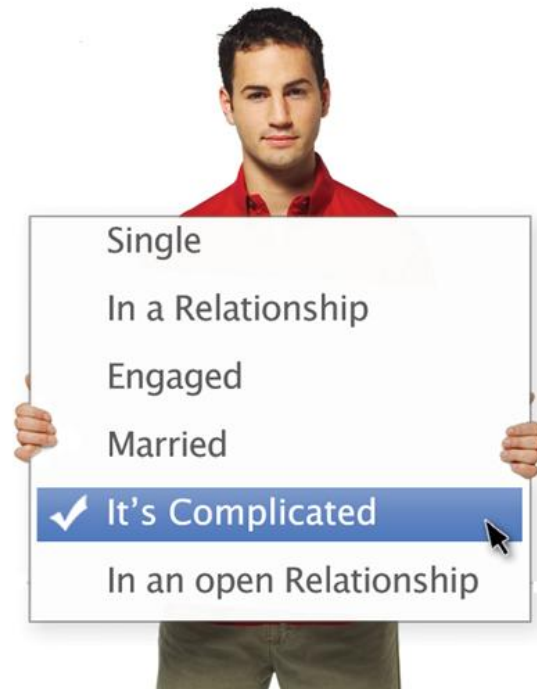


DonorVoice



What is Your
Relationship
Status
with Your
Donors?



DonorVoice presents:

The First Annual Donor Commitment Report

Answering the question of how strong your donor relationships are and why it matters.

September 2011

www.thedonorvoice.com



Table of Contents

- I. **Why We Embarked on This Project**
- II. **Our Premise**
- III. **Methodology**
- IV. **What We Found Nationally – The 6 Key Takeaways**
- V. **Supporting Data for the 6 Key Takeaways**
- VI. **Supplemental Report – Proof of Link Between Donor Commitment and Donor Behavior**

Just Added



Why We Embarked on This Project

Everyone acknowledges there are significant issues with acquisition; namely costs going up, yields going down. There are also significant issues with retention; namely there isn't enough. This is really two sides of the same coin; the increasingly expensive-to-acquire donor coming in has little motivation to stay.

The financial argument for improving donor retention is well known - it can cost up to 10 times as much to bring in a new donor as to keep an existing one (Sargeant & Lee) and it takes, on average, 18 months for a new donor to cover the cost of acquisition. Said another way, unless you have a specific plan to keep a newly acquired donor on the file for at least two years (assuming zero net income isn't your goal and how can it be?) then your organization, its mission and programs would be better served by not taking their initial contribution.

If the problem of acquisition and retention are related and severe and the financial imperative to fix it so clear then why are the trend lines getting worse, not better? And why aren't donors who give you one donation not more motivated to give you a second?

Our Retention Premise

Impacting donor **attitudes** is the key to retention because,

- These attitudes dictate donor **behavior** AND
- Donor **attitudes are what an organization impacts with its actions.**



Methodology

National Survey

DonorVoice conducted an online, nationally (US) representative survey among 1200 recent (last 12 months), frequent (more than 2 gifts to cause based charities) donors.

The survey responses were collected between July 24th and August 1st. The fielding process adhered to best practices to assure maximum coverage across all days of the week and times of day.

The sampling margin of error on this sample is +/- 2.8% at the 95% confidence level.

House File Email Survey

We conducted a separate online survey using email addresses supplied by participating organizations – email addresses for whom the organization also had transaction history, meaning these respondents are donors who also elected to provide an email address at some point.

The survey responses were collected between August 20th and September 10th. The fielding process adhered to best practices to assure maximum coverage across all days of the week and times of day.

The sampling margin of error for these surveys varies based on the number of responses for each organization.

The results of this analysis are not reported here but are available, in aggregate (and anonymized) form upon request.



What We Found Nationally

1. We identified a math-based way to measure, score and improve donor attitudes. We call it Donor Commitment and it is a proven, leading indicator of future behavior.
2. For every 1000 donors an organization moves from Low to High Commitment it will receive on average \$200,000 more income
3. Calculating an accurate Donor Commitment Score requires ONLY 3 questions and this score predicts behavior better than other models.
4. The Donor Commitment Score can be used for benchmarking, tracking and targeting. We have also developed inexpensive tools to help you do this.
5. In addition, we have identified **the 7 Key Drivers**, from among 34 possible options, an organization must take to improve Donor Commitment.
6. There is a best practices Idea Bank on how to deliver on the 7 Key Drivers.

