bloomerang

Maximize the Lifetime Value of Your Donor Database

Why maintain a donor database?

More than likely you have a donor database. But when was the last time you really analyzed why you're maintaining it? How often do you nurture it? Update it?

> Use this definition for some motivation: A donor database "enables and ensures the proper funding of your organization's mission." When you think about it that way, a database is critical to the vitality of your mission. Now let's get started on figuring out how to maximize the lifetime value of your donor database.

What is lifetime value?

It's the total contribution a donor makes during their lifetime in your database. That means if someone stays with you for 5 years, and their average gift is the same or slightly increased in those five years, that's their lifetime value!

It's all about retention.

Your donor database is one of the essential tools that is helping your nonprofit thrive — all behind the scenes. It generates the funding that makes your mission come to life. By focusing on building a donor database that supports your cause year after year, you'll have what it takes to create a strategy for long-term success — with less effort and in less time.

So, what's the secret to building a healthy donor database?

Retention, in a nutshell.

If your database helps you retain donors, the amount of dollars you will be able to raise now and in the future makes a huge difference. Nonprofits that have successfully figured out this formula are reporting retention rates ranging from 60 percent to more than 70 percent.

Here are 10 steps to help you maximize the lifetime value of your donor database.

1 — **Analyze your current situation**

Let's talk about your retention rate. Not sure? Or, if you have a number in mind, what is it based upon? Plenty of people struggle to come up with that number.

Here's the formula for figuring it out: You're essentially working with a denominator and a numerator. In your case, the denominator is the number of donors in the previous 12 months. If you had 1,000 donors last year, for example, that's your denominator.

The numerator is the number of donors who donated again in the following year. So, that number comes from the previous year's pool. Now start calculating. If 550 of those 1,000 gave again in the following year, you have a 55 percent retention rate. And if you do have a 55 percent retention rate, well done. You're doing better than average.

2 — **Set your sights higher**

Don't aim high, and you likely won't get far. It's time to reset your expectations. According to the Fundraising Effectiveness Project, a collaborative effort between the Association of Fundraising Professionals and the Urban Institute, the median donor retention rate for the sector hovers right around 45 percent. This means we lose about almost 6 out of every 10 donors. Start setting more aggressive goals for retaining your donors.

3   **Understand the impact of repeat donors**

It's important to truly understand why you should put a lot of effort into making first-time donors repeat donors. According to the Fundraising Effectiveness Project, retention rates for first-time donors hover around 20%. That compares to a retention rate of around 60% for repeat donors. That means if you're actively trying to move a person from a first-time donor to a second-time donor, you have nearly a threefold chance of keeping them retained year after year after year. As a result, those donors become a key component of your mission.

To further understand the importance of minimizing attrition rate, take a look at the following chart. Look at the bottom row. Notice what happens to 1,000 donors if you have an attrition rate of 60 percent a year. Those 1,000 donors in the first year will drop to 400, then to 64, then to 26 and, eventually, to 10. That's scary. In just 5 years, you run the risk of 1,000 supporters dropping down to a mere 10.

Now take a look at the top row. If you can get your attrition rate down to 20 percent, you're retaining 800, 640, all the way down to just 328 — compared to just 10. That's a huge difference in the number of donors who are supporting your organization year after year.

Stop accepting high attrition rates as the norm. If you boost retention, you won't need to work as hard bringing in new donors year after year.

|		Donor Attrition Over Five Years				
# of Donors	Attrition Rate	Donors Remaining After 1 Year	Donors Remaining After 2 Years	Donors Remaining After 3 Years	Donors Remaining After 4 Years	Donors Remaining After 5 Years
1,000	20%	800	640	512	410	328
1,000	40%	600	360	216	130	78
1,000	60%	400	160	64	26	10

4 Start building your strategy

Now it's time to get to work. Here's a statistic to motivate you. Moving your retention rate by just 10 percent can increase the lifetime value of your database by 150 percent to 200 percent, according to Dr. Adrian Sargeant, who has studied retention rates in the nonprofit industry for 23 years.

OK. Think back to those 1,000 donors as an example. Saving just 10 percent of them translates to 100. Let's say the average gift among those donors is $200. Multiply that by 100, and it's easy to see the tremendous impact it can have in just the first year, not to mention in the following years.

