



The Ultimate Loyalty Retention Fact Book

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2/3rds of Non-profits Don't Have a Strategy in Place for 'Keeping' Donors

You've worked hard all year. You've really made a concerted effort to engage your donors and prospects with communications that focus on the impact of each individual's investment in your mission and now you're preparing to reap the benefits of your various appeals of the last few months. If only this were as simple as it sounds. 'Keeping' donors is probably the biggest challenge any advancement office faces today.

'Keeping' is an interesting word, don't you think? Keeping donors what? Loyal, of course! Now, right off the bat, let's be clear about something: we're not talking simply about retention. Loyalty implies so much more. As we visit with non-profits over the course of the year, we often broach the subject of donor loyalty, faithfulness, devotion, or whatever word you choose to use to describe the processes used to 'keep' a donor invested in your mission by contributing in a predictable, on-going fashion.

90% of donors who
start contributing
to a non-profit stop giving by
the 5th renewal request.
(Penelope Burk, fundraising author)

Since the buzz word in fundraising circles today seems to be loyalty, let's stick with that. It's an emotional connection and relationship between donors and your organization. It implies that a donor is listening, engaged, and motivated to action again and again. **In short, connected.**

Maybe you're wondering if you should invest your time in reading our latest educational booklet? It depends. Do you enjoy donor retention rates marred only by death? Do you have a handle on what happens during the exodus of first year donors who never renew their giving?

Here is a simple test for you to take in order to decide whether or not you want to read further: *if your organization enjoys a renewal rate for first-time givers of over 50%, you've earned a day at the beach. Today, if you're renewing or getting a second gift from more than 50% of your first-time donors, that means your overall retention rate combining all classes of donors is 80% or better. If so, you and your organization belong in a special wing of donor loyalty's Hall of Fame. You don't need to read any further.*

8 out of 10 first-time donors do not make a second gift.

(Adrian Sargeant, noted fundraising expert)

A **donor loyalty program** is the result of focused attention on creating and building a relationship through various channels and experiences you deliver in a strategic way. The long-term health of your organization absolutely depends on it. In fact, according to our own admittedly unscientific tally, *29% of the non-profits we work with have no donor loyalty program and another 40% weren't sure if they had one.*

All of you reading this would undoubtedly agree with the belief that it is harder **and more expensive** to get a first-time donor than it is to get your current donors to give a second time (and it's more profitable).

What we have found is that many organizations have not put into place systems to keep their current donors happy and engaged. This then, has the resulting consequence of causing large numbers of first-time donors to fail to give again. You can bet that not knowing if you have a donor retention or loyalty program leads to one thing – donor attrition.

That's why we've written this little educational booklet for you at this time. You invest a lot of time, effort and money in your year-end campaigns and, really, it matters very little how well you do on any one campaign in and of itself. It's what you do to 'keep' (that word again) current donors loyal and what you do to steward first-time donors to give a second and third time, because research shows that if you get those second and third gifts, the likelihood is they will become loyal for a long period of time.

Later in this booklet we'll talk about strategies for keeping donors loyal, but first let us share some of our findings with you. We gathered much of this information in informal phone conversations with executive directors, presidents, directors of advancement, directors of development, etc.

Your Job or Mine?

Of the 30% of organizations who did report having a donor loyalty program, 74% identified development as the function primarily and overwhelmingly responsible for creating and maintaining a donor loyalty strategy. Followed by:

Executive Management	41%
Board of Directors	24%
Program Director/Management	24%

Donor Communication Strategies

This led us to ask our contacts whether they ask their donors how they could better serve them. Why? We have found that it's a great way to build Loyalty.

Specifically, we asked:

In the past 12 months, how many times did your average donor receive a communication from your organization via each of the following channels?

	None	1-3	4-6	7-9	10-12	12+
Received an email message	26%	28%	18%	7%	9%	13%
Received a direct mail piece	17%	47%	25%	5%	3%	3%
Received a survey	67%	27%	3%	1%	1%	0%
Received a phone call	38%	47%	9%	3%	1%	2%
Received a social media msg	41%	20%	10%	6%	9%	15%
Received thank you letter	13%	60%	14%	4%	3%	6%
Received handwritten thank you	43%	44%	7%	3%	2%	2%
Received a call thanking a person	47%	41%	6%	3%	3%	1%

That's right: the absolute kings of Loyalty are hand-written notes and phone calls. *Take Away: If you want to build sustainable individual fundraising, say thank you early and often.*

There are all kinds of reasons not to call donors – time, awkwardness, inefficiency, fear of being rejected – but the relationship that can begin from just one phone call is awe-inspiring. Calling donors could be the one thing you do as an organization that sets you apart from your competition for the hearts and minds of your constituents.

