

Go for the Burn!

BY ERIK J. DAUBERT, MBA, ACFRE, AND STEVEN A. REED

Ask Wilson “Bill” Levis about his fitness program, and you won’t hear about gymnasiums, running tracks or aerobics. Rather, he will expound on fitness in the context of a fundraising program, and perhaps he will use some synonyms, such as capability, capacity and competence, when describing the Fundraising Fitness Test (FFT). After all, he built the “strength-training machine” for fundraising.

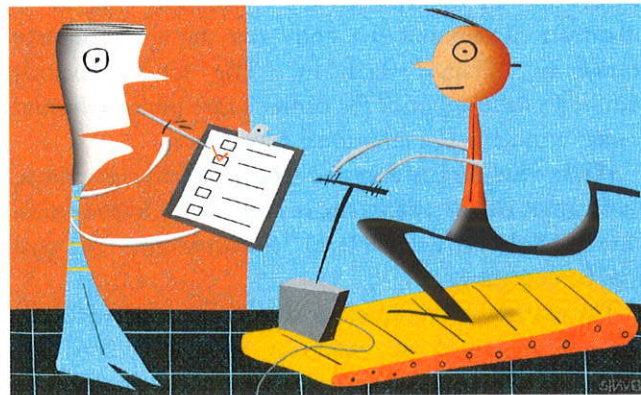
Getting Your Organization in Shape

The FFT is a Microsoft Excel-based tool that makes year-to-year comparisons that speak volumes about the health of fundraising programs. It is part of the Fundraising Effectiveness Project (FEP) Growth in Giving Analytics Initiative. The tool is available free to all organizations through the AFP website (www.afpnet.org/fep), and fundraising organizations, from the smallest to the largest, can analyze their own fundraising data for new donor retention, previous donor retention, gift retention by size and more, regardless of the type of database software used.

Unlike people who dread going to the gym to get fit because exercise is difficult, you will find the Fundraising Fitness Test to be a simple process. “You export a gift transaction file from your organization’s fundraising database, copy it into the Fundraising Fitness Test and generate a variety of reports, including donor gains, losses and retention rates; dollar gains and losses; and net growth in giving,” explains Cathlene Williams, Ph.D., director of education and training for the Growth in Giving Initiative. “Depending on the data you include in the calculations, you can generate reports for particular fundraising programs, such as annual or capital giving, as well as for your overall fundraising program.”

Furthermore, Williams adds, there are instructions for preparing the gift transaction file and using the FFT on the AFP website.

Levis, who serves as an Urban Institute Affiliated Scholar at the Center on Nonprofits in Washington, D.C. (see page 80), recognized that “to understand what is really happening in your organization, it is necessary to analyze both the fundraising gains and the fundraising losses from one year to the next so you and your organi-



zation’s leadership can make growth-oriented decisions about both fundraising budgets and strategies.”

The FFT has the capacity to help nonprofit organizations increase philanthropic support by improving the gain/loss retention ratios for both donors and dollars. Levis notes that data from the Fundraising Effectiveness Project shows a nationwide eight-year flat gain/loss retention ratio, indicating no fundraising gains. “It has been conservatively estimated that just a 10 percent improvement in donor retention could lead to a 150 percent increase in the lifetime value of an individual donor,” he says.

Levis chose to develop the fitness test using a powerful spreadsheet with multiple macros rather than a more conventional platform with “hard-coded reports” in order to create a dynamic, multidimensional analytic tool for data-informed, growth-oriented planning and budgeting decisions for fundraising programs. “The basic idea,” he says, “is that all the gain/loss performance statistics can be generated from just three gift-transaction data fields that can be extracted according to the criteria of your analysis.”

As an example, he points out that the analysis can be based on cash receipts, including every cash gift and pledge payment—but excluding pledges—or the analysis can be based on commitments, including cash gifts and pledges—but excluding pledge payments.

Using multiyear data that is easily exported from any fundraising database, the fitness test employs a series of algorithms to generate a variety of reports that assess donor loyalty, year-to-year growth in giving and a variety of other key indicators of a fundraising program’s

MARK SHAVER/ILLUSTRATION SOURCE

effectiveness. Only three data points are required: unique donor identifiers (not donor names), the amounts donated and the dates of gifts tied to those identifiers.

“A single all-gifts extract can generate an almost limitless number of analytics—one focused on donor retention, another on acquisition, a third on attrition, a fourth on upgrading and so forth,” Levis explains. In addition, “subset” gift-transaction extracts for such activities as annual giving, special events and major gifts can be inserted into various FFT templates. “Once the simple gift-transaction extraction procedure has been implemented, making use of the FFT on a regular basis is easy and reliable,” Levis says. “And it is entirely independent of whatever gift and donor record-keeping software an organization uses.”

