Introduction to Fundraising Metrics

February 2017

How do you make decisions?

Do you guess or "use your gut?"

Yes? No? Sometimes…

How do other people do it? How do successful & growing nonprofits make strategic decisions?

If they guess or use their gut,
they'll either get lucky or be wrong.

Today's presentation is
an introduction to fundraising metrics.

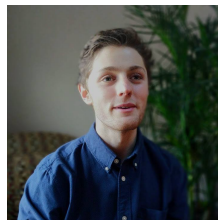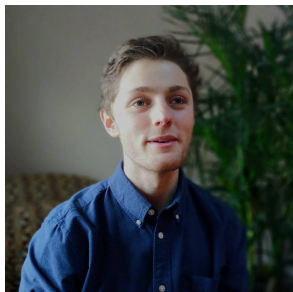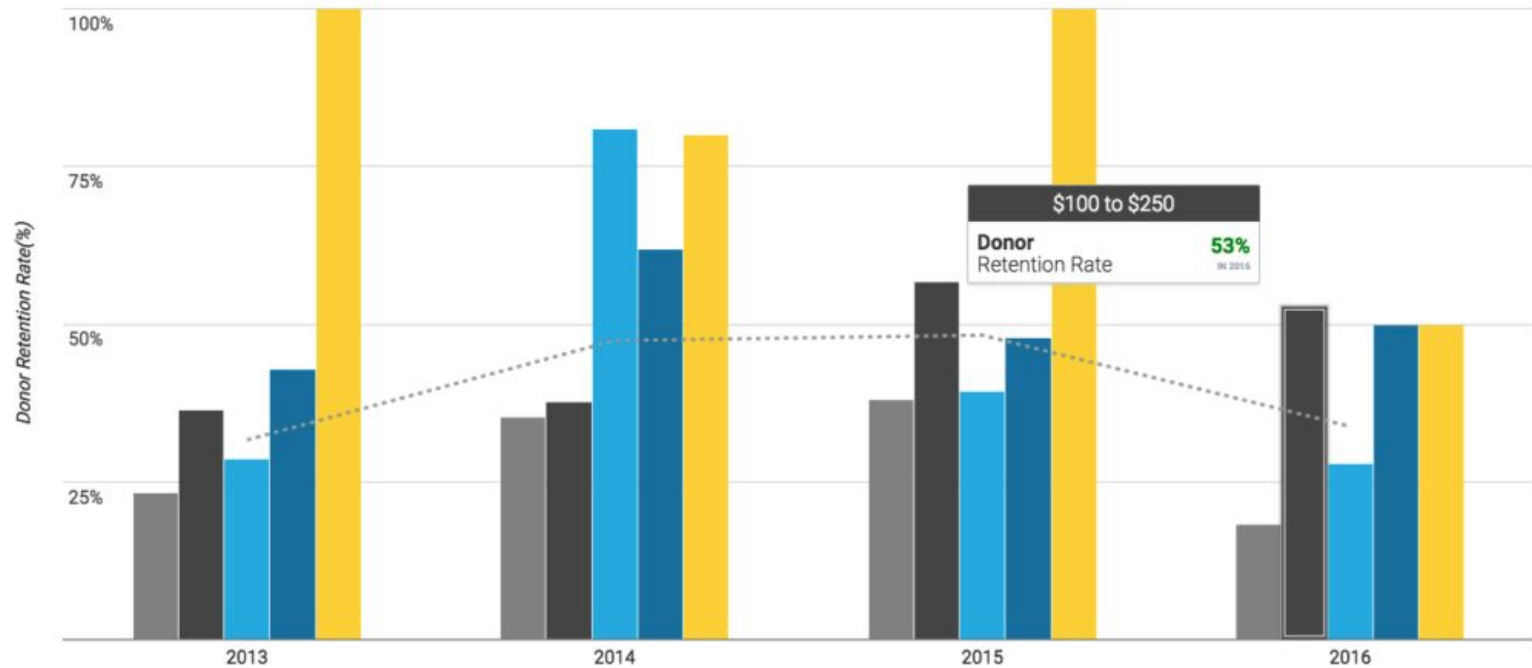# But, first a little background…

Oh, and a thank you…

We help nonprofits make sense of their data.

For example…

With visual representation of their key metrics...

Retention Rate

Donor Retention Rate(%)

100%

75%

50%

25%

2013   2014   2015   2016

$100 to $250

Donor
Retention Rate   **53%**
IN 2016

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Actionable insights into donor behavior...

