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How Fit Is Your Organization?

How the Growth in Giving Analytics Initiative creates new tools to increase donor retention and charitable giving

What are the most important indicators of success in your development office operations? Equally important, how do you measure and report these indicators to your organization's leaders?

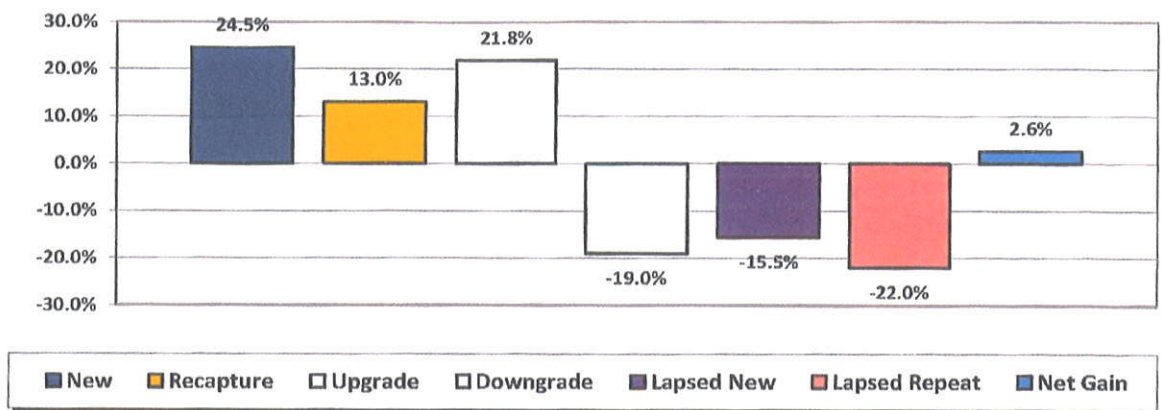
The Fundraising Effectiveness Project (FEP), now in its sixth year, can help you in two distinct ways:

1. Using data from your donor files, you can calculate growth (or decline) in giving amounts and in the number of donors to your organization from one year to the next. These reports are known as Growth in Giving reports.
2. Using the annual FEP report, you can compare your performance with that of other organizations like yours whose fundraising data have been provided to the FEP by participating donor software firms.

The basic premise of the FEP is that it is not sufficient to look only at overall gains in giving or at the overall

number of donors. To understand what is really happening in your organization, it is necessary to analyze both the gains and the losses by category. Are gains in giving by new donors improving year to year? What about *re-captured lapsed donors* and *upgraded donors*? You may find that losses in giving as a result of *lapsed donors* or *downgraded* gifts offset any gains in giving by new and upgraded donors. Only by analyzing these numbers can you and your development team make informed decisions about what you might do differently to improve performance.

To illustrate, the bar chart shows that organizations participating in the 2012 survey had sizeable growth in gifts from new, upgraded and recaptured donors. However, these gains were offset by losses in gifts from downgraded, lapsed new and lapsed repeat donors. As a result, net gains in the amount of gifts were just 2.6 percent! Imagine how much better results would be if strategies were developed to increase gains and reduce losses.

Chart 1. Amount of Gifts by Gain and Loss Category, 2011-2012

Additional Tools to Improve Fundraising Performance

The Fundraising Effectiveness Project is taking a new direction with the launch in 2012 of the Growth in Giving Analytics Initiative. This initiative is based on a unique, detailed gift-transaction data collection, analysis and Web-based dissemination process. The basic idea is that all of the gain/loss performance statistics for the annual Fundraising Effectiveness survey and much more can be generated from just three gift-transaction data fields:

1. Donor ID (“anonymized”)
2. Date
3. Amount of gift

These three data elements are extracted by participating donor software firms for every cash gift (including pledge payments and excluding pledges) in each client organization’s donor database.

Because it involves nearly a dozen of the nation’s largest data service providers, the Growth in Giving (GiG) Initiatives has access to large amounts of data that can be analyzed. In future years, the GiG database is expected to house billions of individual gift-transaction data from thousands of organizations. While the data provided are naturally “anonymized” (i.e., the participating software firms are providing encrypted



data to ensure that their clients or the clients’ donors cannot be identified) to further protect the data, the project will have a formal written mutual nondisclosure agreement with participating software firms.