To demonstrate the potential for the gift-transaction data analytics, Levis created a comprehensive set of more than 150 indicators that are generated by inserting gift-transaction data into the core template. The FFT tool is able to generate all the statistics developed from 2006 to 2013 for the annual FEP survey, plus an almost unlimited number of additional indicators and benchmarks. “This brilliantly simple approach to analytics has the potential to completely change how performance data is generated and used,” Levis says.

A Work in Progress

The self-evaluation tool has been beta tested and refined over the past 24 months by Levis and Randy Fox of Philanthropic Service to Institutions (PSI), a department of the Seventh-day Adventist Church’s North American Division (www.philanthropicservice.com) in Washington, D.C. Levis credits Fox with much of the development of the tool beyond the basic concept. “It would not have happened if it weren’t for Randy Fox and PSI,” says Levis, who adds that Fox has been named director of the Growth in Giving Initiative Fundraising Fitness Test Group. Fox adds that the opportunity to work with Levis was a golden opportunity to both further the profession and add value for PSI’s constituents. “Many studies have shown that institutions that have more full-time, seasoned development professionals actively pursuing prospects raise significantly more money, so having adequate staff to solicit prospects and improve retention rates is the wisest investment your organization could possibly make,” he says. “Yet, many institutions still focus on efficiency rather than effectiveness—not investing in fundraising productivity because they don’t seem to understand that it takes dramatically more time and money to gain a new donor than to retain a current donor.”

Fox notes that the Fundraising Fitness Test is a work in progress, and there is much more on the drawing board. PSI completed a successful case study of FFT use with the Hope Channel media ministry last year and, based on this success, is launching a pilot project with a network of Adventist hospitals. “With the success that we have seen in our work with Hope Channel and several educational institutions within our own networks, we see tremendous opportunity to broaden and deepen our impact with this incredible tool,” Fox says.

While Fox emphasizes that the Fundraising Fitness Test is designed as a self-assessment tool, there is an ability to compare individual institution FFT numbers against those of an aggregate of 3,200 nonprofits that completed the FEP survey. “This gives any nonprofit the ability to compare itself to others. The information gained offers insights as to how your organization is doing relative to others in the sector and, more importantly, lets you learn from what others might be doing differently or better,” he says.

The Growth in Giving Initiative is also in the process of collecting gift-transaction data from donor software providers that will be contained in an open-source national database. Fox says the database will be used to form an index that can then be used to study national trends in giving (such as the 500 fastest-growing charities). Sub-indices can also be created by linking gift-transaction data to the organization’s NTEE (National Taxonomy of Exempt Entities) code and three-digit zip code to create spatial analyses of historical fundraising patterns for organizations in certain geographic areas or across organizations of different types with substantive focus.

PSI now requires any institution seeking fundraising financial assistance to submit FFT gift-transaction data on a confidential basis to establish a baseline that can be extracted annually for three years to track growth. Kristin Priest, associate director of PSI who interprets reports and provides counsel for educational institutions and ministries, says, “The Fundraising Fitness Test provides deeper insight into the health of development programs better than anything else I have used, which helps me gauge the institutional capacity to raise more money, so I can provide accurate and actionable advice. It also will provide data on improved performance, proving that financial assistance given was a wise investment of funds from the North American Division Treasury.”

Getting Fit


Many organizations are already using the FFT to build more effective philanthropy programs by getting into

better shape. The YMCA of the USA is working with about 20 local Y's around the country, experimenting with using the FFT to improve fundraising. Ryan Johnson, CFRE, is the director of the Y pilot project that is one of nearly 30 separate but interrelated projects committed to improving fundraising performance through the FEP. "The Fundraising Effectiveness Project gives us tools to help look at philanthropy programs in a new light," he says. "The fitness test is helping our participating local organizations to critically analyze their fundraising operations and begin to ask the right questions, creating conversations that haven't always been possible."

Johnson notes that traditional reliance on top-line gains in new donors is being augmented with a focus on the importance of donor retention and other key metrics. "I think this tool will be a game changer for us," he says.

