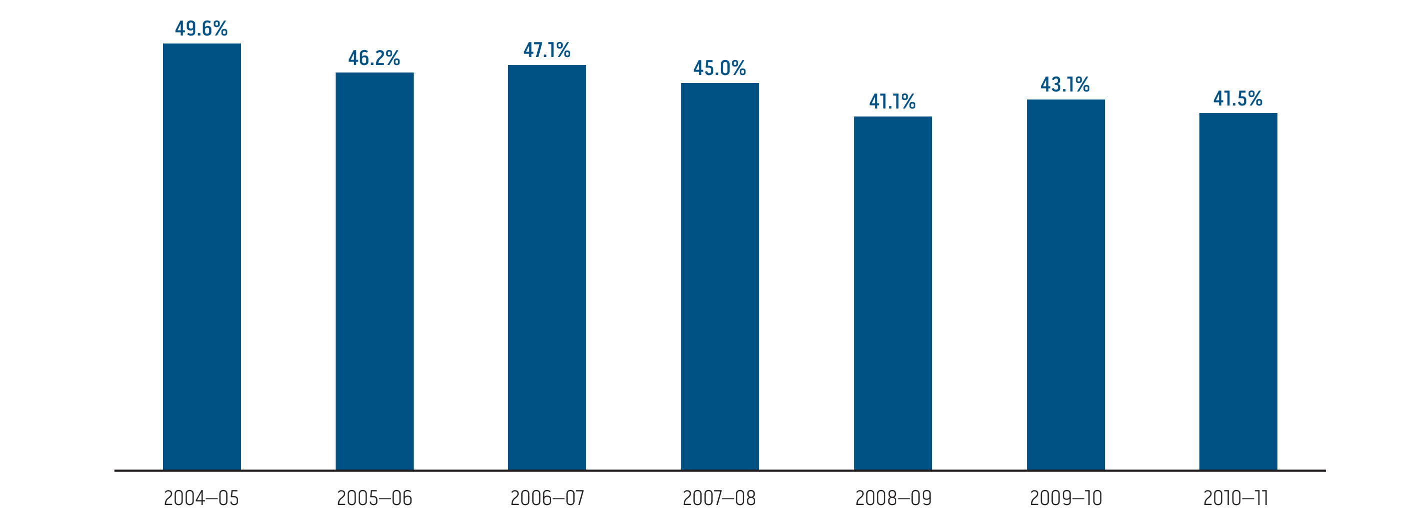
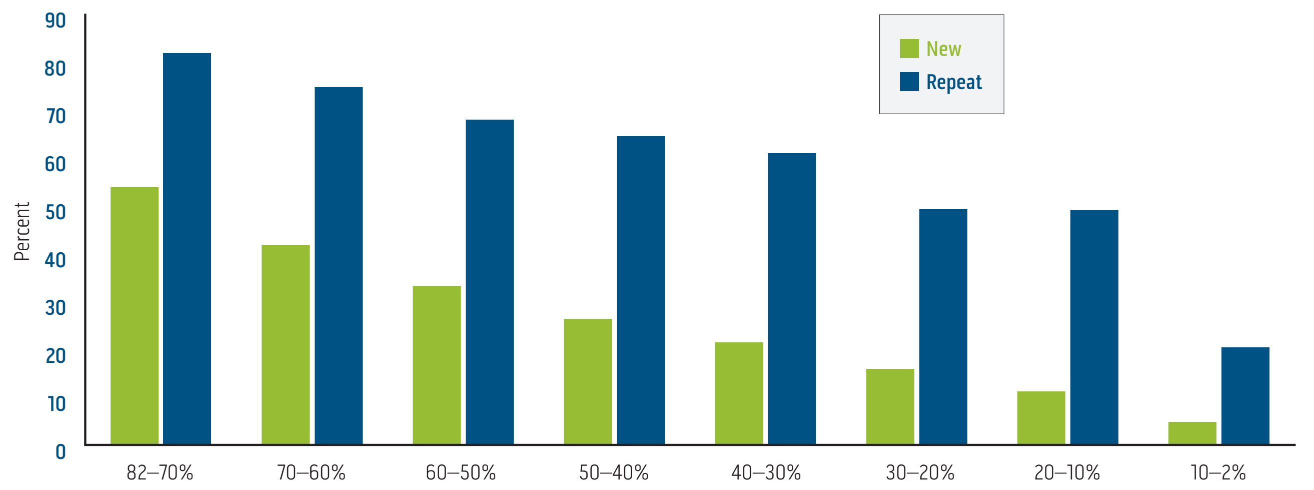