Downgrade Report
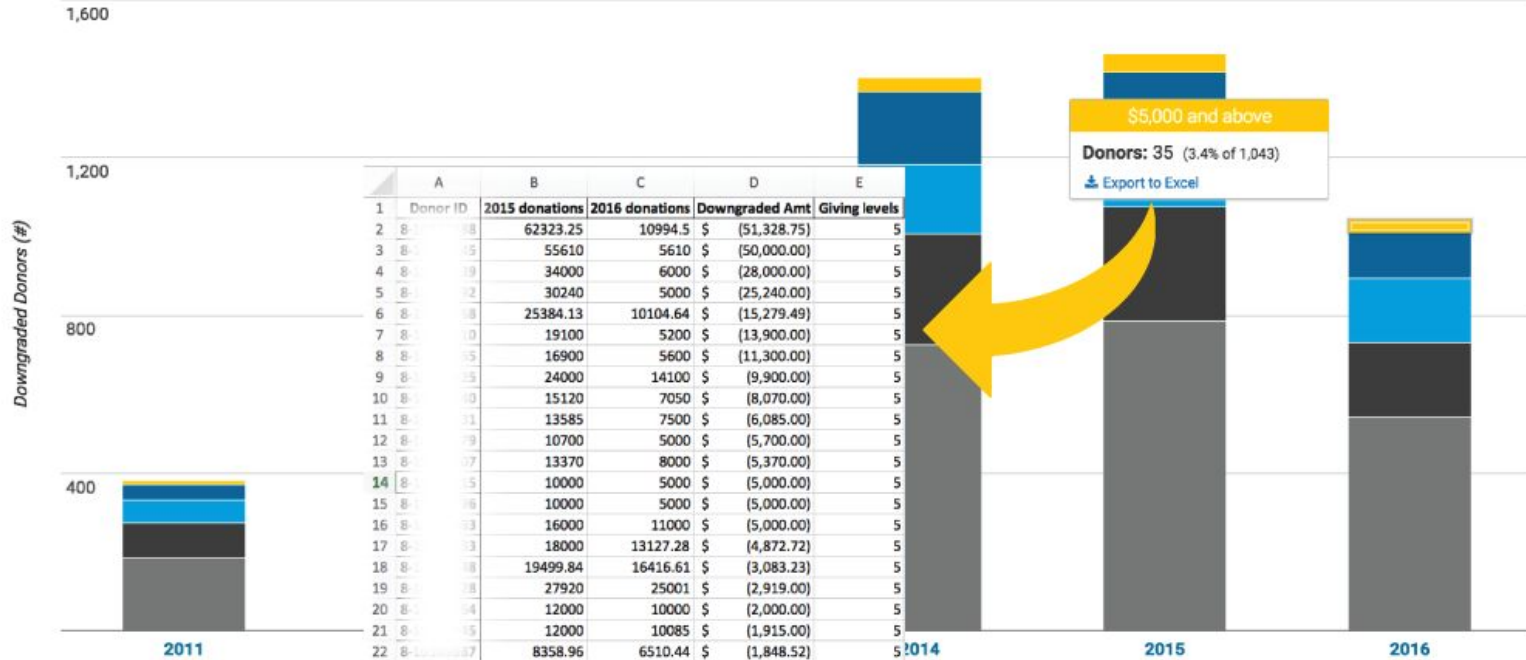
And simple ways to compare year over year performance.

And we've earned coverage from
a few publications...

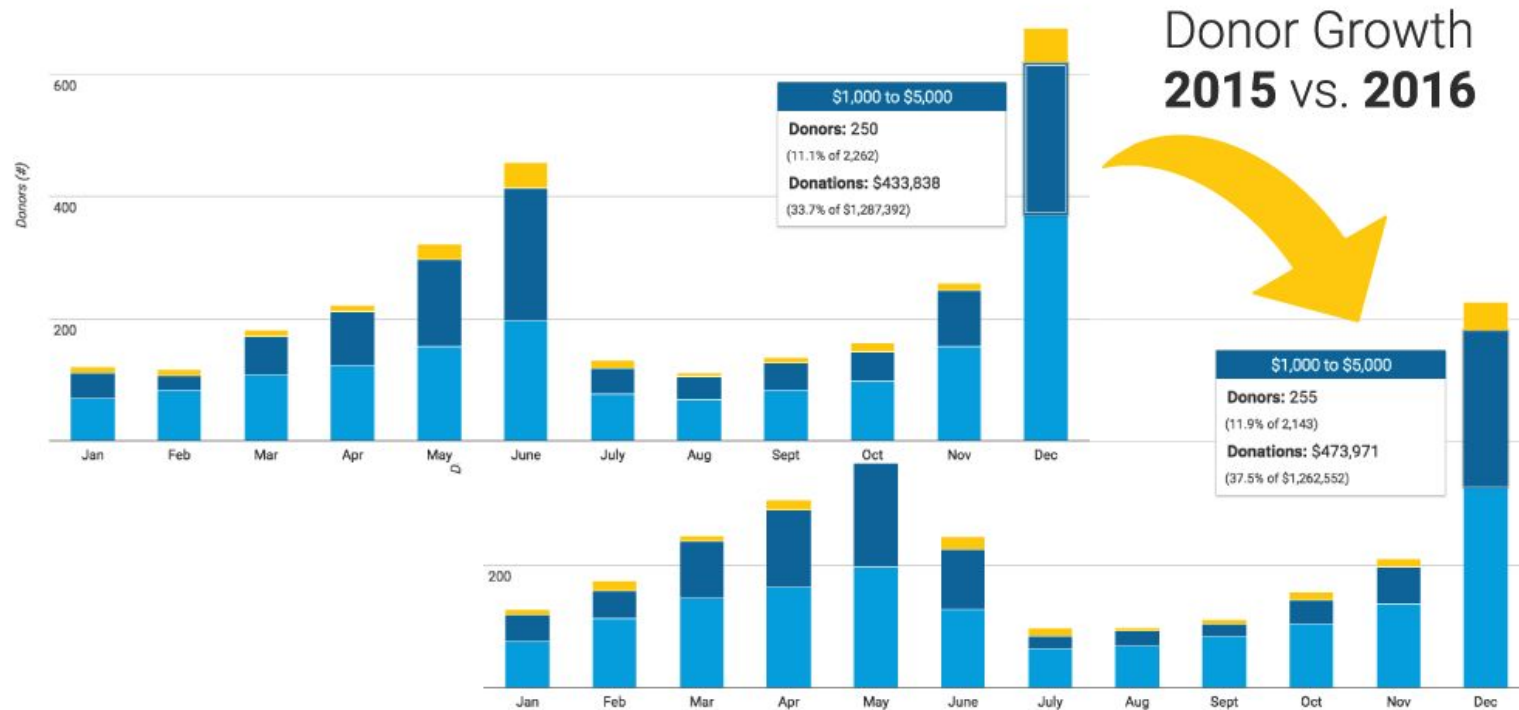But, it hasn't been all smooth sailing...