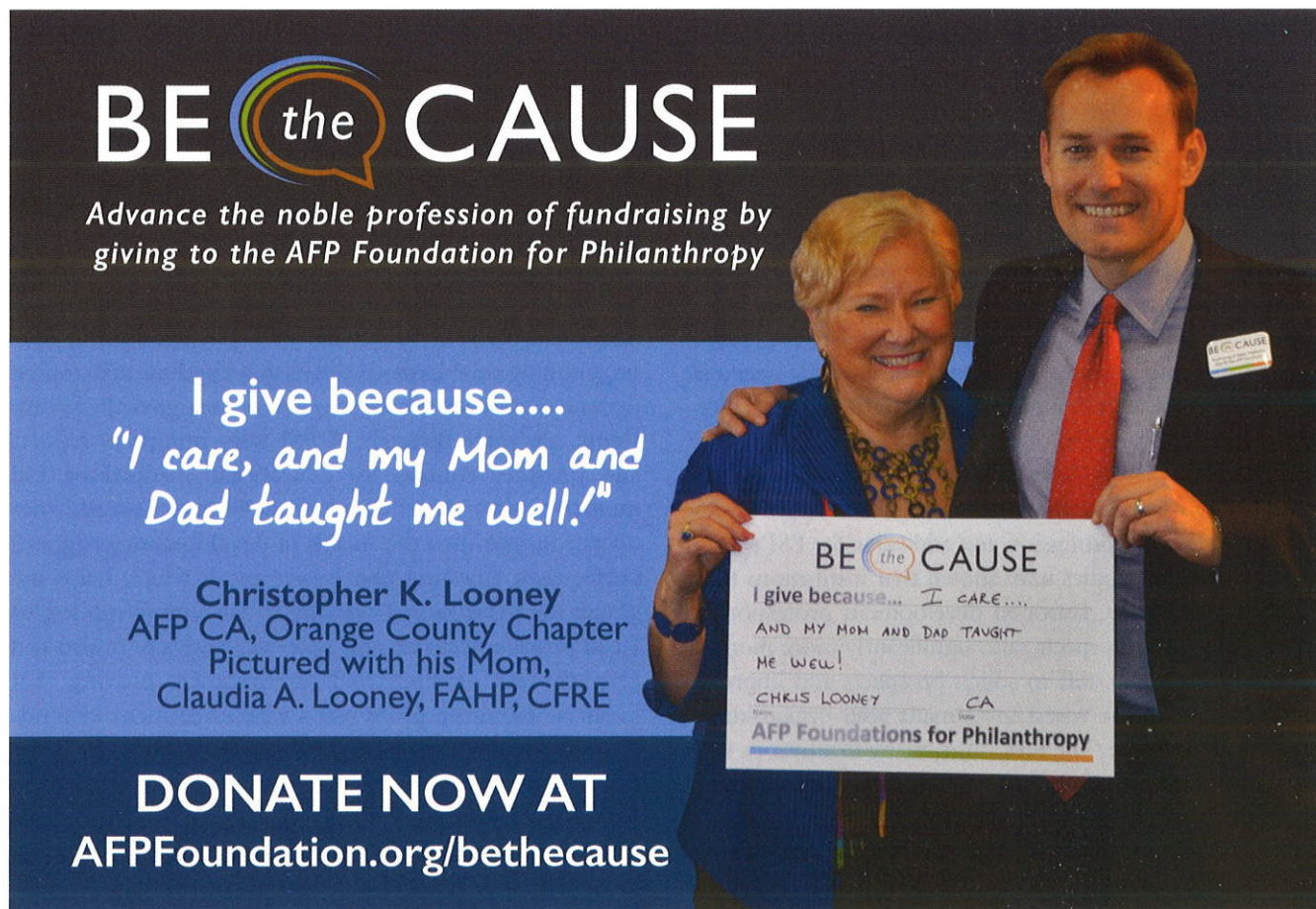
Penelope Burk of Cygnus Applied Research is widely credited with advancing a donor-centered approach to stewardship specifically, and fundraising in general, through her research and writings. According to Burk, "Fundraising practices and beliefs were developed at a

time when donors were less demanding." She says that today wealth is shifting to more independently minded donors who are more questioning, are harder to reach and whose loyalty cannot be assumed.

That assumption of donor loyalty may be plaguing the profession and causing your organization to be much less fit than it should be. 

NOTE: Be sure to hear the webinar on the Growth in Giving/Fundraising Effectiveness Project presented by Erik J. Daubert, MBA, ACFRE, on Nov. 18, 2014. Visit www.afpnet.org for more information.

Erik J. Daubert, MBA, ACFRE, is chair of the Growth in Giving Initiative/Fundraising Effectiveness Project and an affiliated scholar with the Urban Institute Center on Nonprofits and Philanthropy. He is the author of the e-book, Strategies and Tools to Raise Money, and lives in Durham, N.C. Steven A. Reed is chairman of Marketing Partners Inc. and president of its Performance Advantage subsidiary. He is the author of Transforming Healthcare Philanthropy and lives in Winter Park, Fla.



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