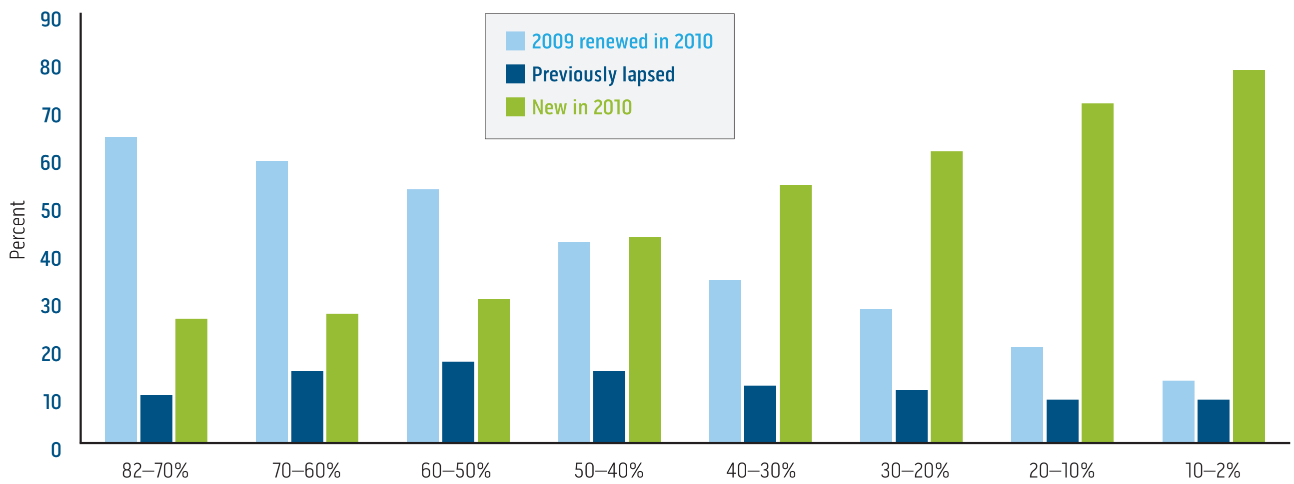

Figure 3. New and Repeat Donor Retention by Overall Retention Rate, 2009–10




As figure 3 shows, for organizations in the highest overall donor retention range, new-donor retention was 54 percent and repeat-donor retention was 82 percent. Compare this excellent performance with the organizations in the lowest overall retention range, where new-donor retention was only 5 percent and repeat-donor retention was only 20 percent. These results at the low end of the scale, although discouraging, suggest that attending to the interests and characteristics of long-term supporters is good strategy, even for organizations that have had less success in attracting them.

It is also useful to look more deeply into the history files to find if donors who gave this year but not last were in fact returning donors who had, for whatever reason, skipped making a donation for one or more years. Figure 4 shows how the 1.8 million donors in this study divided up between new

Figure 4. Share of Donors by Source and Overall Retention Rate, 2009–10




donors in 2010 (42 percent overall), new in 2009 who gave again in 2010 (repeat—44 percent overall), and donors from some earlier year who made another donation to the same organization in 2010 (previously lapsed—14 percent overall). Preserving the rekindled interest of those previously lapsed donors may be, for many organizations, a particularly effective strategy for building a strong core of committed long-term supporters.

Figure 4 shows how these sources compared across the range of organizations' retention rates. Even when previously lapsed donors who made an additional contribution in 2010 are included, the organizations with the most difficulty retaining donors could count only about 20 percent of their total number of supporters as lower-cost repeating donors. The most successful organizations, in contrast, found about 75 percent of their 2010 supporters among the lower-cost categories. To some extent, of course, there is an upper limit on the *proportion* of new donors for any organization receiving strong support from a cadre of long-term supporters, while the opposite is true at the other end of the spectrum. For organizations with low retention rates, sustaining donated income requires that a high proportion of their donors must be new every year. The pattern for returning donors across the range is interesting as well: organizations that do well in retaining donors from year to year also see relatively higher proportions of relatively lower-cost returning donors among their supporters.[4]

It can also be useful to calculate donors at different levels separately; some organizations find markedly better retention rates among donors whose typical gifts are large. Detailed information for two organizations included in the Fundraising Effectiveness Project provides an illustration of this difference. As shown in table 1, relatively high rates of donor retention are seen by these two organizations in the $250 and higher category, while both new and repeat donors at the under $250 level show substantially lower rates.