What follows is supporting data for each of the 6 key takeaways.



Donor Commitment, a math based way to measure and improve donor retention

Relationship Theory

We did not invent Relationship Theory and a lot of good work has been done by academics and practitioners alike to apply it in commercial settings to determine if the underlying elements that constitute a healthy interpersonal relationship also apply in business to business (B2B) and business to consumer (B2C) settings; the answer that we and many others have found is a resounding "Yes."

This study was done to determine if the same holds true in a non-profit to donor (N2D?) context. Again, a resounding "Yes."

There is a more detailed white paper available [here](#) though we thought it important to provide some context for this report.

The donor relationship journey starts with the need to establish a basic, or what we call "Functional" connection to the organization, often expressed as being reliable; the donor knows what to expect from your organization, the experience is consistent. Fail to do this and you fail, period.

Achieve this basic level of functional or satisfaction-based connection and you have the opportunity to build the personal connection (while also having some impact on the trust or commitment component). The personal connection is a more emotional one, in relationship vernacular it is "fidelity", the bond that says there is a two-way street of give and take, of mutual respect and of the donor believing the organization knows him/her and cares.

Trust is the linchpin to true (i.e. mindshare based) loyalty – not the often deceptive, pattern of repeat behavior via RFM analysis. The kind of relationship that moves the donor to overlook shortcomings, give greater share of wallet, promote the organization and go out of his/her way to engage with it.



For every 1,000 donors moved from Low to High Commitment, expect \$200,000 in increased revenue.

This chart shows two groups from our national survey of recent, frequent donors – those with High Commitment to a charity they gave to in the last 12 months and those Low in Commitment. The dollar amount is the 3 year average given to the respective charity and the 131% increase, from \$149 to \$344, one can expect if the organization effectively stewards the donor from Low to High Commitment.

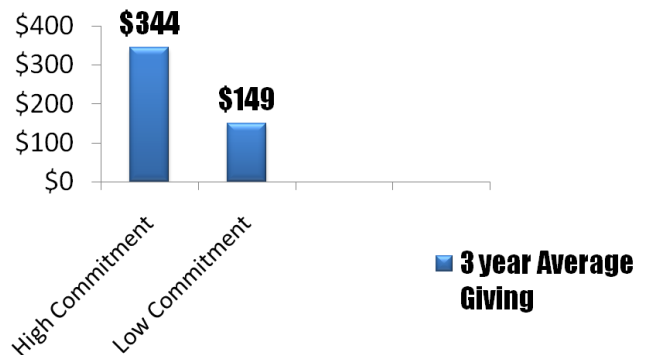
This translates into approximately \$200,000 more for every 1,000 donors moved from Low to High Commitment. National average of 31% and 73 respectively.

This is, however, just a national average or benchmark. For individual charities, the results can be even more dramatic. For example, one organization we studied can anticipate \$1,560,000 in additional three year giving for every 100,000 active donor they steward from Low to High Commitment.

\$200,000 more for every 1,000 donors moved from Low to High Commitment.

131%

Difference Between Strong Relationship (High Commitment) and Lousy One





The Donor Commitment Score™ requires ONLY 3 questions and predicts behavior better than other models.

A key performance indicator (KPI) is only worth having if it is aligned with organizational goals. The Donor Commitment Score measures, at its core, the level of motive or intent a donor has to maintain the relationship with the organization. In this way, it is a forward looking or leading indicator of future behavior that correlates with recency, frequency and giving amount (or RFM) – the bread and butter of non-profit behavioral targeting and segmentation.

However, this Key Performance Indicator must also be easy to implement, score and track—all important goals in the development of this model. There are only three questions required to create the Donor Commitment Score™, all asked on a 0 to 10 scale from “strongly disagree” to “strongly agree”. These 3 questions were identified through a rigorous iterative process of scale development starting, initially, with well over 100 items.