To illustrate how the gift-transaction data concept can work, the FEP has created a comprehensive set of more than 100 fundraising performance indicators—broken down by five gift-range levels from less than \$100 to more than \$5,000—that can be generated by inserting gift transaction data into an Excel-based Fundraising Fitness Test template. The fundraising performance indicators used in the Fitness Test have been developed by the FEP Fundraising Analytics Advisory Board (FAAB). (The role of FAAB, which is made up of several prominent nonprofit leaders, is to work to make FEP analytics

information as usable and effective as possible for the nonprofit sector.) This Excel-based tool is able to generate an almost unlimited number of indicators and benchmarks that your organization can use to compare your performance from year to year and make informed, growth-oriented planning and budgeting decisions for your fundraising program.

All of the fundraising performance analyses performed using the gift-transaction data will be made available to the public through a new online Growth in Giving website that will allow nonprofits to easily compare themselves to a set of performance indicators. (The new gift-transaction data collection,

analysis and Web-based dissemination process was developed in September 2012 by Bill Levis and Jon Biedermann, vice president of DonorPerfect Fundraising Software, which is sponsoring development of the Growth in Giving Index website.)

Access to the Growth in Giving website and its content will be available at no cost to all users, including nonprofits, researchers and software and consulting firms. The website will contain general information about FEP and some broadly focused information about the GiG Initiatives. It also will share intermediate- and advanced-level information and even provide access to a philanthropic index. The goal is for the index to provide an additional philanthropic giving metric to the dialogue about the health of philanthropy in the United States. It will complement other indices such as *Giving USA* (www.givingusareports.org), the Atlas of Giving (www.atlasofgiving.com) and the Blackbaud Index (www.blackbaud.com/nonprofit-resources/blackbaud-index), to name just a few.

Although the Growth in Giving Index will initially focus on U.S. giving data, funding is also being sought to collect and analyze Growth in Giving data from Canadian organizations. These data will provide information needed for a Canadian Growth in Giving Index, as well as fundraising performance statistics for an annual FEP Canada report.

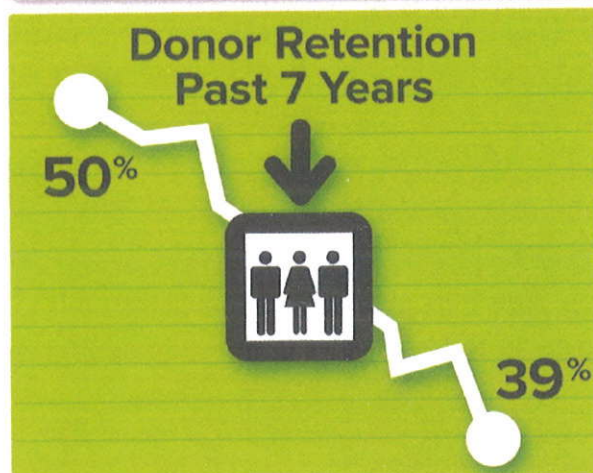
An important goal of the Growth in Giving Initiatives is to use the data generated to add to the body of knowledge about variables affecting philanthropic giving. The goal is to answer the following key research questions, among others:

- What factors influence growth in giving?
- Can investing more money in fundraising result in corresponding increases in charitable giving?
- What are the most effective ways of giving, and what does efficiency in those areas look like? How do efficiency and effectiveness interact in the nonprofit sector, and how might this be adjusted to create more resources?
- What specific component of philanthropic investment delivers the best return on investment for nonprofit organizations (i.e., staffing, software, etc.)?
- How can nonprofits know in advance that investing more money will result in corresponding increases in charitable giving to their organizations?
- What fundraising strategies produce the maximum return on investment?

