Merkle’s Digital Roundup: 2017 Online Fundraising Benchmark Report
INTRODUCTION

On a quest to better define the trajectory of online fundraising for nonprofits, we surveyed fundraisers at 79 large organizations with an annual revenue of $10 million or more, asking them to share insights about their online fundraising programs. Historically, large nonprofits have led the way in our industry, and they provide the best insight on where the industry is headed.

*If you are a small or medium organization, you’ll get a snapshot of your future. For other large charities, you’ll see how your program stacks up to your peers.*
EXECUTIVE SUMMARY

Among large nonprofits, the 2017 benchmark results demonstrate the increasing role that digital is playing in the industry, with online fundraising delivering an average of 15 percent of total direct response revenue. Together, the surveyed brands generated a combined outcome of:

- 1.9M monthly unique website visitors, where 43 percent of visitors and 38 percent of website donors transact using mobile.
- Two-thirds of charities are using mobile apps – with peer-to-peer and mission/services as the primary use cases.
- Nine out of 10 charities will maintain or increase online fundraising budgets this year with increases in the 2.5 to 10 percent range being most common.

Email marketing continues its role as an anchor to online fundraising, with a median 389,000 email subscribers, delivering $3.0M in annual email revenue, or an average of $7.71 per email subscriber. Charity websites deliver an average $15.4M in annual unattributed web revenue, where 2.5 percent of visitors donate, with an average revenue per visitor of $2.66.

Lastly, when asked about fundraising integration efforts (online and offline) to drive a seamless donor experience across channels, our fundraisers responded that they have initiatives in motion. They vary in their prioritization of the constituent integration elements, but overall, they lack a concentrated strategic vision and a roadmap to ensure success.
A CLOSER LOOK

Consumer Shift to Digital

U.S. consumer media habits continue to shift to online, with a cross-over point expected in 2018, when the average daily consumer online media consumption will exceed all offline media (e.g., TV, print, and radio). The research seeks a view into the overall commitment to online fundraising in response to this trend. It was discovered that organizations commit 16.2 percent of overall direct response budgets to online fundraising, to bring in online revenue equal to 15 percent of total direct response revenue, requiring ~7.5 employees to run the online program.

In recent years, other industry benchmarks reported online revenue as somewhere between 5 percent and 10 percent of direct response revenue. The good news is that the biggest organizations continue to expand their commitment to online fundraising, presumably with the goal of meeting their donors where they live – increasingly online and via mobile, and in an effort to reach younger, digital donors.

43 percent of their 1.1M monthly website visitors came from a mobile device

Mobile

Survey respondents reported an average 43 percent of their 1.1M monthly website visitors came from a mobile device. Approximately 2.5 percent of those visitors went on to make a web donation, totaling on average $3.0M in unattributed website revenue annually, of which 38 percent was donated via a mobile device. If you wondered whether consumers would ever donate using small mobile displays and those tiny, virtual keyboards found on mobile devices, the answer is resoundingly, "yes." If you haven’t (minimally) optimized donation forms for mobile devices, that task ought to make its way to the top of your 2017 priority list. And while you are there, add broader website optimization for mobile, as well. All indicators point to the fact that consumers are building relationships with brands increasingly on the go, and intermittently throughout the day. They are using smart phones and tablets to varying degrees, so you’ll need to present your brand very differently than you do on a laptop computer.

One important mobile component is the use of apps. Approximately two-thirds of charities indicate they use mobile apps in their organization. The most common use cases for mobile apps were: mission/service (59 percent) and peer-to-peer fundraising (59 percent), followed by apps for galas (45 percent) and gaming (36 percent).
The research reveals that apps are in play at a majority of large nonprofits, and it’s no surprise, that peer-to-peer (P2P) fundraising apps, have become a meaningful and valued element of event fundraising (peer-to-peer giving) programs across the US. With P2P fundraising extending beyond the traditional health charity walk-bike-run events into segments such as animal welfare/environmental, international relief, social services, arts/culture, and others, as well as new event formats (e.g., mud runs, obstacle courses, color festivals, etc.). The expectation is pretty positive for mobile apps in this space. The omni-presence of mobile phones at the events lends itself to an immersive branding opportunity for charities, along with a strong operational and fundraising role.

In terms of apps for galas, it is easy enough to see this function taking on the role (with variations on the theme) for the P2P event apps – fundraising, event logistics, networking, education, etc., while gaming apps require a bit more research (which we’ll do in a follow-on report). There is anecdotal evidence pointing to commercial gaming apps with in-app gaming experience elements and revenue sharing of in-app purchases connecting back to some nonprofits.

Finally, for the mission/services apps, though the pervasiveness is a bit surprising (59 percent of large charities), historically there have been many apps featured in the press, including the Y’s Find a Club app, various environmental organizations deploying apps for animal and plant spotting, counting, and identification. In addition, arts and culture organizations have been providing augmented experience apps for their symphony, opera, and ballet and dance performances, along with event ticketing and membership applications.

