DONOR LIFETIME VALUE

Donor Lifetime Value or LTV is a prediction of how much money you can expect to receive from a donor during the lifetime of their giving to your organization (from first donation to last donation). This information can help you make important decisions about your fundraising budget.

A high LTV is a good thing! It means you can expect to receive lots of revenue from donors before they lapse. So you can afford to spend a bit of money on appeals, marketing, support, and so on to acquire and retain them.

The Lifetime value calculation is simple, but it relies on a few other metrics that can be tricky to calculate. Donor lifespan, average donation amount, and frequency of donation (the number of gifts a donor leaves in one year).

\[
LTV = \text{Lifespan} \times \text{Average Donation Amount} \times \left( \frac{\text{Total # of donations}}{\text{Total # of donors}} \right)
\]

DONOR ACQUISITION COST

Donor Acquisition or DAC is the price you pay to convince a potential donor to make a gift to your organization. The cost to acquire a new donor and donor lifetime value go hand in hand. These two metrics combined can be used in analysis to determine if your fundraising department is financially viable or not.

For example, low DAC and high LTV would look something like this:
DONOR RETENTION RATE

Simply put, Donor Retention Rate is the number of donors you manage to keep with respect to the number you had at the start of your period. This does not count new donors, and it will included upgraded and downgraded donors.

To calculate donor retention rate we take all retained donors in a year and divide that by all donors from that year.

DONATION RETENTION RATE

Donation Retention Rate is basically revenue renewal values – the dollars that renew – and is generally measured on an annual and/or cohort basis. In the Fundraising Report Card we calculate donation retention rate annually, and as of right now provide no way to do cohort analysis. The important point here is that Donation Retention Rate focuses only on the money, the actual revenue you retain, rather than donors. So if your existing donors start giving more, through upgrades, your Donation Retention Rate might grow even if you’ve lost some donors.

UPGRADE & DOWNGRADE

An upgraded donor is a retained donor who gave more this year than last year. A downgraded donor is a retained donor who gave less this year than last year.

LAPSED DONORS

Lapsed donors are donors from last year who did not give again this year to your organization. Lapsed is also frequently referred to as attrition.

REACTIVATED DONORS

A reactivated donor is an individual who previously lapsed, but gave again this year to your organization. Tracking and measuring reactivation rates can help you quantify the effectiveness of your recapture strategy.

CHURN

Churn is a measure of the speed at which ($) donations or (#) donors are growing (or shrinking) each year. Churn looks at your acquired donors/donations and lapsed donors/donations in a particular year and calculates your net gain or loss for that year.