

## Improving Donor Retention & Acquisition

AKA Leveraging New Technologies such as Data Visualization, In-Memory Storage and Predictive Analytics in order to improve Participation Rates.

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### **The Challenge**

The key to any successful annual giving program is to build a sustainable donor base. That base is critical to not only near term revenue, but is also an important cultivation ground for the next generation of large donors. Time and again consistency of giving and engagement come up as key causal factors behind someone stepping up to make a major gift. From our viewpoint alumni / member engagement and cultivation is an organizational asset that should be nurtured and managed carefully. Annual giving and event programs are the tools to do this.

The key measure as to whether or not this asset is being managed well is a stable and hopefully increasing the participation rate. Participation rate measures, out of the base population of alumni or members, what percentage are making a donation in any given year. In a healthy program this rate should be at least stable, and in most cases growing.

The good news is there are only three key things that need to be done to increase the participation rate:

- Retain current donors
- Reacquire lapsed donors
- Acquire non-donors

The bad news is that figuring out what's working and what's not with which donors can be a daunting task. It involves accessing large amounts of data, often from different systems, and then scouring it, studying it, and slicing and dicing it in different ways.

Fortunately most organizations do have the data, and new generations of analysis and discovery tools make it much easier than ever before to get answers to the key questions, such as:

1. Where is participation headed?
  - Retention of current donors?
  - Re-acquisition of lapsed donors?
  - Acquisition of non-donors?
2. Who are the lapsed donors? What happened? Why and where are we struggling?

3. What are the different interest areas of my lapsed donors? How can I lever that to reacquire them?
4. What about the non-donors? Who are they?
5. What works best to turn non-donors into donors?
6. Out of all of this, what are the top priorities to focus on?

## Making it Real – Diagnosing the Problem

Overall participation is an important metric that is easy to calculate. It gives a summary of the health of an annual giving program. In a successful program the participation rate increases over time, as do the amounts given. Unfortunately not everyone tracks it, and even if they do most do not break it down into the subcomponents of current donors, lapsed donors, and non donors.

Let's take a look at a real life example. In this particular case the team did a great job of bringing participation back after the shock of 2008 (Fig. 1). Unfortunately the program's participation rate has since fallen from nearly 48% in 2009, to 42% in 2011 - the last full year. Fiscal year (2012) is not yet complete, and there is still time to raise participation. The key is to find which donors to target and what messages to send.

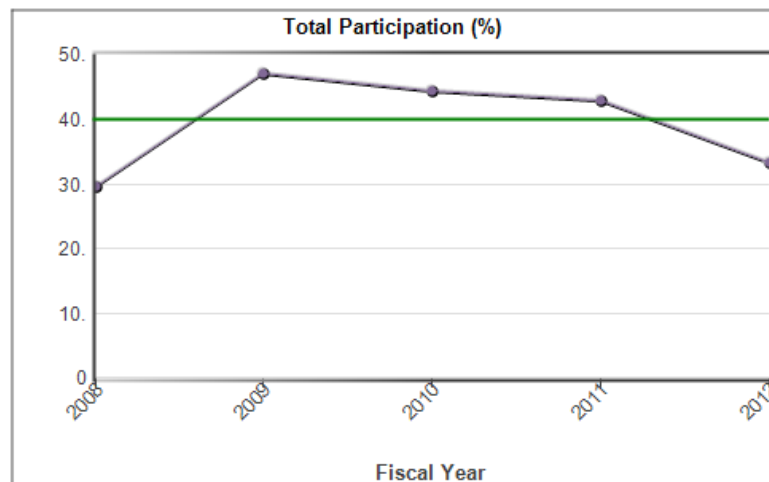


Fig. 1: Total participation rate over time. (Total Participation is the percent of the total donor pool that donated (or participated) for a particular year.)

The first thing to take a look at is the retention rate of current donors. In this case the news is very good -- the "Lybunt Retention" chart (see Fig. 2) shows a retention rate that has been stable at around 80%. This means that 80% of the donors from one year give again the next year. This is at the top level of what we see across our clients, and it would be hard to bring this up much higher.

Unfortunately the “Sybunt Reacquisition” chart shows a different story. The reacquisition rate of lapsed donors has fallen from over 60% in 2009, to around 40% today. This means that of the donors who lapse in any given year, a third less are being brought back in a subsequent year. This is substantial.