We had some really bad metrics and reports at first...
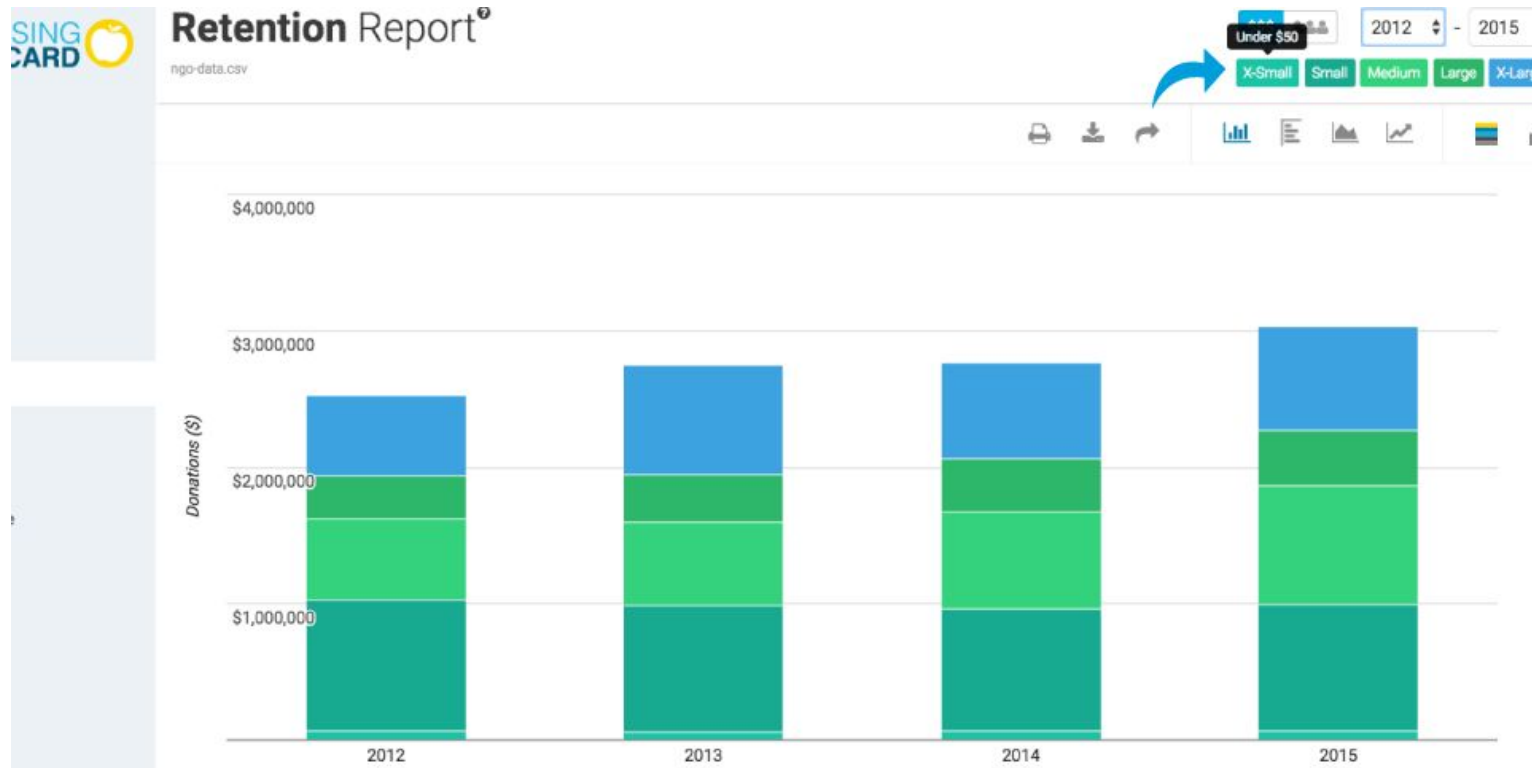
But we worked with leaders in the field to iron out the kinks
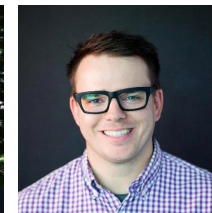
And today, I'm here to share what we've learned along the way.

An Introduction to Fundraising Metrics

Fundraising metrics are a crucial part of decision making.

Yet many NPOs feel lost when it comes to being "data-driven."

Why is data-driven fundraising relevant?

It's the difference between...

"I don't think we have a retention problem…"