The donor or constituent response to any single question is irrelevant, only the composite score matters.

0 to 10 point agree/disagree scale

1. I am a committed **(insert org name)** donor
2. I feel a sense of loyalty to **(insert org name)**
3. **(insert organization name)** is my favorite charitable org



Finally, the model must perform well against alternative models or frameworks. This table shows “high” and “low” groupings for five different models or frameworks designed to predict behavior.

The five include,

- 1) Donor Commitment
- 2) DLI Index - a purportedly similar model to Commitment based on work of academics in the field.
- 3) Donor Satisfaction, a long-time framework based on the assumption that delivering a satisfying experience leads to repeat behavior.
- 4) Favorability, which serves as a proxy for many brand oriented frameworks.
- 5) Likelihood to Recommend or the Net Promoter Score (NPS) as it is more commonly known in commercial settings thanks to its creator, loyalty expert and guru, Fred Reichheld.

A Comparative Look



**Highest HIGH
& lowest LOW**

	Commitment	Donor Loyalty Index (DLI)	Satisfaction	Favorability	Recommend
High	\$344.39	\$312.65	\$320.18	\$306.51	\$295.04
Low	\$148.91	\$162.08	\$172.67	\$178.96	\$199.27
% increase	131%	93%	85%	71%	48%

**Biggest %
Increase**

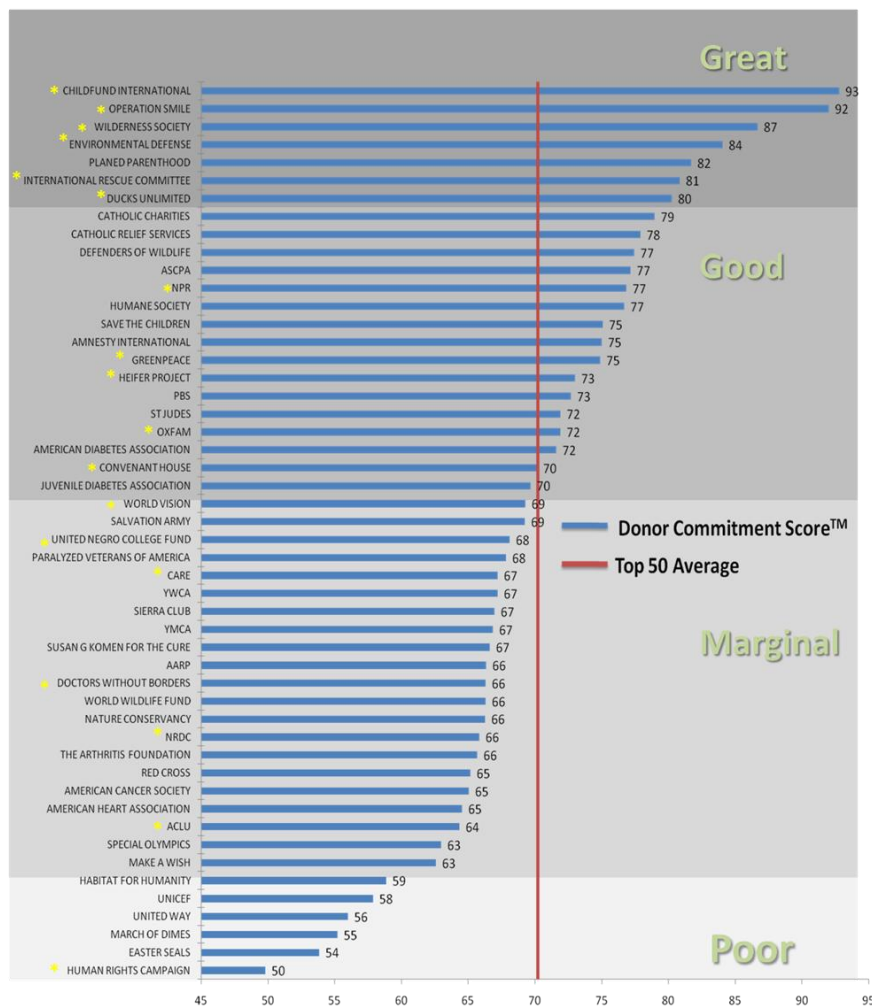
The table shows the 3 year giving average for each model broken out into two groups, those who score highly (i.e. “High”) and low (i.e. “Low”) on the respective approaches. The percentage difference between the High and Low groups is shown in the last row with Commitment doing the best, by a wide margin, among these competing approaches.



