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**2016 Donor Retention Report**

December 31, 2016

A Supplement to the 2016 Fundraising Effectiveness Survey Report

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

 The Fundraising Effectiveness Project (FEP)

A project of the Growth in Giving Initiative



A special thank you to the following data providers, donor software/services firms, and nonprofit sector groups for their contributions.

### 2014-2015 Data Providers

|  |  |
| --- | --- |
| Abila\* | DonorPerfect Fundraising Software\* [\*\*] |
| Bloomerang\*[\*\*] | Neon\* |
| eTapestry [\*\*] |  |

### *\* GiG Database Providers [ \*\*] FEP 2016 Annual Report Data Provider*

### 2006-2016 Participating Donor Software/Services Firms

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

### *\* Charter member of the AFP Donor Software Workgroup (2006 to 2014)*

### Nonprofit Sector Groups Endorsing the Project

|  |  |
| --- | --- |
| Association Foundation Group (AFG) | Council for Advancement and Support of Education (CASE) |
| Association of Fundraising Professionals (AFP)\* | Philanthropic Service for Institutions |
| Association of Donor Relations Professionals (ADRP) | Lilly School of Philanthropy at Indiana University-Purdue University Indianapolis |
| Center on Nonprofits and Philanthropy at the Urban Institute\* | National Association of Charitable Gift Planners |

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

2016 FEP Donor Retention Supplement

**December 31, 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 Growth in Giving Database housed at the Urban Institute will soon be publicly to nonprofit sector researchers on request.

The groundbreaking annual **Fundraising Effectiveness Survey**, piloted in November 2006, collects fundraising data from nonprofit organizations beginning with data for 2004–05. 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 at www.afpfep.org*, to make better-informed, growth-oriented budget decisions to boost donor revenue.

The 2016 Fundraising Effectiveness Survey Report is based on 9,922 responses for 2014–15 from nonprofit organizations in the United States. The 2014–15 responses reflect a total amount raised of $8.628 billion from 8.27 million donors with an average gross revenue of $869,607 among the 9,922 participating organizations.

The revenue for the organizations reviewed increased 5.3 percent and the number of donors increased 2 percent. The increase in revenue was driven largely by a 3 percent increase in average gift size. On average, 46 percent of donors who gave in 2014 gave again to the same organization in 2014. This means that on average, 54 percent of the donor file needed to be replenished by reactivating lapsed donors or acquiring new ones.

*Figure 1*



In order to provide a more detailed analysis of the organizations, a subset of 7,840 organizations was further examined. The remainder of this report uses the subset of 7,840 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 number of donors who gave last year and gave again this year, divided by total number of donors last year.*

On average, for the 7,840 organizations in the subset, 46 percent of donors that gave in 2014 gave again in 2015. 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 percent.

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 percent. 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 and 60 percent. In both cases roughly 68 percent of the population is contained inside that margin.

Just 5 percent of the organizations in the survey had retention rates above 68.5 percent, and only 5 percent had retention rates less than 14.1 percent. For the donors that were retained, **41 percent increased** their giving compared to **28 percent who gave the** same and **31 percent who gave less**.

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

*Figure 2*

The overall retention rates over the organizations appears to be normally distributed (bell curve). The following figures show the distribution and percentile of the organizations’ retention, with the majority of the organizations between 30 and 60 percent retention.

*Figure 3*

In keeping with the height comparison, it is useful to think of the growth chart 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 on the next page, figure 5, shows the percentile for each retention rate. So if an organization has a 68.5 percent overall retention rate or higher, it is in the top 5 percentile of all organizations. Similarly, if an organization has a 14.1 percent overall retention rate, it is in the bottom 5 percentile. An organization can measure its overall retention rate and compare below to see what percentile it is in.

*Figure 4*

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

The retention of the organizations reviewed was 46 percent. This means that on average 54% of the donors giving in one year need to be replenished through acquisition of new donors or the recapture of lapsed donors, just to break even. For the organizations we reviewed, on average for every recaptured donor nearly four new donors were acquired.

*Figure 5*

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

*54 percent of Current Year Donors Recaptured or New*

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 five 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 new donors had the highest correlation (.795) compared to the correlation of retained donors (.313) and lapsed donors (.140). 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. **This is especially true** when considering the costs associated with acquiring donors as opposed to retaining and stewarding them. Because 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 that an organization can set expenses toward maintaining and improving retention. We calculated the revenue generated by an increase of 1 percent 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.