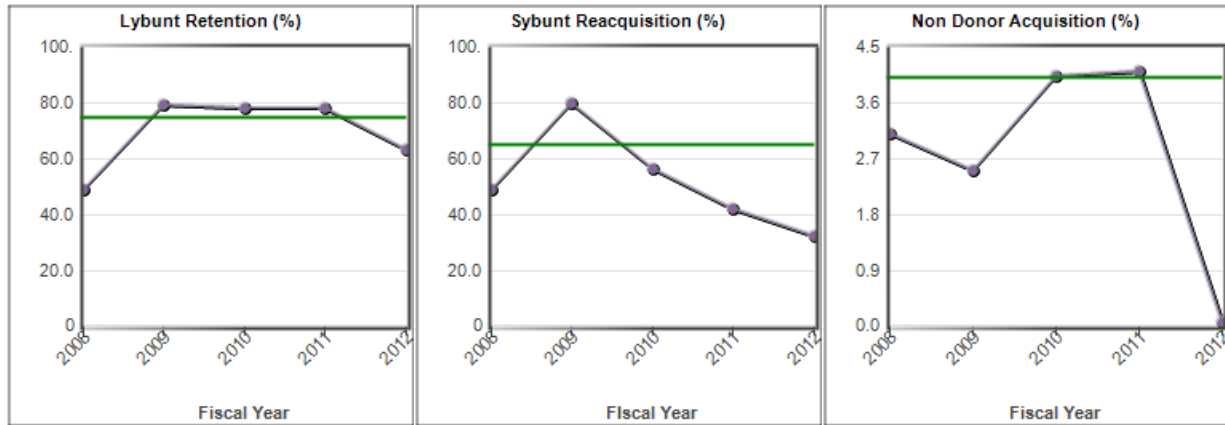


Fig. 2: Lybunt, Sybunt, and Non Donor retention, re-acquisition, and acquisition over time.

Looking at the numbers (see Fig. 3), in 2011 there were 25,370 current donors, or Lybunts. Out of this group 5,313 (20%) lapsed, made no gift in 2011, and hence became Sybunts in 2012. Of this group 1,747 (32%) have been reacquired so far this year (2012). The remaining group of 3,566 lapsed donors are targets for the upcoming year end annual fund push. This group is significant - if even half of them can be brought back they will raise the overall participation rate by 4%. There is clearly considerable leverage in here.

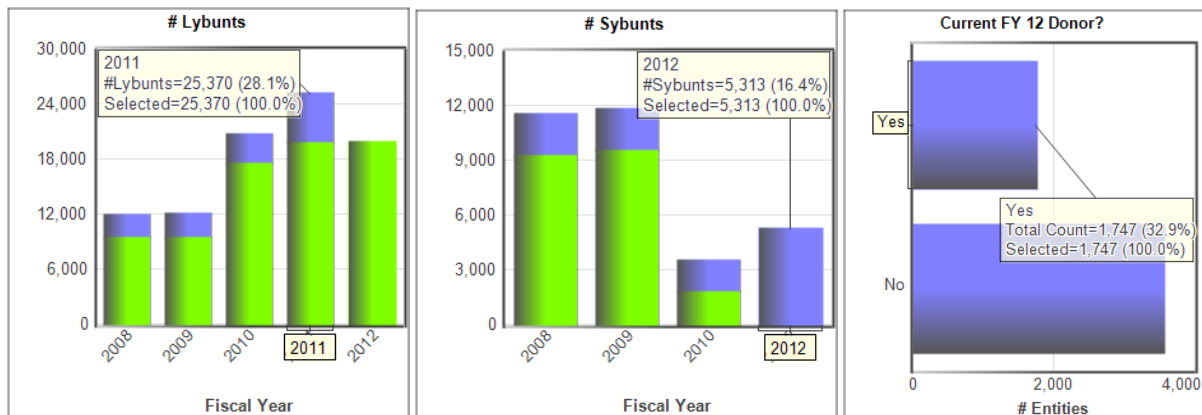


Fig. 3: This chart sequence shows stats for the 25,370 2011 Lybunts. Some of them remained Lybunts in 2012 (green color; first chart), others lapsed and became Sybunts in 2012 (blue color; second chart). The group of 5,313 lapsed donors is colored blue across all three bar charts -- you can see their history and progression. The charts show that a major portion of this group were also lapsed donors (Sybunts) in 2008 and 2009. They were reacquired in 2010 and 2011, then lapsed again. Time to bring them back

and keep them!

The last group to look at are the non donors. Fig. 2 shows the acquisition rate of non-donors has been hovering around 4%, which is on the low side. And, for FY 2012 the rate is very close to zero. Clearly something is not working well. But, there is much less leverage here -- the numbers are lower, this group is more difficult to engage with, and they give less. So, with limited resources and a tight timeframe the right decision is to focus for now on reacquiring the lapsed donors.