The Donor Commitment Score™ can be used for benchmarking, tracking and targeting.

As illustration of the power and value in benchmarking we compiled Donor Commitment Scores for 50 big, well established brands in the non-profit space cutting across six different sectors,

- 1) Health: Disease, Disorders
- 2) Health: Treatment & Prevention
- 3) Human Services
- 4) International Aid/Development
- 5) Youth & Children
- 6) Environment/Conservation/Animal Rights



* denotes small sample
directional data only

DonorVoice



This ranking and scoring were done to reflect several key points:

- 1) There is a tremendous amount of variance in the scores. This means the Donor Commitment Score® (and model) is good at identifying differences among groups.
- 2) This score and model is *not* a proxy for size or revenue. There are plenty of (relatively) small groups that do well and larger groups who perform poorly. What this suggests is that raising a lot of money is not the same as building strong donor relationships.
- 3) We have created categories of scores and associated labels – Great, Good, Marginal and Poor – to provide context so organizations who conduct their own studies and start tracking Donor Commitment have a standardized frame of reference.

Importantly, the organizations with asterisks have small sample sizes. Therefore, their score should be considered directional ONLY. However, we do have privately commissioned data that supports, the general location of an organization, be it Great, Good, Marginal or Poor.



We identified 7 Key Drivers, from among 32 possible options, an organization must take to improve Donor Commitment

Organizations spend a lot of time and money on communications, marketing, fundraising and operations. But, which of, many, specific activities in each of these functional areas truly has an impact on the way the donor thinks and feels about the organization? Which truly impact the level of Commitment to the organization?

One thing we know for sure, it is always a finite number of activities since the donor creates many, mostly subconscious, filters or mental shortcuts to get through their day and certainly when forming an opinion about a non-profit and electing to give or not.

There are 7 key drivers

1. Effectively trying achieve mission
2. Knowing what expect from org w/ each interaction
3. Timeliness of thank you's
4. Providing opportunities to make views known
5. Provide feeling part of important cause
6. Provide feeling involvement appreciated
7. Send information showing who is being helped



Survey

Personal

1. Timeliness of their thanking you for your support
2. Sending a personalized thank you for your support
3. Thanking you for your support in a way that makes you feel good about your donation
4. How regularly they thank you for any ongoing support
5. Providing you with a feeling of accomplishment made possible by your support
6. Providing you with a feeling that your involvement is appreciated
7. Providing you with a feeling of being part of an important cause
8. Being an innovative charity
9. Being focused on their mission
10. Being a well respected charity
11. Providing opportunities to take action for the cause (e.g. sign petition, organize others, attend calls)
12. Providing opportunities to get more involved (e.g. see the organization's work first hand, meet staff, volunteer time)
13. Providing opportunities to make my views known (e.g. solicit your opinion on where they should focus their effort, easy to make suggestions)
14. Publicly recognizing my contribution

Functional

15. Informing you how your donation was used
16. Explaining the tax benefits of your donation
17. Knowledge of issues they are focused on
18. Efficiently spending their money
19. Effectively trying to achieve their mission
20. Using donations ethically
21. Asking you for appropriate donation amounts
22. Keeping me informed about how organization is getting results
23. Sending information that shows who is being helped
24. Sending information that makes me glad I support it
25. Sending information that reflects my specific interests
26. Providing readable information
27. The frequency of requests for donations
28. The frequency of information that requesting donations
29. Creating a sense in me that they would do a good job of responding to a complaint or question if that one.
30. Knowing what to expect from the organization each time you interact with it
31. Communicating with you in the way you prefer (e.g. by mail, email, phone, mobile device)
32. Having a similar look and feel to all communications with you (e.g. by mail, email, phone, mobile device)

To answer the question more specifically we conducted a statistical analysis often referred to as key driver analysis. We started however, with a well thought laundry list of possible drivers, those activities we thought might impact Commitment. It is from this master list of 32 possibilities that we identified the seven. While not identified on this chart, we also have a score for each of the seven since their impact on Commitment is not the same. Importantly, the master list and key drivers for any specific organization would be more specific and tailored to that group. However, absent a custom study, any organization is well served in focusing efforts on these.



