



Beginner's Guide to

Nonprofit Data Segmentation



Contents

- 03** Why segmentation?
- 03** 4 ways to set your foundation
- 06** Craft custom communications for each segment
- 09** Our favorite 7 donor segments
- 13** 4 tips for stewarding each segment
- 15** Conclusion



EBOOK:

Why Segmentation?

Imagine the last time you were driving and merged onto the highway from an on-ramp.

Did the traffic pattern change just for you? Of course not. You had to adjust your speed and lane preference to everyone who was already on the interstate.

Not only have we as motorists have accepted this reality, we as fundraisers treat our donors the same way. Someone donates, and regardless of who they are, what they donated and why they donated, they are thrown into whatever in-progress communications schedule that our nonprofit is engaged in. This lack of customized, personal communication is one of the core reasons for the nonprofit sector's dismal average donor retention rates.

The donor retention issue.

Whether you prefer to use "donor retention" or "donor loyalty," those phrases represent the ultimate goal for anyone working or volunteering in the nonprofit industry. You want donors so loyal to your cause that they will keep supporting your cause year after year. That not only leads to great donor retention, it enables you to carry out your mission.

But there's a good chance you don't have great donor retention rates. According to the Fundraising Effectiveness Project, average donor retention rates in the sector hove around only 45%. For first-time donors, it's even lower; around 20%. It doesn't have to be that way. Read on for tips on donor data segmentation: the key to achieving stellar donor retention rates and successful fundraising.

No need for data scientists.

When you see that phrase "donor data segmentation," do you start envisioning a team of 100 super nerds crunching out complex formulas on expensive software? Banish that thought. You can do this yourself no matter what type of software you're using. It may be a tad bit harder if you're using Excel instead of a dedicated donor database like Bloomerang or another platform, but you can do it. No super nerds required.

In fact, donor data segmentation is nothing more than a form of reporting, and you probably run reports all the time. The difference here is that we're going to be proactive. Rather than running a report like a LYBUNT or SYBUNT that only tells us what has already happened with our donors, we are going to run reports that will enable us to make something happen with our donors. This simple beginner's guide is designed to help you boost your donor retention rate through a solid donor data segmentation and communications plan.



4 ways to set your foundation

Before getting into the finer details, it's important to establish a solid foundation. Look at the following 4 ways to get started with your data segmentation plan.

1. Switch your focus.

This may be one of the most difficult steps you'll take but it's the most important:

Stop devoting a majority of your efforts

on donor acquisition, and instead focus on retaining the donors you already have.

Do this and you'll start reaping massive benefits.

But why?

Good question. If you're switching your strategy, you should have convincing statistics to back it up.

One of the most important numbers to keep in mind is 80%. Of all the first-time donors you attract, expect to lose 80% of them. In other words, you can wave "bye-bye" to the vast majority of new donors. Painful, isn't it? If you consider the amount of time and funds you spend on acquiring new donors, you could actually be operating in the hole.

It gets worse. If you're oblivious to the fact that those new donors may never donate again, you may continue pouring funds and resources into attracting them – on direct mail, events and marketing.

Lesson? Focus more of your efforts on retaining your current donors who will have much higher retention rates, especially if they have given to your cause multiple times.

It's not enough to simply switch your focus from donor acquisition to donor retention based on one statistic. Take the time to really understand the principles of donor retention. Once you get it, you'll be more passionate about working on donor retention.

If you can get a second gift from a donor, the repeat donor retention rate almost triples – from 23% to 60%."

So, maybe you're thinking, "OK, who really cares if the retention rate is 23%, 46% or 60%?"

Well, it matters a lot.

If you have a 40% retention rate, you also have a 60% attrition rate.

Now let's do that math. If you start with 1,000 donors in one fiscal year, right off the bat you lose 600 of those donors in one year. To break even, that means you need to acquire 600 new donors the next year. Over a 4- to 5-year-period, that pool of 1,000 donors is down to just 10.

So, basically you're starting over from scratch every five years if you have an average retention rate of 40%. You're kind of stuck on an acquisition treadmill.

And it's time to step off it.

2. Embrace data.

This may sound like an oxymoron, but your data will be your key to treating your donors like the unique human beings that they are. Data is your friend!