Nonprofit Donor Retention Primer

Nonprofit Donor Retention is **39%**

Attrition is **61%**



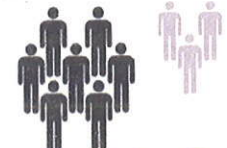
New Donor Retention

22.9%



Repeat Donor Retention

60.8%



Every **100** donors gained in 2012

was offset by **105** lost donors through attrition

Orgs raising \$100-500k had an average loss of **5.1%**

Orgs in the under \$100k groups had an average net loss of **13.5%**

Data from the 2013 Fundraising Effectiveness Survey Report
Full 2013 report available at www.afpnet.org/FEP
infographic by billbillcreative.com

bloomerang

Another aspect of the Growth in Giving Initiatives will be the education arising out of the data and research. The goal in this effort is to bring transformational change to the nonprofit sector about how charitable organizations raise contributed funds and how they may improve the processes involved in raising contributed funds. This information will be shared through

- the Internet and websites;
- classes and online education;
- articles and publications;
- research reports and periodicals; and
- ARNOVA and other research venues.

One educational tool that is already available is the AFP *Planning to Keep Your Donors* workshop based on the FEP, available under contract to AFP chapters

through the Professional Advancement Division. (For information, contact proadv@afpnet.org.)

The FEP is also adding a version of the Fundraising Fitness Test to the tools available with this AFP workshop for use by participants to produce reports covered in the workshop for their individual organizations.

To learn more about FEP and the Growth in Giving Initiatives, visit www.afpnet.org/FEP. To talk about becoming a partner, to provide feedback or to ask questions, contact FEP coordinators at fep@afpnet.org.

Note: Participating donor software firms include Blackbaud (The Raiser's Edge and eTapestry); Donor2/Campus Management Corporation; DonorPerfect Fundraising Software; GiftWorks; MatchMaker FundRaising Software; Metafile Information Systems Inc.; FundTrack Software; ROI Solutions; Sage Software; and Telosa Software Inc. (Exceed!). These firms have assisted with the

Sample Fundraising Fitness Test Reports

The Silver Spring, Md.-based Philanthropic Service for Institutions (PSI) office of the Adventists (www.philanthropicservice.com) has successfully used the Fundraising Fitness Test with some of its clients. The Adventists have found the Fitness Test to be a very easy and straightforward way to ob-

tain comparative and crossover data from the various institutions, and it is much less expensive and time-consuming than other performance tests because of the simplicity of the inputs. Chart 2 illustrates the Fitness Test report implemented based on a recommendation by Jim Greenfield.

CHART 2

FEP Fundraising Performance Indicators				
Using Gift Transaction Data By Giving Level/Range				
Fundraising Performance Indicator	All Donors	Under \$100	\$100-\$249	\$250-\$999
Donor retention rate				
New donor retention rate	35%	20%	43%	75%
Repeat donor retention rate	76%	54%	73%	88%
Overall donor retention rate	60%	31%	62%	86%
Donor gains, losses & net				
Donor gains	1,169	647	351	134
Donor losses	920	541	208	89
Net gain in donors	21	16	24	34
Number of donors				
Overall donors retained	1,348	247	442	526
Percent of Year2 donors by range	100%	36%	32%	26%
Amount of gifts				
Percent of Year2 gifts by range	100%	4%	12%	26%
Average gift size	\$ 326	\$ 36	\$ 120	\$ 320
Dollar gains, losses & net				
Dollar gains	\$ 469,232	\$ 24,294	\$ 51,101	\$ 80,464
Dollar losses	\$ 318,870	\$ 20,133	\$ 38,088	\$ 43,833
Net gain in gifts	\$ 150,362	\$ 4,161	\$ 13,013	\$ 36,631
Growth in giving (GIG)				
Overall rate of growth in gifts	23%	15%	16%	17%
Growth in donors				
Overall rate of growth in donors	11%	13%	12%	7%
Distribution of Year2 donors				
Upgraded donors in Year2 %	20%	10%	22%	45%
Repeat donors				
Year1 donors that upgraded %	28%	12%	25%	49%
Lapsed donors (attrition)				
New Year1 donors that lapsed %	27%	53%	21%	5%
Repeat Year1 donors that lapsed %	14%	16%	17%	10%
Monthly donors:				
Monthly as % of Year2 donors	24%	1%	23%	45%