There is a best practices Idea Bank on how to deliver on the 7 key drivers.

Survey research, like any discipline, has strengths and weaknesses. One of the latter, in our view, is the lack of specificity and nuance that quantitative research (versus qualitative) can provide. Part of this weakness can be addressed through better methodologies, analytical techniques and thought given to the goals and associated design.

However, what is often required is informed interpretation to draw meaningful conclusions and provide actionable recommendations. The 7 Key Drivers identified in this study can certainly benefit from such informed interpretation. This is why we recruited several prominent fundraising, marketing and donor gurus as advisors on this project. These advisors include,

- 1) Katya Andresen, Chief Strategy Officer, Network for Good
- 2) Ken Burnett, author of the best selling book, "Relationship Fundraising"
- 3) Fraser Green, Partner, Good Works, Ottawa, Canada and author "3D Philanthropy" to be published in November.
- 4) Tom Belford, Agitator co-publisher. (Agitator was also co-sponsor of the overall project)
- 5) Mark Rovner, Partner, Sea Change Strategies

Their role, while multifaceted, included offering up concrete, specific and creative ideas for how an organization might go about delivering on each driver. We provide one such (partial) list for Key Driver #1 here.

Driver #1-Providing donors with feeling they are part of an important cause

Key Driver Idea Bank

- ✓ Exceptional storytelling. Creates a collective experience better than anything
- ✓ Use of donor engagement language that gives ownership to them for the impact of programs. ("Thanks to you..." "your help did xxxx" ..., "you accomplished xxxxx")
- ✓ Allow donors to express their reasons for supporting the cause so they feel part of a larger community and establish a social norm.
- ✓ Make donors the voice of the organization--invite champions to write the appeals, do fundraising among their friends and family, etc.
- ✓ Continual reminder and updating on importance and urgency of the cause or issue
- ✓ Frequent progress reports on movement toward solution along with reminder of urgency
- ✓ Tell/show the other donors, volunteers, experts, etc who have joined in the cause
- ✓ Use third party testimonials/endorsements from impressive/relevant people including celebrities
- ✓ Tell the commitment stories of donors, volunteers and staff
- ✓ Use pins, decals, certificates and other indicia of 'belonging.'



Supplemental Report – Proof of Link between Donor Commitment and behavior

Just Added

This analysis is from the separate survey using email addresses supplied by participating organizations (12 total) – email addresses for whom the organization also had transaction history, meaning these respondents are donors who also elected to provide an email address at some point.

The table shows the aggregated, math based link between the Donor Commitment model and the key behavior metrics of recency, frequency and dollar amount relative to a commercial alternative (based on work of academics in the donor loyalty field) broken out into two groups, those who score high (i.e. “High”) and low (i.e. “Low”) on the respective approaches. The difference between the low and high groups on these 3 behavior metrics – R, F and M – is shown in the last row.

For example, those high in Commitment are 115 days more recent than those who score low compared with only a 13 day difference on the alternative model. This means using Commitment as the leading indicator of future behavior and measuring and managing it accordingly will yield more recent, frequent, higher dollar donors.

The Gold Standard - RFM



By taking actions to build Donor Commitment, organizations can actually improve the RFM quality of their files

Recency of Last Gift (in days)	Frequency of Giving (2010)		Dollar Amount(2010)			
	DonorVoice Commitment Model	Competitor Model – DLI Index	DonorVoice Commitment Model	Competitor Model – DLI Index		
High	338	383	3.94	3.59	\$173.93	\$160.31
Low	453	396	2.34	3.0	\$92.91	\$131.20
Difference	115	13	1.6	0.59	\$81.02	\$29.11
<i>overall mean for the sample, 389 days since last gift</i>		<i>mean for sample, 3.29</i>		<i>mean for sample, \$145.69</i>		