And

"Aw man, we have a retention problem..."
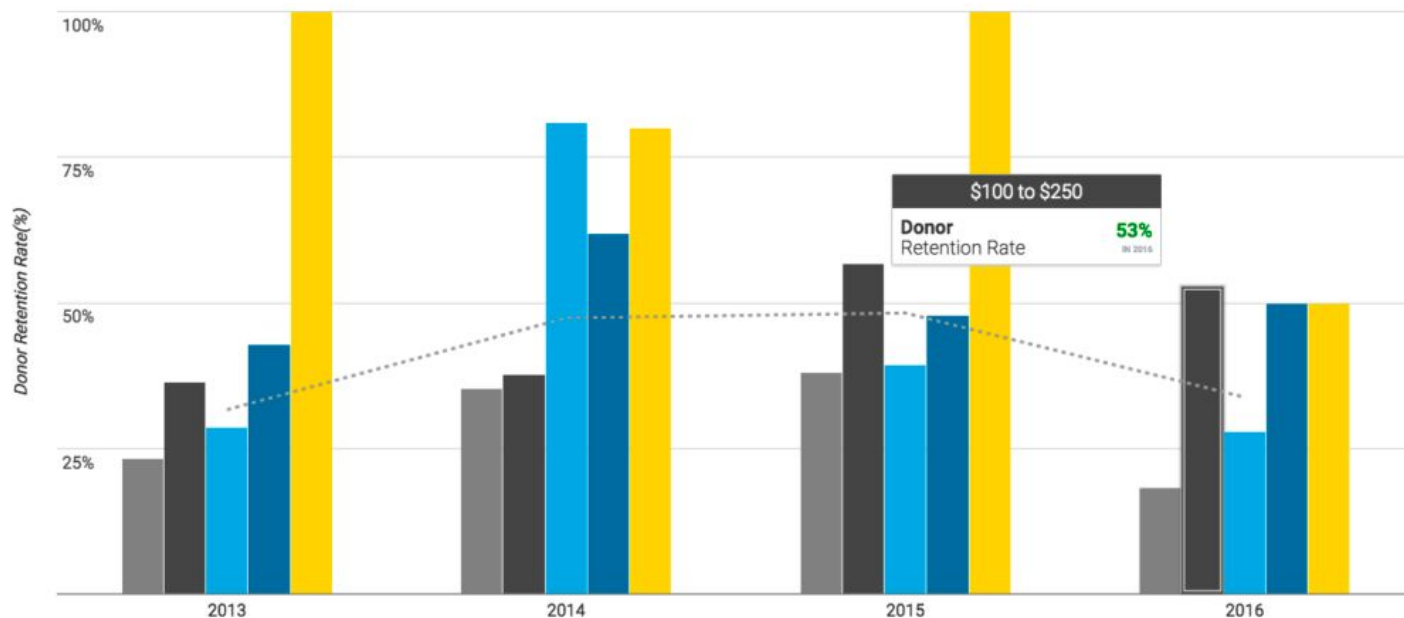
"Modern, effective fundraising leadership desires and requires more thoughtful decision support than ever before."
— Bentz Whaley Flessner

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So how can we enable that?

We can start with the basics…

What we will cover today

4 beginner friendly fundraising metrics
     Donor and donation growth rate
     Average donation amount
     Donor lifetime value
     Donor acquisition cost

Sharing metrics with co-workers

Applying data-driven concepts

Let's dive in!

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Donor & Donation Growth Rate

Net of gains and losses in giving from this year
÷ Total value of gifts received last year

Growth Change

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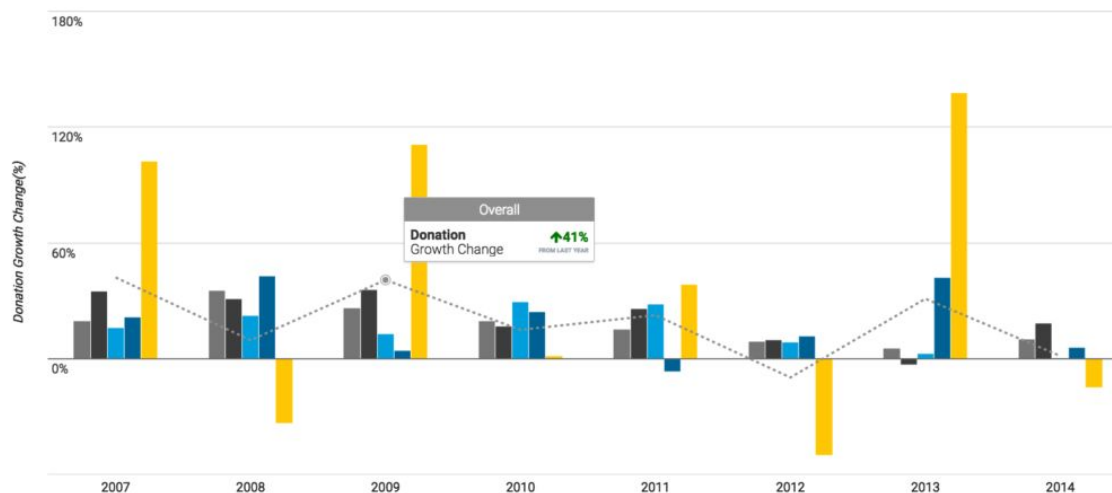
Why measure it?

Do you want to grow revenues or increase the number of donors you have?

Yes?

That is why you measure growth rates.

Growth rate is most frequently associated with Giving USA's Annual Report.

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You may recall seeing headlines from last year…

Donations Grow 4% to $373 Billion, Says 'Giving USA'

Americans donated a record $373 billion to charity in 2015

That's 4% more than the previous record of $359 billion set in 2014.

Giving USA: Americans Donated an Estimated $358.38 Billion to Charity in 2014; Highest Total in Report's 60-year History

total giving grew 4.1 percent in current dollars

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Tracking changes in annual growth rate can inform strategic decisions and help you and your team set realistic fundraising goals each year.

How to calculate it?

To calculate annual growth rate you need two numbers:
total donation revenue or donors from this year (**x**)
total donation revenue or donors from last year (**y**)

