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Keeping Donors Loyal: How To Minimize Attrition on the Fundraising Database

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In the commercial world it costs five times as much to do business with a new customer as it does to do business with an existing customer. Recent work in the fundraising context suggests that in the world of nonprofit direct marketing the economics are remarkably similar. Donor acquisition remains an expensive activity with many nonprofits failing to achieve break-even and relying instead on the returns that will accrue over the full duration of the relationship they will have with these donors.

Of course to fulfil this lifetime value donors have to keep giving, and to keep giving for extended periods of time. Sadly, a significant percentage (typically 50%) are currently motivated to give only once and then fall by the wayside. Of those that remain at the end of the first year a further 30% will typically be lost year on year thereafter. These figures hold true for all 'cash' giving and whilst monthly or committed giving programs perform rather better, for many organizations the issue of donor retention and loyalty has become the holy grail of fundraising.

Why do so many donors defect? How, when individuals have been motivated to send a check through to a nonprofit can so many not be motivated to give again? There are typically many reasons for this. The first is that a high proportion of newly recruited donors are not donors at all. They may best be described as responders. They were motivated to give, not by the quality of the cause, but by the quality of the message and the nature of the media employed. Nonprofits successful at retaining donors recognise this and are careful to develop a separate 'welcome cycle' that takes individuals through from being mere responders to genuine donors through a process of cultivation and education. Breaking the barrier between the first and second gifts is particularly key and nonprofits exhibiting the highest levels of success in direct marketing have discovered that during the welcome cycle it pays to use similar fundraising messages and communication routes to those that successfully recruited the donor in the first place.

The responder/donor issue aside, there are many other reasons why donors defect and conversely, strategies that can be developed to minimize their influence. In a large scale survey of 4000 lapsed donors undertaken in the US in 2000/1 we found, unsurprisingly that a high proportion of donors lapse because they can no longer afford to give. (See Table 1).

Table 1: Reasons Why Donors Lapse

Reason	US %
I can no longer afford to offer my support	54.0
I feel that other causes are more deserving	36.2
Death/Relocation	16.0
No memory of ever supporting	18.4
X did not acknowledge my support	13.2
X did not inform me how my money had been used.	8.1
X no longer needs my support	5.6
The quality of support provided by X was poor	5.1
X asked for inappropriate sums	4.3
I found X's communications inappropriate	3.8
X did not take account of my wishes	2.6
Staff at X were unhelpful	2.1

It is important to note, however, that a good many donors appear to be simply switching their support to other organizations. Indeed over 36% of lapsed donors will typically lapse because they perceive that other causes are more or equally deserving. If charities are to succeed in retaining this category of donor, they need to find ways of improving satisfaction and deepening the bonds that exist between them and their supporters. One way in which nonprofits might achieve this goal lies in ensuring that they provide ongoing and specific feedback to donors in respect of the use to which their funds have been put and in particular the benefit that has resulted for the beneficiary group. If this feeling of impact on the cause is strengthened it seems less likely that donors will view other causes as being more deserving than those they already support.

Indeed, the lack of a feeling of identity or association with a given cause would seem to be a major cause for concern. It is particularly disturbing to note that so weak is the association between the nonprofit and donor in some cases, that almost one in five lapsed supporters have no memory of ever having supported the organization concerned. This clearly needs to be addressed.

Service quality was also identified as a key issue. Lapsed donors have significantly poorer views of the quality of service they receive than active supporters and in particular tend not to regard the organization as providing them adequate feedback about how their donation has been used. We also found that donors perceiving the communications they receive as informative, courteous, timely, appealing and convenient would appear to remain loyal for greater periods of time.

The issue then becomes one of how best to achieve this perception. The results of our study suggest that to engender loyalty, charities need to improve both the

quality of their communications and also the choice that they offer to donors. A few nonprofits, for example, currently offer donors the opportunity to specify how frequently they would like to hear from the organization, whether they would like news about how their gift has been employed, whether they would like such news but not additional letters asking for money etc. The results of our work suggests that such practices would be likely to improve perceptions of the quality of communications received and thereby enhance loyalty. It is also worth noting that by taking the step of asking donors to specify how they would like to be treated, one is in effect engaging that donor with the organization and requiring them to think through the desired nature of the relationship. The donor thereby requests the communications he/she will subsequently receive moving the organizations approach to marketing away from 'intrusion' towards 'invitation'.

Given recent developments in database technology, there is no reason why even smaller charities cannot manage the requirements of their individual donors and ensure that each receives a pattern of communication identical to that they have specified. The results of our work suggest that this would enhance overall levels of satisfaction and ultimately, as a consequence, donor loyalty.

A further aspect of this study concerned donor expectations in respect of both the frequency of communication and the sums of money demanded. There was evidence that donor expectations in respect of these issues were currently not being met. It thus seems clear that charities could also offer donors some choice over whether or not they wish to be asked for specific sums. Some donors may well welcome guidance about the appropriateness of certain gift levels or of what certain amounts will achieve. Others may prefer to take such decisions themselves and not be prompted by the charity. Again, there is no reason why charities should not capture this information and use it to inform the communication strategy employed. Moreover, a consideration of relational issues, such as donor lifetime value would ensure that where specific sums are requested, that these are appropriate given the financial ability of the donor.

Asking donors to specify what relationship (if any) that they would prefer to have with an organization would therefore appear to offer considerable utility. Indeed, if donors can be offered an additional opportunity to interact with their chosen charity, it would seem ultimately rather unlikely that they will lapse simply because they have no memory of ever having supported the organization concerned.

The consequences of failing to embrace these relationship marketing techniques for the sector appear all too evident. Donors will be likely to increasingly complain that they are over-mailed and inundated with requests for inappropriate sums of money. At a time when the sector should be striving to widen the appeal of charities away from a comparatively small section of society, charities should be actively demonstrating that they care for their supporters and that giving can be a pleasant, engaging and rewarding experience. Otherwise it seems clear that the American public will continue to react to burgeoning donor communications in a way that must be avoided at all costs – with consummate indifference.

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