### Figuring out What to Do

The next step is to explore what appeals have already sent to this group of 3,566 lapsed donors. Looking at the data (Fig. 4) we quickly see that this group has unfortunately been barraged with 71,000 appeals (average of 20 each). These appeals are primarily email (red in the chart below), focused in 5 groups (top 5 bars below), and other than the more focused Class Appeal are all generic with messaging around 'it's time to give again', which has no specific content and is really not much of an appeal. This barrage of generic appeals is clearly not working with this group.

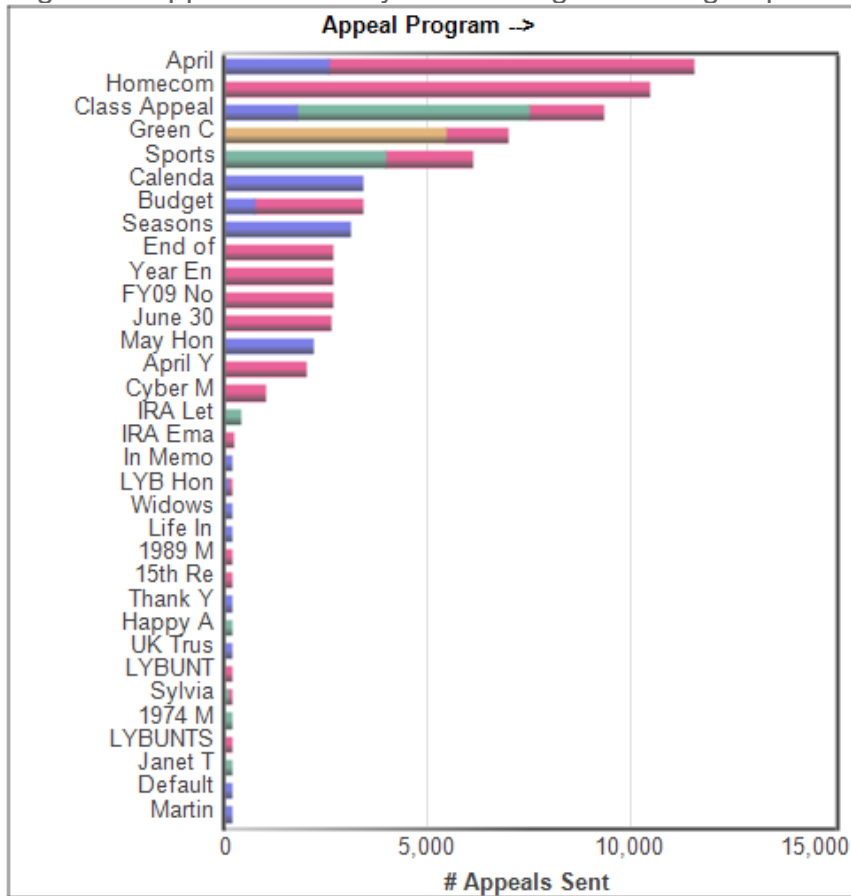


Fig. 4: Appeals sent to lapsed donors this year. Red represents email, green = phone call, blue = letter.

The next step is to explore the characteristics of this group of lapsed donors in order to figure out who they are, and then what message content would be most appealing. By continuing the process outlined above, we quickly learn that:

- All of these donors have an undergraduate affiliation
- 35% are also recent graduates (it is alarming to lose recently acquired donors so quickly)
- Most are alums, but there is also a sizeable subgroup of surviving spouses (which may be harder to reacquire)
- 65% of the group were involved in fraternities / sororities
- But only 10% of this group has been involved in alumni committees or activities
- They have a concentration of majors in the sciences
- From recent newsletter clickthroughs they seem to have stronger interest in genetics and life sciences, as well as diversity and globalism.

Taking all of these factors into account, it would make sense to perhaps split the group into a "sciences" and a "fraternity" subsequent, and then tailor two messages along these themes. And, since this group has been barraged recently with emails, perhaps try a personalized letter and/or phone appeal. The sciences message could run along the lines of: we've missed you, we've been doing all kinds of innovative work recently in the life sciences (and with global issues), and we would love to have you team with us to support these exciting initiatives.

## **The Results**

Figuring out the leverage points that drive participation, and then understanding the makeup of particular groups of donors to be reacquired is critical to success. That understanding can then be used to segment messages with tailored appeals. The results are usually phenomenal. In this case if 50% (1,783) of the recently lapsed donors were reacquired, the overall participation rate would increase 4%. And this 4% increase can be obtained from sending targeted appeals to only a small subset of donors. Imagine what would happen if targeted appeals were sent to everyone along their areas of interest. How much would participation increase? What would this increase in participation be worth?

## **ADVIZOR**

ADVIZOR helps fundraising teams work with the data they already have to answer key questions, create understanding, and enable informed decisions to be made about fundraising strategy and tactics. ADVIZOR has extensive experience with a wide cross section of fundraising clients, and can work quickly and efficiently with your team.