It appears that mobile apps have become mainstream to the nonprofit experience. We look forward to learning more about this space in upcoming market research.

Integration

A high-priority item for many nonprofits is fundraising integration to create a more seamless experience for donors across channels and devices, and from program to program.

When asked about integration across online channels (only), of the four pillars for integration – organization structure, donor data, finance and budgeting, and donor experience (across channels) nonprofits reported making the most progress with organizational restructuring, to better align contributing teams around the donor, with a score of 4.1 (out of a scale from 1=Not at all to 6=To a Very Large Extent). Data, finances and budgeting, and donor experience scored 4.1, 4.0, and 3.9 respectively.

On one hand, it’s not too surprising that the donor experience saw the least progress. It’s hard to get all the pieces right across devices and channels. On the other hand, and in the end, it’s the donor experience that activates the integration efforts and drives greater revenue. From the data it looks like nonprofits are taking different paths — with the primary focus on individual components and that they are each at different points along that integration path. This certainly squares with
our experience working with a broad range of groups who are tackling the integration challenge in varying ways, led by different levels of the organization, ranging from the C-suite to middle management.

With respect to online and offline integration, the story plays out similarly with respondents indicating they are making the most progress with organizational integration (4.5), followed by finance and budgeting (4.1), data (4.1), and finally donor experience (4.0). Separately, when asked about the coming year's priorities, fundraisers responded by ranking integration (align organization around a single integrated program) at the bottom of the list (ninth out of nine choices.) By comparison, in the top positions for example, were the practical and tactical elements: – (1) retain existing donors, (2) acquire new donors, and (3) increase social media presence.

It would seem that despite their best intentions, most organizations are still centered on the block and tackle, day-to-day delivery of their fundraising programs and revenue. And while there are variable levels of effort at large nonprofits around creating a seamless experience for donors across channels, devices, and programs, it has not yet become a reality. In fact, it's still very low on the priority list.

To better understand this low prioritization, informal surveys with a handful of large organizations were conducted. The response was resoundingly, "We don't understand how to do it."

They all agreed that the vision or goal of a seamless donor experience was valuable and represented the next evolution of their fundraising programs. However, when pressed on the gap between vision and reality, in different ways, they admitted to having one or more initiatives in play to get there and on the other hand, they carefully noted that it was more complicated than anticipated. These organizations didn't have a concrete, viable, multi-year roadmap. In short, they couldn't articulate the steps to an integrated donor experience. The big takeaway for nonprofits is to seek out the assistance of transformation experts, in order to understand and develop the roadmap.

Email Marketing

Email marketing is a cornerstone of nonprofit fundraising, and it continues to provide the foundation for online giving revenue at most organizations. The survey respondents shared that the average email list was 389,000 deliverable subscribers, with that list generating an average of $3.0M in annual email gross revenue, netting $7.71 per email subscriber.

Respondents indicate that 19 percent of email subscribers come in organically (e.g., voluntary sign-up), with the remaining 81 percent of email subscribers purchased or acquired via formal marketing programs intended to acquire subscribers.

Email performance benchmarks are as follows: The average open rate for fundraising emails was 15.2 percent, with a fundraising email click-through rate of 5.1 percent.
When asked about the mix of fundraising vs. stewardship emails sent, respondents indicated that 44 percent of emails delivered to constituents were fundraising focused, leaving 52 percent of emails dedicated to stewardship and related non-financial efforts.

**Website**

From a marketing perspective, your organizational website acts as a central point of aggregation for traffic sourced from all of your marketing and fundraising promotion and channels. Inevitably, some portion of each audience you touch rubber bands back to your website to learn more, engage, give, or connect. This includes consumers touched by, for example, your public service announcements (PSA), fundraising campaigns (online and offline), branding efforts, events, social presence, traditional word-of-mouth constituent networking, and many others.

As a result, unattributed web revenue ("white mail") online revenue, or revenue not directly attributable to specific campaigns, reflects the relative level of consumer brand awareness for an organization. The total brand presence or brand equity for many organizations represents the single biggest source of online revenue.

Our survey indicates that the average **monthly** website traffic amounts to **1,124,200** unique visitors. As noted earlier, nearly half of these visitors (**43 percent**) visited using a mobile device (smart phone or tablet), with **2.5 percent** of visitors going on to donate on the website, generating an average of **$3.0M** in annual revenue, with **38 percent** of those gifts completed using mobile devices.

Search engine optimization (SEO) – formal efforts to maximize website traffic by ensuring that the organization’s website appears high on the list of organic results returned by a search engine – is an important tool used by leading organizations to increase website traffic. Our respondents told us that they spend an average of **$25,000** per year on SEO.

We know that consumers use search engines extensively to find brands that interest them. In marketing terms, organic search and paid search advertising combine to position a brand squarely in the path of a consumer searching on Google, Bing, etc. The organic search side is impacted by SEO efforts, and is most frequently viewed as the larger, but more long-term impact. That is, paid search advertising delivers short-term and valuable results (e.g., traffic, subscribers, or revenue) since the time to market is fast – typically measured in days or weeks. On the other hand, SEO is a multi-step process that plays out over weeks or months, but once it is in place, it potentially drives an even larger positive result.