The 3 Proven Ways to Improve Loyalty

1. Satisfaction. Crafting “impact” communications – the easiest and most efficient way to keep donors satisfied; The single biggest driver of loyalty is satisfaction with the quality of service provided by the fundraising team. (Study Fundraising)

2. Commitment. As a staff, there must be a buy-in that every donor (and donor interaction) will be treated as an opportunity to enhance the donor experience and the donor/organization relationship.

3. Trust. If you doubt the importance of this, remember, trust takes years to build and only seconds to destroy. On a gift-by-gift basis, budgeting communication and recognition relative to the size of the gift seems to make sense, but it is actually the opposite of what needs to be done in order to keep donors and increase contributions.

Fewer first-time donors renew because they do not receive the information needed to deserve a second gift. Ask yourself, right now, from the moment a first gift is made until the moment you ask that donor for a second gift, have you done everything in your power to keep that person? Donors who indicate they are very satisfied with the quality of service provided are 2x more likely to be giving next year than donors who indicate they are merely satisfied.

Improved communication will assure new donors that they did the right thing. It will boost their comfort level when it's time to give again.

For renewing donors whose gifts have reached a certain level, better communications will provide these donors with the reason for giving at new levels. And, for your high-end donors, personal communication is simply an expected part of your growing partnership and a very real opportunity for your non-profit to help donors fulfill their long-term goals and dreams (and yours)!

What Is Your Current Donor Attrition Rate?

This is critical information. In our survey we were very surprised to find that just over half of those responding to our poll **did not know** their yearly attrition rate; that is, the percent of donors who give one year but not the next. Maybe this should not have been as surprising as it was, given the number of respondents who didn't even know if there was a loyalty program in place.

Also, half of the over 200 we talked to responded that they do regularly measure their attrition rate. Of this number, 1/4 experience attrition at between 26-50% and over half regularly experience attrition at over 50%.

Can you continue to allow your non-profit to suffer these attrition rates? Are you ready to do something about it?

You've Got to Know if You Want to Grow

Knowing what percentage of your organization's donations is recurring is the first step in establishing a donor loyalty program. However, as illustrated above, a significant number (nearly half) of organizations surveyed either don't know or were unable to quantify the percent of recurring donations.

We Thought This Was a Shocker!

1/3rd of non-profits do nothing when a donor lapses. That means there are no exit polls, no emails, no direct mail, no phone calls, basically nothing done for those who lapse.

What Kind of Loyalty Gifts Do You Use?

Of those we surveyed, 5% said they handed out computer or tech accessories (memory drive, phone chargers, mouse pads, iPad), 11% gave away caps or hats, 19% clothing (t-shirt, jacket, dress shirt), 21% drink-ware, 24% pens, pencils, and markers, while 52% reported giving nothing at all. Why are writing utensils #1 when it comes to loyalty? Probably affordability.

Are Annual Reports Still in Play?

A little over two-thirds of respondents reported that they use annual reports to communicate how donors' monies will be used. A question that has been in play over the past few years is, "do donors really want or need annual reports?" Our response is that donors should not have to ask for an annual report. Donors are your investors, after all. As such, they deserve and expect to see an annual accounting of the state of the business. It's your job to find out how they want to receive the report. Ask them.

Studies show that when donors have a print version of an annual report, they share it with friends, and leave it on their coffee table for others to see. (Loyalty Letter) Don't forget to tie your organization's core values into stories related to them for your annual reports – they build loyalty!

Some Concluding Thoughts

It's a fact: According to the latest FEP data (Fundraising Effectiveness Project, 2012), the average donor retention rate hovers around 41%. If a sample set of 5,000 donors with an average donation of \$200 is used, what happens to donation totals if that rate is increased by just 10%? An increase of just 10% in donor retention makes a significant difference in total dollars raised from donors.

A non-profit with a retention rate of 51% will raise literally hundreds of thousands of revenue dollars more than the non-profit with a retention rate of 41%. In addition, the 10% improvement yields an increase in the years original donors stick around – four full years longer.

When donor retention rates are higher, less effort and fewer marketing dollars are spent in donor acquisition, and greater focus can (and should) be placed on upgrading existing donors, securing legacy gifts, and recruiting new volunteers.

Donors who are 'kept' longer tend to participate in capital campaigns and contribute above-average gifts. Long-term donors tend to recruit new donors at a faster pace, especially those who move up the giving ladder over time.

Our Question for You:

Do you have a donor loyalty program? Is it yielding the results we've indicated it should? If not, look no further. We have put together the latest in best practices for fundraising, loyalty, engagement, and retention to create for you a simple solution that generates increased loyalty and revenue.

Call Ron today at 708.974.2600, ext. 105 to set up a meeting to begin your quest for more than retention: loyalty!

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