This difference in retention performance between small and large donors can be attributed to two likely causes. Donors who make larger gifts may feel more attached to the organization, pay more attention to reports of its activities, and generally be more likely to continue their support. In addition, the organizations may commit more resources to follow-up communications with larger donors, include them in events that highlight the benefits of the work, and pay closer attention to their preferences about how and when to contact them during the program year.

The costs associated with finding and processing new donors are generally higher, per donor, than those for maintaining connections with existing donors. These results might therefore be read as an argument for abandoning any effort to engage smaller donors in an organization's work—especially since, as table 1 suggests, 80 to 90 percent of the money raised may come from $250 and up donors. However, ignoring smaller donors would be a mistake. Small donors represent—or *should* represent—a broad connection between the organization and the communities it serves. Designing low-cost and effective ways to communicate with smaller donors provides an avenue for expanding the organization's reach

## Table 1. Donor Retention and Related Statistics for Two Case Studies by Giving Level

| | | Giving Level | |
|---|---|---|---|
| Attrition/retention category | All donors | Under $250 | $250 & higher |
| **Human service organization** | | | |
| Overall donor retention | 40% | 24% | 74% |
| New donor retention | 12% | 11% | 33% |
| Repeat donor retention | 58% | 51% | 81% |
| **Animal welfare group** | | | |
| Overall donor retention | 59% | 50% | 88% |
| New donor retention | 35% | 33% | 56% |
| Repeat donor retention | 76% | 67% | 93% |
| **Human service organization** | | | |
| Overall donor retention | 1,292 | 616 | 676 |
| 2009 total donors | 3,229 | 2,556 | 663 |
| Percent of donors by range | 100% | 79% | 21% |
| **Animal welfare group** | | | |
| Overall donor retention | 1,490 | 969 | 521 |
| 2009 total donors | 2,507 | 1,923 | 584 |
| Percent of donors by range | 100% | 77% | 23% |
| **Human service organization** | | | |
| Amount of gifts year 2 | $1,853,000 | $145,000 | $1,708,000 |
| Percent of gifts by range | 100% | 8% | 92% |
| **Animal welfare group** | | | |
| Amount of gifts year 2 | $818,233 | $156,765 | $661,467 |
| Amount of gifts by range | 100% | 19% | 81% |

and influence. Listening to the views of small donors—and watching with care the trends in their support for the organization's work—is a valuable way to receive feedback from friends. It may provide a useful focus for new efforts and assist in avoiding programming errors. Further, of course, many long-term donors make significantly increased contributions to favored organizations after supporting them for some time. Not all donors will follow this path, of course, but those whose support ends after a single year will have no chance to gain the greater connection that supports a larger commitment. Smaller donors, especially *repeat* smaller donors, constitute a resource for organizations that cannot be measured simply in the revenue they generate in the current year. Further, the value of that resource increases dramatically for organizations that are able to maintain stable rosters of donors and thus benefit more from the connections they have while avoiding costly efforts to secure donations from relative (or total) strangers.

The results of the Fundraising Effectiveness Project strongly suggest that many organizations could enjoy significant financial gains from increased attention to activities that encourage long-term commitment by donors who are familiar with their work. Stewardship of the connection with existing supporters is not just less expensive than prospecting for new ones, it also offers important opportunities to communicate about the value of the work being done and thus sustain the organization's standing in the community. ▪

## Calculate your own donor-retention statistics

### DONOR RETENTION CALCULATION

| ROW | YOUR ACTION | YOUR REPORT | DATA | SAMPLE |
|---|---|---|---|---|
| A | Input data | | Donors last year | 1,200 |
| B | Input data | | Donors who gave last year but not this (aka LYBUNTs) | 720 |
| C | Subtract B from A | | Donor retention | 480 |
| D | Divide C by A and multiply by 100 | | Donor retention rate | 40% |

With properly coded data, this calculation is pretty straightforward. In the column labeled "Your report," enter the number of donors who supported your organization last year (i.e., the year before your most recent completed program year) in row A, and the number of those donors who did not support your organization this year (your most recent completed year) in row B. Subtract row B from row A, and write the result in row C. That's the number of donors you retained from one year to the next. Now divide the number on row C by row A and multiply by 100 to use the familiar percentage presentation. That's your donor retention rate. As you can see from figure 1 on page 2, nearly two-thirds of all organizations in this survey had retention rates between 30 and 60 percent. You will have to decide for yourself if your retention rate is good enough, or if you want to give more attention to encouraging continuous support from people who have made a commitment to your organization at least once.