$$rate = \frac{x-y}{y} \cdot 100$$
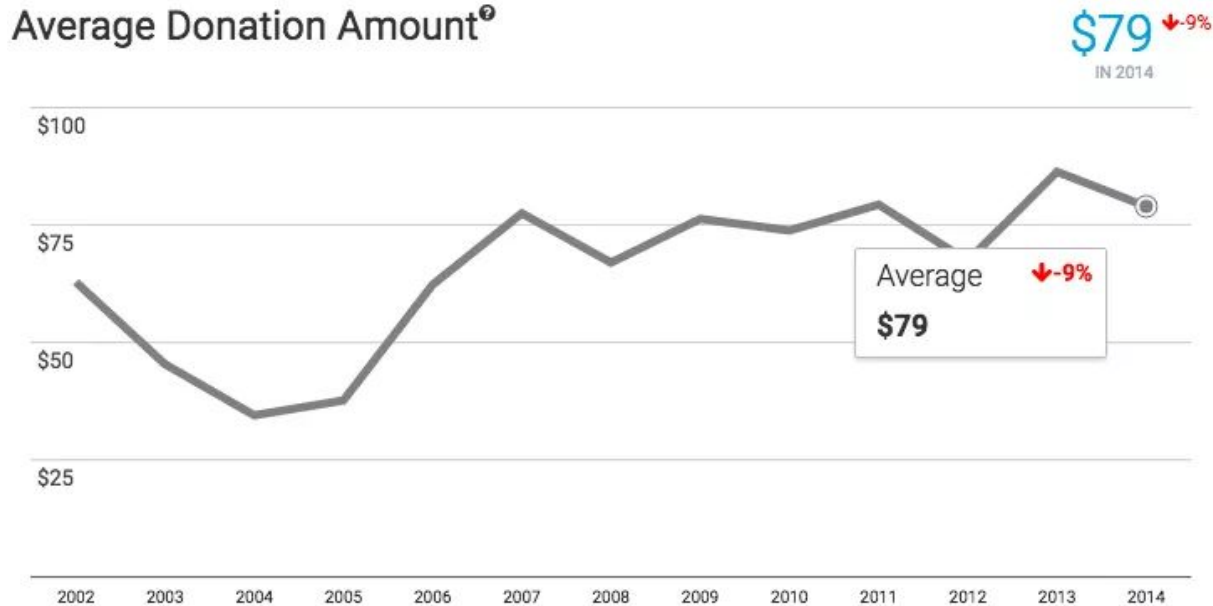
Simply subtract this year's total from last (**x-y**).
Divide that number by last year's total (**y**) and multiply by 100.

Next up…

Average Donation Amount

Total dollars received ÷ Total number of gifts received (times) 100

Why measure it?

Average donation amount plays a crucial role in determining your organization's "profitability."

Think of an ice cream shop…

They might sell things other than plain ice cream

Coffee, sandwiches, etc...

Why?

To increase the average transaction amount per customer.

Larger transactions generally equate to larger profits.

Let's apply that same principle at your nonprofit…

Increasing average donation amount by 5% would have an outsize effect on overall donation revenues.

How to calculate it?

To calculate average donation amount you only need two numbers:
Total donation revenue (**x**)
Total number of donations received (**y**)

$$avg = \frac{x}{y}$$

Simply divide donation revenue (**x**)
by the number of gifts (**y**)
and you have average gift size. Simple, right?

One step further...

Percent change in average donation amount
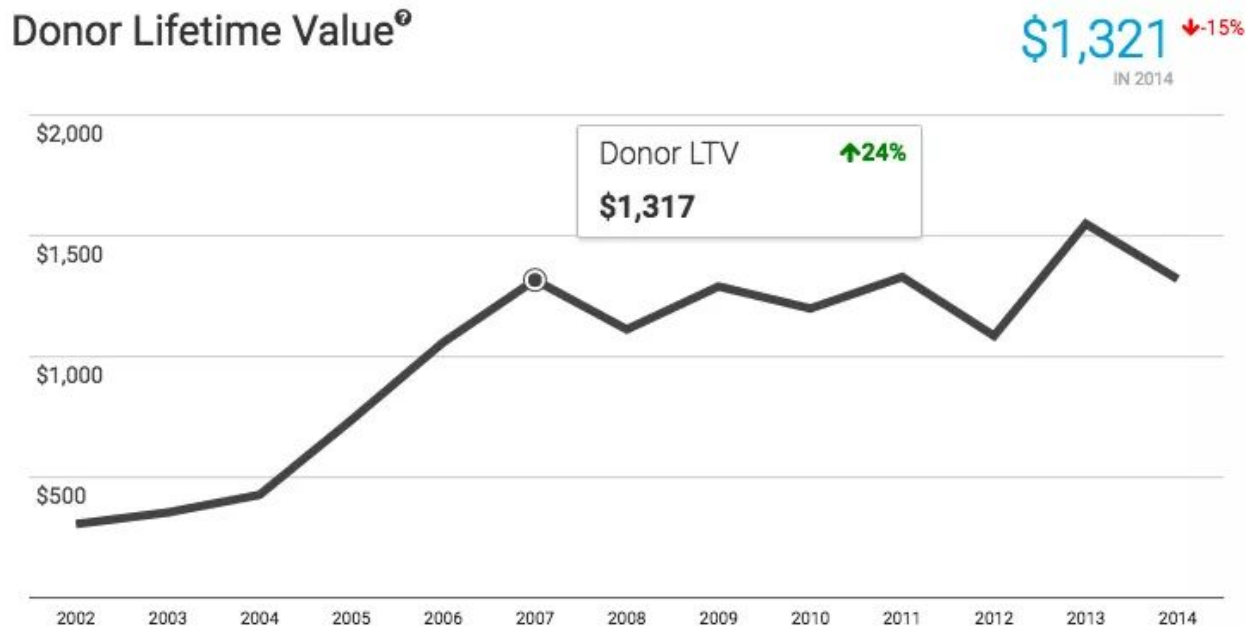
$$change = \frac{a-b}{a} \cdot 100$$

Simply take this year's average donation amount (**a**)
subtract it from last year's average donation amount (**b**)
divide by this year's amount and multiply by 100.

Next up...

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Donor Lifetime Value

Average annual giving by a donor × Estimated donor lifetime in years

http://www.afpnet.org/files/ContentDocuments/AFPFEPGlossaryTermsAppendix.pdf

Why measure it?