As part of your strategy, you will use specific information from your donor database to create segments and send personalized messages.

This, of course, requires you to collect data and store it in a usable and accessible form.

Having a modern, easy-to-use and powerful donor database or fundraising CRM will be key here, as well as not being afraid to find out as much about your donors as possible.

3. Create your segments.

OK, so, maybe your donors are not exactly like your friends and relatives. It's not feasible to send a personalized letter of thanks to every single one of your donors. You could try. But you could be up for hours trying to keep up.

Therefore, you need to do the next best thing: Segment your donor base. Think of dividing them into different categories based on certain characteristics. The most common segments include:

- **Recency:** How long have they been giving?
- **Frequency:** How often are they giving?
- **Type:** How are they giving?
- **Amount:** How much are they giving?
- **Reason:** Why are they giving?
- **Interest:** What topics are they most interested in?

You can segment even more based on many more characteristics, but this is a good place to start.

4. Craft custom communications for each segment.

Now that you have your segments, you can stop sending the same gift acknowledgment, appeal or newsletters to every single person in your donor database.

And why would you?

Would you send the same birthday greeting to all your friends, coworkers and relatives, including your mother? Of course not. Each would be in a format and have content tailor-made for that one recipient.

But many nonprofit organizations are still shooting out the same message to all of their donors – no matter if they're new donors or donors who have been supporting their cause for 10 or more years.

Not only will the messaging be tailored for each recipient, the timing of those messages will be appropriate for them. Remember our highway metaphor? Each donor is going to have their own private lane, and will receive appeals, invitations and stewardship pieces only when it makes sense to receive them.

Never again will you have to worry about a new donor receiving an appeal for a gift just days after making a donation because you already had a campaign queued for everyone in your donor database. Never again will you have to worry about accidentally asking for an insultingly-low gift amount from a potential major gift donor.

Donor data segmentation will empower you to transition from a spray-and-pray communicator to a strategic donor love champion!

“Without segmenting your donors, it is very difficult to retain your donors. It’s not impossible, but it is very difficult.”

Our favorite 7 donor segments

While there is an almost infinite number of ways to segment or organize your donors into smaller groups, consider these 7 segments as an easy way to get started:

1. First-time donors.

As we mentioned before, these donors are at the greatest risk of lapsing. But, again, they’re not all alike. You can further segment them by dollar amount — perhaps, over \$100 and below \$100. A first-time donor who donates less than \$100 has an average retention of 18% — lower than the average rate of 23%. Retention increases as the size of the gift increases, but even at \$250 or more, it’s still less than 50% retention.

So why focus on first-time donors at all? There’s a great reason. If you can encourage the first-time donor to give again, retention rates rise significantly. For amounts of \$250 or more, the repeat donor retention rate is more than 75%.

The key is to treat them special. After they donate, thank them quickly, ideally within 48 hours. Remember that study from Adrian Sargeant: Donors want to be acknowledged quickly. Make a great first impression of how you will treat them. In that thank you message, explain how the gift will be used. Send a welcome package.

If possible, invite them for a tour of your location or out for a cup of coffee. Do what makes sense to you. For larger gifts, you may want to be more creative. Consider a survey about their interests, a handwritten thank you note, a phone call. Just something to make them feel special.

2. Monthly donors.

If you have donors who have basically said, “Hey, you can go ahead and charge the card every month,” circle those people. They’re super special. According to a Target Analytics study, retention rates among monthly donors is about 80% to 90%.

Think of it this way: You have an opportunity to send them up to 12 thank you messages rather than just one. Be creative. Outline the awesome things you did with funds each month. Or send unusual, fun holiday cards — National Salad Month for May or Admit You’re Happy Month in August.

Set up a report to see which credit cards are expiring in two months. Send a special note before the expiration date. Remind them of all the great things you’ve been able to accomplish together. Don’t treat the donor like an ATM by simply saying, “We need your new credit card number.”

3. Lapsed donors.

It's impossible to achieve a 100% donor retention rate. Some donors may only intend to make a one-time gift. Some may move away and lose touch, while others may go through financial hardships. Assuming your donors are human, they will eventually die someday!

You should neither get too hung up on lapsed donors, nor write them off completely.