*Figure 6*

The Chart above illustrates the value associated with one percentage of the donors that could be retained in the ensuing year. For example, if an organization retained 50 percent of its donors, and the revenue retained was $500,000, then 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 above.

**New Donor Retention Rate**

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

It is important to separate out the retention rate of new donors compared to the retention rates of existing donors—they are starkly different, relative to time and level of connection with the organization. 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 25.76 percent. An alarming finding in this research is that the New Donor Retention rate has been steadily declining since 2008, averaging a reduction of -3.4% year over year.

*Figure 7*

When looking at new donor retention there is a large distinction between donors who gave under $100 and those giving greater than $250. You can see in the chart below that the average new donor retention rate for donors giving under $100 is only 17.5%, percent compared to 48.5 percent for those giving above $250. The $100 to $249 segment is right in-between at 30.4 percent during the same time period.

*Figure 8*

**Repeat Donor Retention Rate**

**Definition:**  *number of donors last year who gave again 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 rate over the time period below was 64.8 percent. There has been a steady decline over the last six years averaging -1.68 percent per year.

*Figure 9*

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 52.25 percent over the last seven years, as compared to those giving $250 and above who demonstrated an average of 76 percent. Again, donors giving between $100 to $249 were right in the middle with an average of 64 percent.

*Figure 10*

**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 Arts, Culture, and Humanities had the highest retention numbers in 2015. Human Services, Societal Benefit, Health, and Other had the lowest retention for 2015. 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 rates, but also had one of the lowest growth in donors.

The following chart shows the average retention rates and corresponding growth in donors of the organizations by the NTEE code. (*Please note that retention is the percentage of the total number of donors last year who gave again this year, divided by total number of donors last year and growth in donors is the number of donors contributing in 2015 divided by the number of donors contributing in 2014.)*

*Figure 11*

**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 affect retention up to a point. This may be attributed to availability of resources to invest in tailored, segmented donor cultivation and stewardship.

*Figure 12*

Organizations with less than $100,000 in revenue retain 36 percent of their donors on average. Once a nonprofit makes more than $1,500,000 the average retention plateaus at 47 percent. As revenue reaches $5,000,000 or more, retention rates average 45 percent.

It is important to note that a 50 percent 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. Organizations that were less than five years old had the lowest average retention at 40 percent, whereas the organizations that had been in operation for more than 30 years had an average retention of 46 percent. This may be attributed to the length of time the older organizations have had to build trust and develop more meaningful relationships with their donors.

*Figure 13*

Older organizations grew their donor files between 5 and 6 percent and had retention rates between 42 and 46 percent for 2015. By comparison, younger, less established, organizations grew by 33 percent, but retained only 40 percent of their donors. Organizations less than five years old may have not fully realized conversion and the lifetime value of newly acquired donors due to the shorter time frame.

**Retention by Average Gift Size**

Earlier in this report, retention by donors’ average gift size was discussed. The graphs below, figure 13, show the average gift of the organization. One particularly interesting finding was that the average gift size for an organization had an inverse relationship to growth in donors. Organizations with low average gifts demonstrated the largest average growth of donors in their 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 that when looking at the higher gift amounts, we see a drop off in retention. For example, organizations whose average donation is $5,000 or higher have a retention rate of 40%, or 6% points below the average. Alternatively, when you look at repeat donors whose average donation is $5,000 or greater those donors have a retention rate of 76%, or 8% points above the average. This means that when you group retention by individual the retention rate increases as the donation size increases, but when you group retention by organization the retention rate does not necessarily increase as the average donation increases. This finding is counterintuitive and requires further study.

*Figure 14*

**Conclusions**

In 2015 the overall retention rate was at 46.1 percent compared to the average of 48.4 percent over the past eight years. There has been a decline in new donor retention of -3.4 percent and in repeat donor retention of -1.68 percent over the past seven years. Even with these declines in retention rates, there was an increase in 2015 of 2.6 percent in revenue generated from the organizations studied.

Sectors experiencing the highest retention rates in 2015 were Religion, Environment, and Arts, Culture, and Humanities, 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, please visit [www.afpfep.org](http://www.afpfep.org) where the Growth In Giving/Fundraising Effectiveness Project publishes useful performance measurement tools and statistics to help the non-profit sector increase their giving.