CHART 3

Overall 3-Year "Growth in Giving" Analysis*						
	2 Years ago	Last year	Rate of Growth	This year	Rate of Growth	Cum Rate of Growth
	(A)	(B)	[(B-A)/A]	(C)	[(C-B)/B]	[(C-A)/A]
1 Donors of record (end of year)	4,074	5,005	23%	5,910	18%	45%
2 Donors participating	1,833	2,268	24%	2,507	11%	37%
3 Percent participation (2/1)	45%	45%	1%	42%	-6%	-6%
4 Gross revenue	\$ 681,152	\$ 697,877	15%	\$ 818,233	23%	41%
5 Average gift size (4/2)	\$ 317	\$ 294	-7%	\$ 326	11%	3%

* Source: J.H. Greenfield, "Budgeting for Fundraising and Evaluating Performance", Ch. 31 In *Achieving Excellence in Fundraising: Third Edition*, Jossey Bass, A Wiley Imprint, 2011, p. 357

Left: To create your own Fitness Test reports, visit www.afpnet.org/FEP and download the GIG Fundraising Fitness Test template and instructions. If you have questions, please email fep@afpnet.org.

Above: A sample Fitness Test report also may look like Chart 3.

design of the FEP survey and provide data from their clients for the annual FEP report.

Erik J. Daubert, MBA, ACFRE, is an independent consultant in Durham, N.C., and author of The Annual Campaign (Wiley, 2009). Bill Levis is project manager of AFP's FEP and affiliated scholar at the National Center for Char-

itable Statistics (NCCS) at the Urban Institute in Washington, D.C. Cathlene Williams, Ph.D., is a consultant specializing in curriculum development, project management and business writing. She is a former AFP staff member and is currently a consultant to AFP for ACFRE and research programs and other professional advancement projects.

The Growth in Giving Initiatives

The Growth in Giving Initiatives is a set of comprehensive charitable giving projects involving many nonprofit and for-profit partners. The initiative's aim is to challenge the philanthropic sector to provide more resources to nonprofit organizations working to improve our lives. Giving in the United States has held steady at approximately 2 percent of the gross domestic product (GDP) for the last 50 years. If the United States population were motivated in some way to give 3 percent of GDP instead of 2 percent, the result would be a 50 percent increase in philanthropic giving in any given year—providing far greater resources for the nation's nonprofit sector. The Growth in Giving Initiatives is working to understand and positively affect this outcome.

To date, the work has been known through the Fundraising Effectiveness Project (FEP). The FEP was launched in 2006 to help nonprofit organizations measure, compare and maximize their annual growth in giving. The FEP is focused on "effectiveness" (maximizing growth in giving) rather than "efficiency" (minimizing costs). It conducts an annual survey and publishes gain/loss statistics in a yearly report. Nonprofits increase net growth in giving by maximizing their gains and minimizing their losses. Clearly, the most salient pattern in the FEP reports to date is the flat ratio of gains to losses. If the

nonprofit sector could increase its donor retention by even a small percentage, organizations could raise much larger amounts of money over time. A 10 percent improvement in donor retention, for example, could lead to a 150 percent or more increase in giving from an individual donor over his or her lifetime. The FEP predicts that with just a 10 percent decrease in the loss ratio, average FEP survey respondents would see their overall growth in giving more than double.

The Growth in Giving Initiatives has already assembled a very strong and highly effective group of supporters. Founding co-sponsors include The Center on Nonprofits and Philanthropy (CNP) at the Urban Institute and the Association of Fundraising Professionals (AFP). Other co-sponsors include the Association Foundation Group (AFG), the Association of Donor Relations Professionals (ADRP), the Council for Advancement and Support of Education (CASE), the Council for Resource Development (CRD), the Lilly School of Philanthropy at Indiana University-Purdue University Indianapolis and the Partnership for Philanthropic Planning (PPP). In addition, more than a dozen of the most influential donor software companies serving the nonprofit sector in the field of philanthropy are participating by providing their clients' giving data for use in the research.