Donor lifetime value (LTV) is a projection of future revenues. With that in mind, you can be more informed on how much you'll spend to acquire a new donor.

Starbucks spends $1,400 to acquire a customer who starts off by spending $4.25 for a Caramel Frappuccino®.

You might think Starbucks is foolish...

But the 20 year Lifetime Value of a Starbucks customer is $14,099.

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Tracking and measuring donor lifetime value will mean better fundraising return on investment and strategic spending on donor acquisition.

How to calculate it?

To calculate donor LTV you'll need a few numbers:
donor lifespan, **average donation amount**,
and **frequency of donation**.

**LTV** = Lifespan × Average donation amount × (Donation frequency)

This formula is a bit more involved than the ones before.
Calculate donor lifespan, average donation amount, and frequency of
donation before tying it all together in your LTV calculation.

Next up...

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Donor Acquisition Cost

The expenses you incur to convince a potential donor to make a donation to your organization.
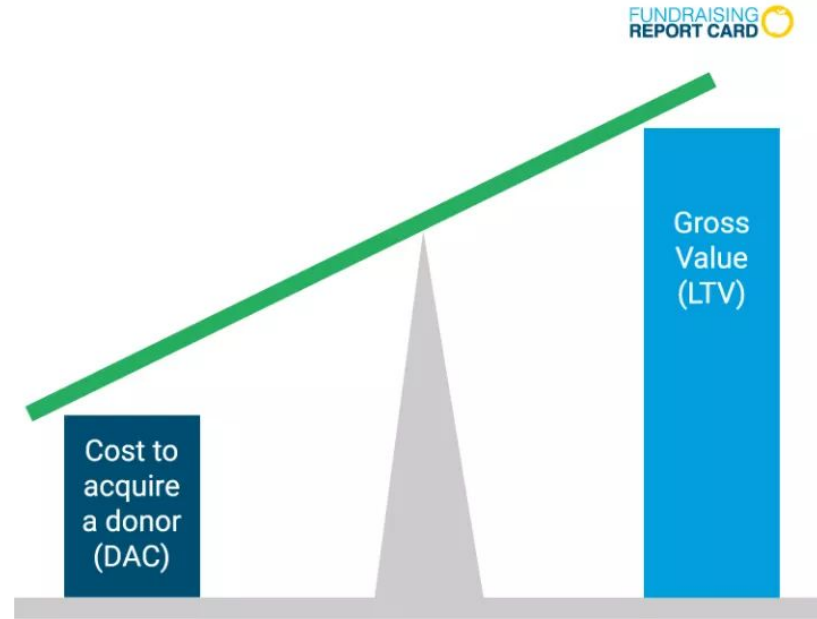
Why measure it?

Donor lifetime value (LTV) can directly influence how much budget you can allocate towards acquiring new donors.
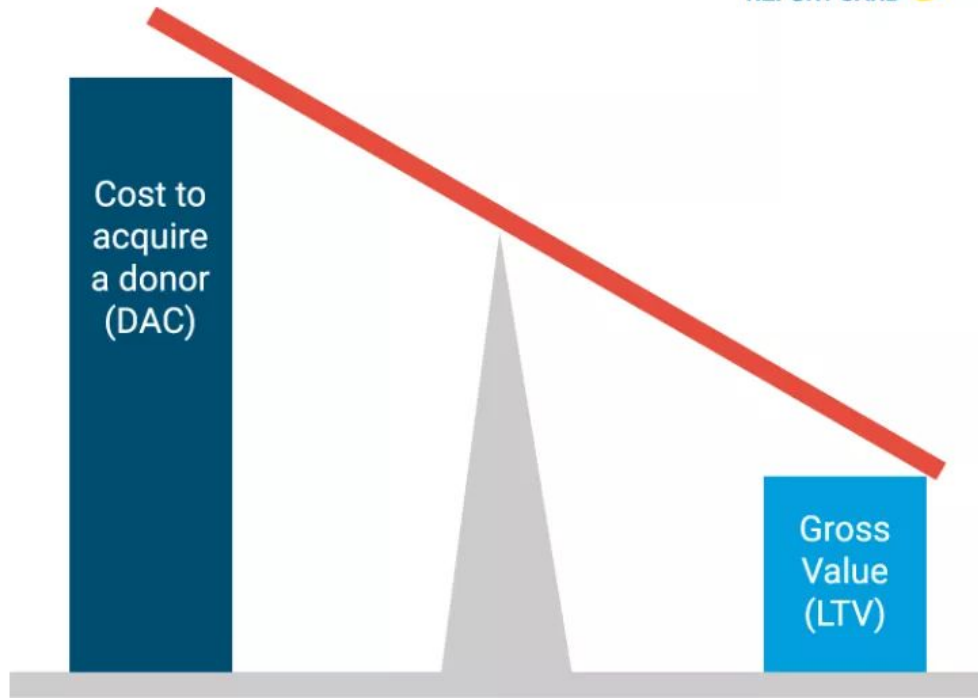
(Remember that Starbucks example from a moment ago?)

That is why you measure
donor acquisition cost (DAC).

If donor acquisition costs are too high...

And donor lifetime value is too low...

You'll end up "out of business."