Begin first by isolating donors who haven't given in two years. Our own Bloomerang data shows that if a donor hasn't given in two years, they are around 98% likely to never give again.

From here, separate them into sub-categories:

- Were they memorial / tribute donors?
- Were they peer-to-peer donors?
- Did they give to you for many years consecutively and then suddenly stop?
- Did they only give to you once?

You can and should take very different, pro-active approaches to each of these.

Memorial donors may have only wanted or expected a one-time engagement with you, likely because they were supporting their friend, the bereaved. Peer-to-peer donors may have not fully understood what organization their gift went to, likely because they were supporting their friend, the fundraiser. In the future, consider having that third party introduce you to the donor as an organization that is worthy of long-term support.

Consider sending a survey to the other sub-segments to find out why they stopped giving, and then to see if you can actually bring

them back into the fold. It can give you more information about how to communicate with other donors. You may not get many responses, but there's a possibility of converting some of them into repeat donors.

It could also be that the donor passed away. The data service Deceased Suppression Processing notifies you if one of your current donors is deceased. Use it as an opportunity to reach out to a surviving relative to express thanks for the legacy of their loved one.

Other lapsed donors may have simply moved away. Consider an NCOA data service to compare your mailing addresses with the USPS database. Those lapsed donors may still like you, but simply lost touch because they moved!

4. Volunteers who have never donated.

It's possible that you may have current active volunteers who have never made a cash donation. This is an easy one. Consider this segment as low-hanging fruit because volunteers are 10 times more likely to donate than non-volunteers, according to a study by Fidelity Charitable.

Don't be afraid to ask for a donation. If you ask in a way that makes sense and appeals to their interests in your cause, you're likely to be successful in encouraging them to donate – even though they're already donating their time.

5. Donors who have shared feedback, positive or negative.

Not only should you welcome criticism, you should encourage it. A survey by Target Analytics found that donors who complain are retained at higher rates than those who don't complain. Complaining is a strong signal these donors care about your organization and its future.

Send a survey to all of your donors, including first-time donors, every year. In addition to finding out more about them ("Why did you first give?" "What's your connection to this cause?") you should encourage them to give honest feedback by posing questions like "What are we



doing right?” “What are we doing wrong?” and “What do you expect out of us?”

Those who respond, whether positively or negatively, are signaling to you that they are engaged.

Even if you only get a few responses, this type of feedback will be invaluable in guiding your relationship-building efforts with the donor.

6. Social media followers who interact with you.

When it comes to identifying small groups of your most engaged donors, it's hard to do much better than those who follow you and interact with you on social media.

Not only have they opted in (followed you) to receive your posts and tweets, the channel itself is a great way for personal, one-on-one interactions that you can't get through other channels.

Having a donor database that listens for mentions on social media, records those interactions on a constituent's profile, and stores their usernames and profile URLs on their profiles will be indispensable in building this segment.

But it's not enough to just wait for these interactions to come to you. You should often highlight these supporters on social media yourself. Tag donors and volunteers on Facebook to say thank you for their support. When tagged, those posts will show up on all of their individual profiles. It's a great way to steward supporters and promote your charity.

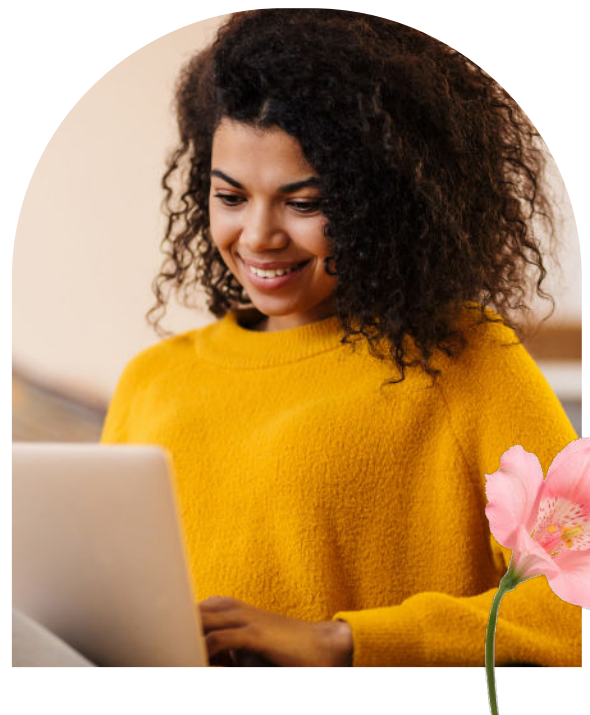
Having this segment built will enable you to leverage these rabid supporters during digital campaigns such as #GivingTuesday or other online days of giving. Consider mobilizing them to make asks for you and share your content, or come to your aid should someone say negative things about you on social media.