More than likely, you've heard the analogy of the three-legged stool — with three sturdy legs, you got yourself a solid foundation. In this case, those three legs consist of record keeping, communications and donor interactions — the keys to your success.
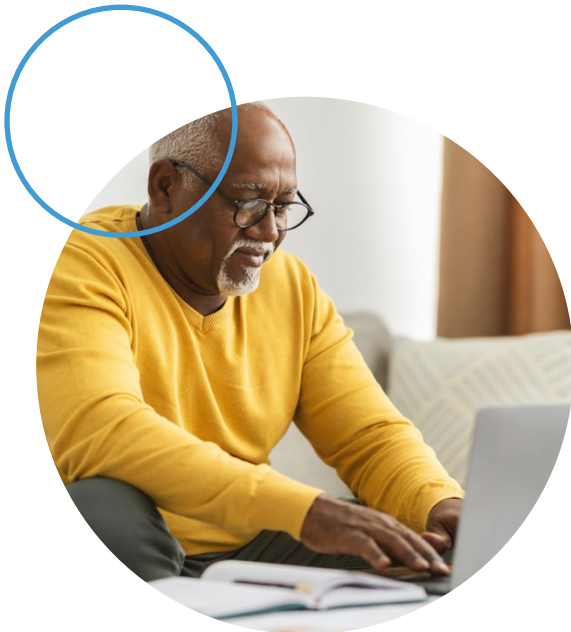
5 Lay an unshakeable foundation

Record keeping. By now, your organization has traded in the index cards for some type of an automated system to manage donor information. Whether that's on some type of spreadsheet or a donor management software platform, it will only be as good as the number of people in your organization using it. Make sure you're training people throughout your organization on how to use it to make it truly effective.

Communications. Your second leg for improving donor retention is communications. Organizations with high retention rates have strong communications policies, procedures, and practices that they execute daily. Make sure you're using a solid mix of online and offline communications, including email interactions, acknowledgements, newsletters, and, of course, handwritten notes. The key to making it successful is integration. These types of online and offline communications should also be operated from one database so that every time you update a donor's information, it should be in sync.

Interactions. The third leg consists of direct interactions with your donors — including talking to them via phone calls, texts, meetings, personal emails and chat sessions. At this level, you should be equipped to have and record details regarding highly personalized conversations because you're using the data you've already gathered about the donor through previous discussions, interests, donation history, and level of engagement.

6   Clean your database

Investing in data services that verify the contact information of the constituents in your donor database can pay dividends that more than make up for the upfront cost of the service.

Two no-brainers to run annually are an NCOA and a deceased suppression processing:

NCOA (National Change of Address) — Your donor might have simply moved, and is no longer getting information from you. Roughly 40 million Americans change their place of residence or place of business during a given year. Rather than lose the opportunity to connect through direct mail, use an NCOA to keep your database's addresses up to date. Even if you do not do mass mailings this service can still be important. For example, wealth screening and other services use address information to help verify donor identity.

Deceased Suppression Processing — Your donor might have passed away, and that's why they aren't responding to you. You can imagine the pain of receiving mail directed to a deceased spouse or relative. This is not how you want to exemplify the relationship your organization has been cultivating with a loyal donor, or any donor for that matter. Use a deceased suppression service to properly mark donor records and avoid this embarrassing mistake, while creating an opportunity for stewardship. This enhancement can be incredibly important if your donor population is above a certain age (it probably is).

A third option would be an **email or phone number append**. If you want to invest a little more, you can verify that you also have the lapsed donor's correct email address and phone number. Use either one of those channels to confirm the other!

7   Divide your outgoing appeals into 7 segments

Now it's time for some more segmentation — a consistent key to maximizing lifetime donor value. Always make sure that you're sending different messages based on your donors' level of engagement. In one instance, an organization sent out the same exact thank you letter it had sent years earlier. Worse yet, all donors received the same letter — whether they donated $10 or $1,000.

Avoid this type of stale mass communication by **dividing your donor list into seven segments**.

#1: People who have never given at all. For some reason, they're still in your list and want to try one or two solicitations. Your appeal to them will be much different than these other segments.

#2, #3: This segment includes people who have given one time — more than a year ago. So they've lapsed. Divide this group into Levels 2 and 3 based on whether their donation was above or below average gift size.

#4, #5: Your next segments include people who have given one time in the last 12 months, making them more recent donors. If they don't give again, they will fall into the lapsed category. Again, divide this group by gift size.

#6, #7: The last set of donors have given multiple times, either above or below your average gift amount.

The increased results stemming from the above outlined segmentation and personalization will make the extra effort more than worthwhile!