But, if lifetime value is high...
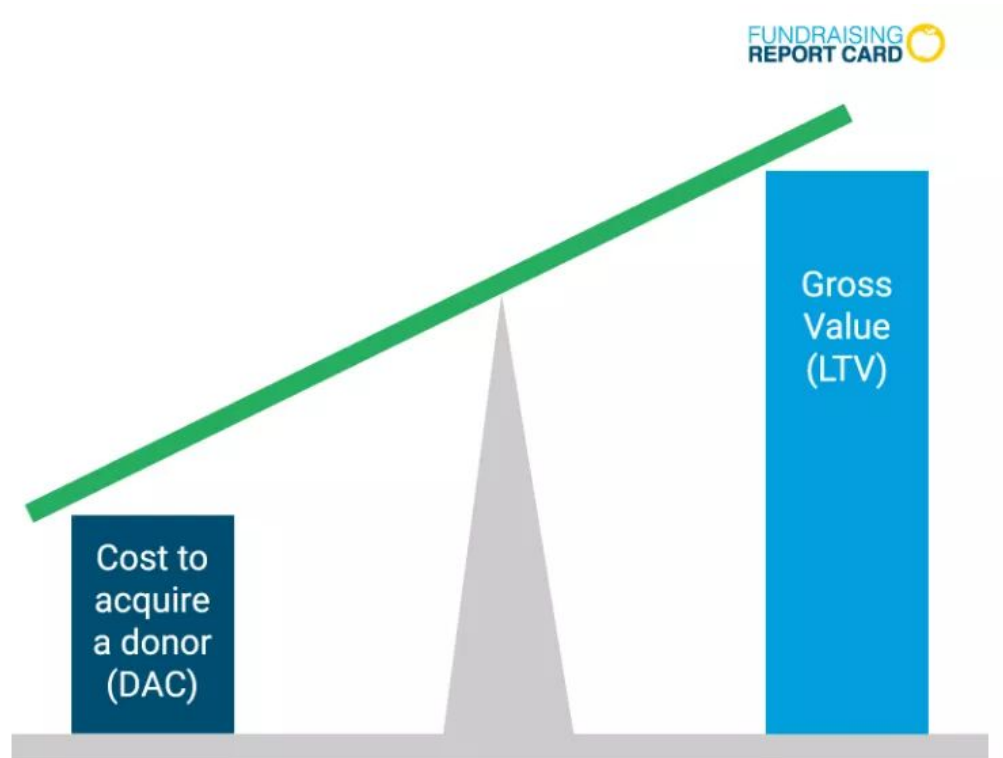
And, acquisition cost is low…

You'll have surplus revenues

Measuring your donor acquisition costs help maintain "business model viability." You need to be net positive in the long run when comparing DAC and LTV.

How to calculate it?

To calculate donor acquisition cost you:
sum all costs of appeals and marketing over a given period, including salaries and other employee-related expenses, and divide it by the number of donors that you acquired in that period

DAC = Total costs ÷ Total # of acquired donors

Although this formula looks simple, calculating it can be quite tricky. You'll want to sum up all expenses attributed to acquiring a donor. Organizing that information will not be easy, but it will prove worthwhile.

Balancing DAC and LTV
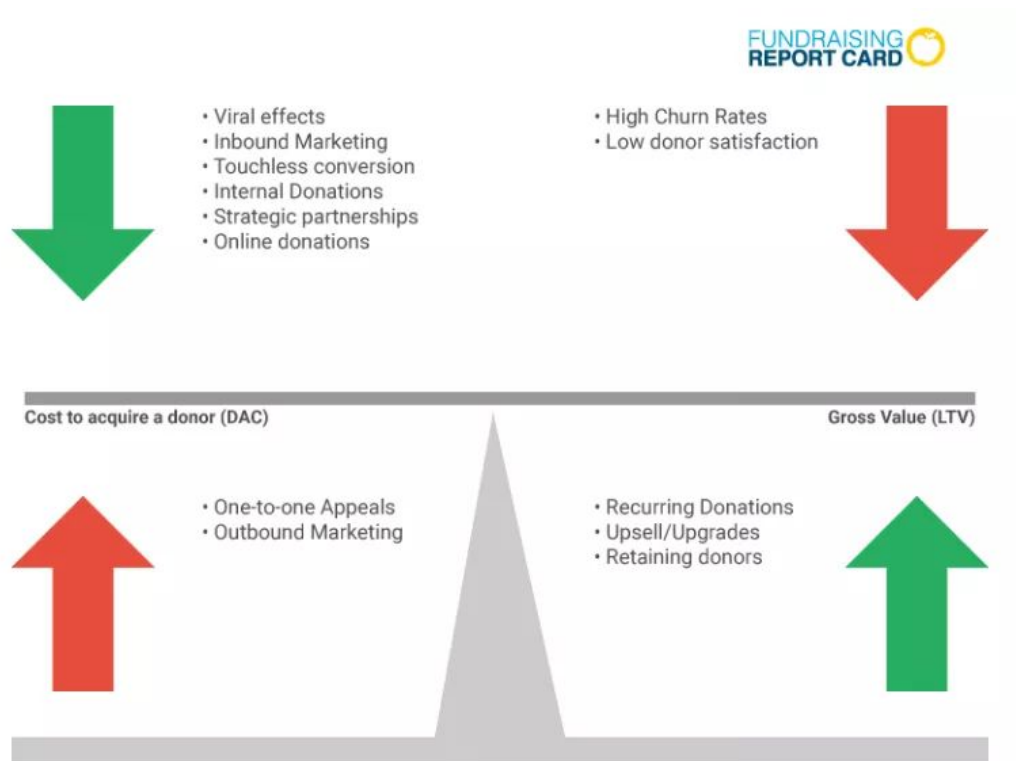
Next up...

Sharing metrics with co-workers

Make "it" accessible

Share only one thing at a time.