## Background on the Fundraising Effectiveness Project

The Fundraising Effectiveness Project (FEP) goal is to help grow philanthropy's share of the gross domestic product. It pursues this goal by providing nonprofits with tools for tracking and evaluating their annual growth in giving. The project focuses on effectiveness (maximizing growth in giving) rather than efficiency (minimizing costs). It conducts an annual survey and publishes gain (and loss) statistics in a yearly report through a partnership among the Urban Institute, the Association of Fundraising Professionals (AFP), and AFP's Donor Software Workgroup. The FEP's *Growth-in-Giving (GiG) Report* provides informative pictures of fundraising patterns for use by executive staff and board members in evaluating the success of fundraising techniques and strategies. The *FEP 2011 Donor Retention Supplement,* six annual *Fundraising Effectiveness Survey Reports,* and a description of the GiG report with a downloadable Excel-based GiG report template are available at http://www.afpnet.org/FEP. The GiG report template includes instructions for retrieving data from donor databases and automatically producing the GiG performance reports.

The Association of Fundraising Professionals (AFP) represents more than 30,000 members in 230 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs. The association fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession.

The Urban Institute's Center on Nonprofits and Philanthropy conducts research on the nonprofit sector to inform decisionmakers in government, nonprofits, foundations, and business. Our mission is to create an objective picture of the nonprofit sector, advance transparency and accountability, and assess consequences of public policies on the sector through rigorous research. We facilitate dialogue on pressing issues by hosting policy briefings and by disseminating findings widely. Our publications are available on the Urban Institute web site, at http://cnp.urban.org/.

Through the National Center for Charitable Statistics (NCCS), CNP creates and maintains the National Nonprofit Data System, a research-quality data source on the nonprofit sector. NCCS translates data on the sector's size, scope, and financial trends into accessible information for local, state, and national policymakers and provides data and technical assistance to scholars and the public. NCCS databases can be accessed at http://nccs.urban.org.

## Notes

1. Many studies document the higher cost of donor acquisition. James M. Greenfield describes direct mail new–donor acquisition costs as $1.00 to $1.25 per dollar raised, while donor renewal costs are $0.20 per dollar raised (*Fund Raising: Evaluating and Managing the Fund Development Process*, New York: AFP/Wiley Fund Development Series, 1999, 87). Bruce Hopkins, in *The Law of Fundraising*, reports that the direct mail–new donor acquisition fundraising ratio is 100 percent, while the donor renewal fundraising ratio is 25 percent (New York: Wiley, 2009, 95).
2. http://www.givingusareports.org/products/GivingUSA_2012_ExecSummary_Print.pdf, 16.
3. Fundraising Effectiveness Project, "2011 Donor Retention Supplement," http://www.afpnet.org/files/ContentDocuments/FEP2011ReportSupplement-11-18-11.pdf.
4. More discussion of the results from the first six-years of the Fundraising Effectiveness Project is available at http://www.afpnet.org/FEP.

## Donor Retention Resources

Strategies for improving donor retention are provided in the following books on relationship fundraising.

Ahem, Tom, and Simone Joyaux. 2008. *Keep Your Donors: The Guide to Better Communications and Stronger Relationships.* AFP Fund Development Series. New York: John Wiley & Sons.

Burk, Penelope. 2000. *Thanks! A Guide to Donor-Centered Fundraising.* Toronto: Burk & Associates.

———. 2003. *Donor-Centered Fundraising.* Chicago: Cygnus Applied Research/Burk & Associates.

Burnett, Ken. 2002. *Relationship Fundraising: A Donor-Based Approach to the Business of Raising Money.* 2nd ed. San Francisco, CA: Jossey-Bass.

Sargeant, Adrian, and Elaine Jay. 2004. *Building Donor Loyalty: The Fundraiser's Guide to Increasing Lifetime Value.* San Francisco, CA: Jossey-Bass.

Other donor retention resources can be found on the Association of Fundraising Professionals web site: http://www.afpnet.org/Audiences/ReportsResearchDetail.cfm?ItemNumber=2353.

## About the Authors

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**Bill Levis** is an associate scholar with the Center on Nonprofits and Philanthropy at the Urban Institute and project manager of the Fundraising Effectiveness Project. He has a long history of investigation into fundraising costs and productivity with numerous articles, papers and projects going back to the 1970s, when he organized and directed the NSFRE Fundraising Cost Study (1976–81).

## Center on Nonprofits and Philanthropy

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The Center on Nonprofits and Philanthropy conducts and disseminates research on the role and impact of nonprofit organizations and philanthropy. The Center's mission is to promote understanding of civil society and improve nonprofit sector performance through rigorous research, clear analysis, and informed policy. The National Center for Charitable Statistics (NCCS) is a program of the Center.



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