In the nonprofit space, many organizations don’t make big commitments to SEO. The survey results indicate that large organizations are seeing some value in SEO and have begun to commit budgets to this area. One recommendation from this data is that if you want to drive more site visitors, which in turn drives more website revenue, consider investing in SEO. Even if you already budget for paid search advertising. It’s the combination of the two that brings maximum benefit to your online fundraising program. SEO represents a large untapped potential revenue stream increase for nonprofits.
DEFINITIONS

Below are terms and definitions that will be helpful in interpreting the survey results.

Digital Advertising
Online promotional advertising including paid search, paid social, paid video, and paid display advertising, across desktop and mobile devices.

Mobile Fundraising
Online fundraising promotion or transactions carried out via smartphone, phablet, or tablets; excluding laptops for desktops.

Email Fundraising
Any fundraising and revenue directly attributable to promotion presented to consumer via email from the organization.

Website Fundraising
Refers to donations completed via the organization website that are not attributable to specific marketing initiatives.

Online Marketing Budget
Total budget allocated to online marketing and fundraising including media, personnel, and infrastructure investments for email, website, and digital advertising.

Cost per Dollar Raised (CPDR)
A fundraising performance calculation defined as the total marketing cost/total revenue. It is applicable to campaigns, channels, or fundraising programs. Market cost includes the dedicated investment to run the campaign or program, but does not include the fixed costs (e.g., staff, capital investments for software, and hardware necessary to execute the program or campaign).

Email List Size
Defined as the total number of deliverable email subscribers, with importance attached to “subscribers” opted in to receive email, and “deliverable” — the organization successfully delivered an email to the address recently.

Total Fundraising Revenue
Includes one-time gifts and recurring gifts received within the time period (e.g., annually).

Organic Email List Subscribers
 Constituents who opted in to receive email from the organization that cannot be attributed to a specific promotional effort. Examples include a consumer who opts in via a general email opt-in offer on the website, or by other means, such as on site at a local event.

Inorganic Email List Subscriber
Paid email subscriptions or constituent email opt-ins that are directly purchased via a third party or that result from specific paid promotion where the email opt-in is directly attributable to the promotion.
Fundraising Emails
Emails sent by the organization with the primary focus being direct solicitation of donations.

Email Open Rate
A performance measurement calculated as the total number of delivered emails/number of email opens.

Email Click-through Rate
A performance measurement calculated as the total number of delivered emails/number of clicks received.

Email Churn Rate
The number of email addresses that opted out or that hard bounce annually, expressed as percent of total email list size at the end of the year.

Website Unique Visitors
The total number of unique visitors to any page of the organization’s website in the specified period (e.g., monthly, annually). The term “unique” explicitly means multiple visits by a single individual are logged as one unique visitor.

Unattributed Website Revenue
Total giving revenue received via the organization website from any donation form that is not otherwise attributable to a specific campaign or fundraising initiative.

Integration – Organization
For organization initiatives related to integration of the donor experience across channels and devices, the specific efforts to re-organize constituent-impacting departments around the donor. Most frequently this entails alignment of the departments under a single executive leader, with common goals, benchmarks, and revenue targets for the shared consumer audience.

Integration – Data
For organization initiatives related to integration of the donor experience across channels and devices, the specific efforts to assemble an integrated (online and offline) snapshot of donors, their transactions, and the related promotional history and cost data in a single data source.

Integration – Finance and Budget
For organizational initiatives related to the integration of the donor experience across channels and devices, the specific efforts to organize fundraising budgeting forecasts and related financial analysis. Attribution across the fundraising channels and devices to represent a seamless view (for planning and reporting) of the donor.

Integration – Donor/User Experience
For organizational initiatives related to integration of the donor experience across channels and devices, as a result of the integration improvements to consumer-facing marketing, resulting in a seamless and contiguous experience for the user.

SURVEY AUDIENCE & METHODOLOGY
The survey was fielded during the period from November to December 2016. A total of 79 nonprofits responded and confirmed that their organization received more than $10 million in annual revenue. The respondents included a range of roles within the marketing and fundraising departments at their organization. The organizations represent a cross section of nonprofit segments including social services, education, hospitals, advocacy, religious, arts & culture, health, international aid, veterans and animal welfare/environmental.
Merkle is a leading data-driven, technology-enabled, global performance marketing agency that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 25 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The agency’s heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive people-based marketing strategies. When combined with its strength in performance media, Merkle creates customer experiences that drive improved marketing results and shareholder value. With more than 3,800 employees, Merkle is headquartered in Columbia, Maryland with 16 additional offices in the US and offices in Barcelona, London, Shanghai, and Nanjing. In 2016, the agency joined the Dentsu Aegis Network. For more information, contact Merkle at 1-877-9-Merkle or visit www.merkleinc.com.