Develop Your Game Plan — Using these 7 segments for guidance, gather your team to determine how you will communicate with each group. Your strategies could widely vary — from emails to calls and personal letters with a different type of message and tone for each. For example, a personal call to donors in Segments 4 through 7 could be highly effective, even if you're just leaving a short voicemail message. Handwritten messages could have the same effect.

Do plenty of testing. Compare one option to another to see which one performs better. We call this A/B testing. For example, you can see whether a handwritten note is more effective than a call. If so, put more effort in that way of communicating on a broader scale.

Personalize. Using your database for insights, make sure you personalize your communications to donors as much as possible. Let them know that you're aware of how much they have given before and their history as a donor with your organization. This type of personalization can go a long way in connecting with donors.

Request regular donations. Always consider making appeals more than once a year. Ideally, you want monthly donors because that's the group that will renew at rates of 90 percent or above. With a significant number of monthly donors (automated credit card payments are convenient), you can establish a strong foundation for your mission.

8 Create acknowledgement rules

When sending thank you letters and acknowledgments, here are some basic rules:

- **Acknowledge the gift within 48 hours**.

- **Call all first-time donors**. If you make a phone call and send a letter, you're making an impression.

- **Explain how funds will be used**. Talk about specific projects or outcomes.

- **Make several touch points**. This should happen within the first 90 days of your donation. It can be a thank you letter, a newsletter, a survey or a personal note or call. With three valid touch points within those first 90 days, you can triple the chance of generating a repeat donor, studies show.

- **Write letters**. Take the time to write them yourself. Make sure that it's engaging. Avoid editing it to the point that it loses its personal touch.

9 Measure Engagement

Once you have your strategy off and running, it's important to continually measure engagement. Your donor database should be set up to allow you to track engagement — who is engaged with you and who is not. By having an understanding of your engagement, you will be able to develop effective interactions.

Here are engagement factors you should be tracking:

Engagement factors

- Recency and pattern of giving + -
- Cash donors vs. sustaining donors + -
- # of years giving +
- Upgrade/downgrade + -
- Lapsed -
- Event attendance +
- Opens email +
- Board/Committee membership + -
- Click links in emails +
- Unsubscribes from email -
- Has stated communication preferences +
- Has inbound interactions +
- Has soft credits +
- Volunteers +
- Social Media + -
- Website visits

It's important to measure these engagement factors, weighing the level of the relationship based on positive and negative interactions and their frequency. Other very important areas are inbound interactions — when a donor picks up the phone and calls you, sends you an email, drops by your office to visit, those are golden interactions and they count for three to four times the engagement level power as part of that.

Other engagement factors include soft credits, meaning your donor works for a gift matching company or recruits other donors through events and walkathons.

You also can track those donors who are frequenting your website or social pages, including Facebook and Twitter. Studies show that people who visit your website multiple times are most likely to become donors.

10   Report, Report, Report

When developing a reporting summary, hone in on what is truly needed. For example, it's important to list the items that affect the organization's financial well being — such as reporting on overdue pledges. When reporting on communications, include comparisons of different appeals and the different outcomes. It's also important to include details like open rates if you have an email marketing system.

Effective reporting enables you to clearly see progress and gaps — providing the tools to keep everyone on track with your overall goals.

Summary

The 10 items listed above taken singularly may not be game changing in your quest for increasing the funding of your mission. However, when combined together, the results can be better than you've ever dreamed of.

Be mindful that there is some planning, effort and execution involved. If you and your team are willing to do those, then the results will be even more satisfying.

Best of luck in making it game changing for your organization's mission!

Click here to find out how Bloomerang can help you manage your donors.

> Expert tip: The #1 mistake I see nonprofits make in shopping for donor database software is thinking that the process ends when a choice is made. Choosing a product is just the start. Be sure to budget time and money to have your staff take the time required to transfer your existing data into the new software. And budget the time and money to train your staff on how to use it effectively. Initial training is great but make sure to have check in's each quarter too."

MARK A PITMAN
The Fundraising Coach

5   **Organizational growth**.

Hopefully, your nonprofit will grow beyond the size it currently is. Will your software be able to grow with you? How much will you be charged if your constituent list grows? Will the product be able to keep up with emerging technology and giving trends?

Conclusion

Please share this eBook with anyone in your organization who is involved with selecting a new software vendor. The insights found within will be invaluable to your search and vetting process.

Recommended Resources

· Idealware

· NTEN

· AFP Consultants and Resource Directory

· Software Advice

· G2.com

· Capterra