7. Long-term donors.

If you're treating your long-term donors the same as you do all of your donors, you're long overdue for a change. For example, if your loyal donors are receiving the same correspondence as new donors, which outlines how you're using funds, you're likely annoying them. It's information they've already heard before.

However, you should never underestimate the power of the right message. These donors would be interested in a recent example of a person or family whose life has been impacted, for example. You also can go into more details about new initiatives, seeking their valued input.

Roll out the red carpet for these donors. Give them the royal treatment, using some of the tips listed in our list of [communication tips](#). Always think of them as a partner who has truly invested in your organization. You'll find natural ways to communicate with them with the right mindset.



4 tips for stewarding each segment

Once you've segmented your donors, you're ready to take the next important step – strategically stewarding your donors based on their interests and characteristics.

1. Develop message themes for each segment.

As you've already grasped, donor data segmentation comes down to this goal – you're not sending the same messages to everyone in your database. You will segment your communications – thank yous, appeals, newsletters, emails, stewardship pieces – all of it.

So, now that you've segmented your database, you will start developing personalized messages for each of those segments. Take a moment to think about the type of message you would want to send new donors compared to the message you would send a donor who has been giving for 3 years. The volunteers on your list should get a different message than occasional donors.

You can decide on topics and themes, and then refine the messages further into the process. This is a great opportunity to get numerous people involved in brainstorming.

2. Develop communication tracks.

For the next step in your plan, you will develop communication tracks for each segment. This will be especially important for new donors – those who are least familiar with your organization.

So, what do we mean by track? You will map out the types of communications you will send out at certain points within a certain timeframe. For all of your first-time donors, you can make sure they receive a specific message at an exact period of time – from the start. Every step should be detailed so that anyone on your staff can make sure these communications are occurring.

3. Mix things up.

Be creative with the types of messages you select. In addition to customized messages in emails, newsletters and mailers, add phone calls and handwritten notes to the mix.

Your donors are accustomed to getting emails by the dozens a day. In fact, the average person receives 88 emails a day. But how often do you think they receive a handwritten note of thanks from a board member or the CEO? Think about how special that type of note will make them feel.



Now, combine steps 2 and 3 to develop and execute your segmented campaigns. For example, you can schedule messages for a new donor who gave \$500 or more like this:

- **An immediate thank you** response after the donation
- **A phone call** or handwritten thank you note within 3 days
- **A monthly** newsletter
- **An invitation** to take a tour within six weeks
- **An appeal** for a monthly donation within three months

4. Get your board and CEO involved.

It's critical to get your CEO and board members involved in your donor retention strategy. Your success can depend upon it. A phone call or handwritten note from board members can be more impactful than they are from the staff members who are paid to work for your organization.

According to research by Penelope Burke, the retention rate of a first-time donor increases when a board member calls to thank them for a gift. Not only that, the size of the next gift increases by nearly 40 percent. A phone call only takes a few minutes but it can be incredibly powerful. Even a voicemail message is effective.

You can include note writing sessions as part of your monthly board meetings, carving out the last half hour for this activity.

Conclusion

With donor segmentation and personalized messages, you can make significant steps toward increasing your donor retention rates.

Through communications that are more tailored, your donors will understand that you appreciate them. They will understand how their dollars are being spent. They will feel a part of your organization and your mission.

The nonprofits that already do this are the ones thriving. They have high donor retention rates, high revenue rates and happy donors. And it's pretty simple to do. It's not always easy, but it is a simple plan to follow.

[Click here](#) to find out how Bloomerang can help you segment your donor communications for maximum retention.