Compare this...
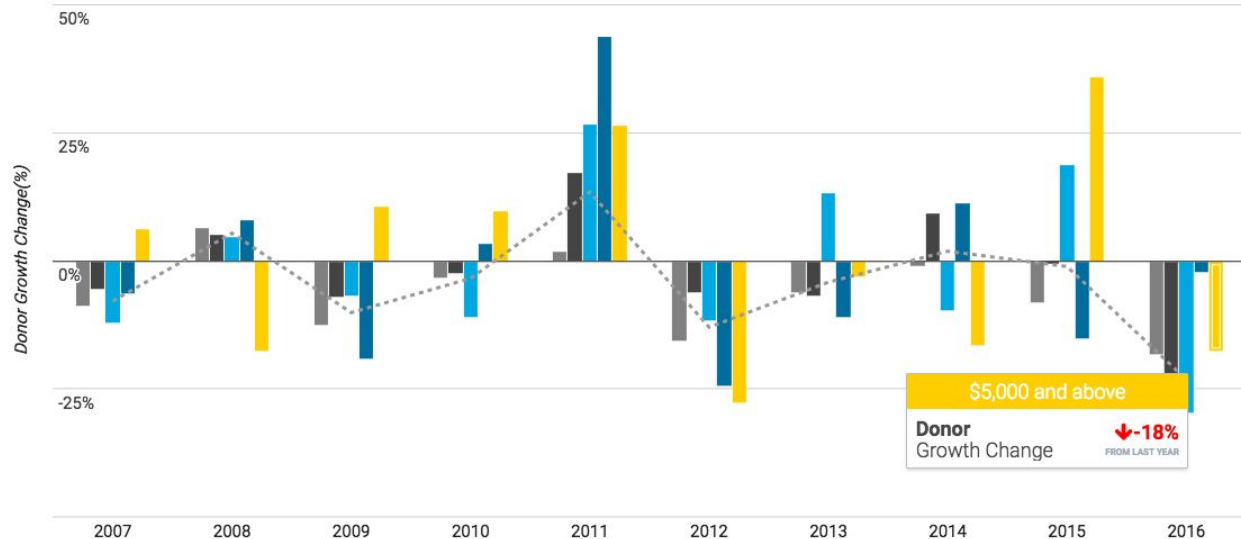
To this...

Guide them

Help explain what story the data is trying to tell.

Let's say for example that your donor acquisition report looks something like this... down and to the right.
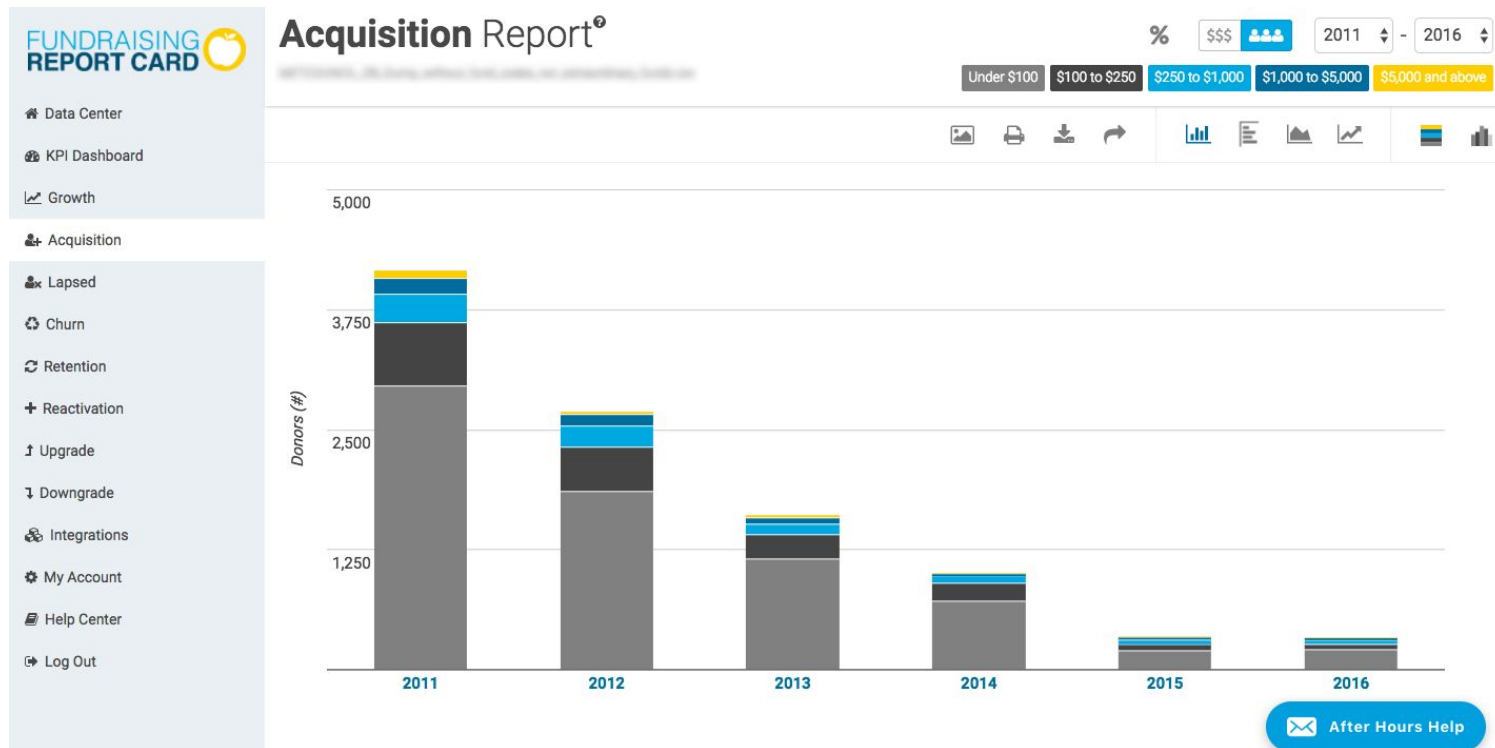
But your donation growth report looks something like this, up and to the right.
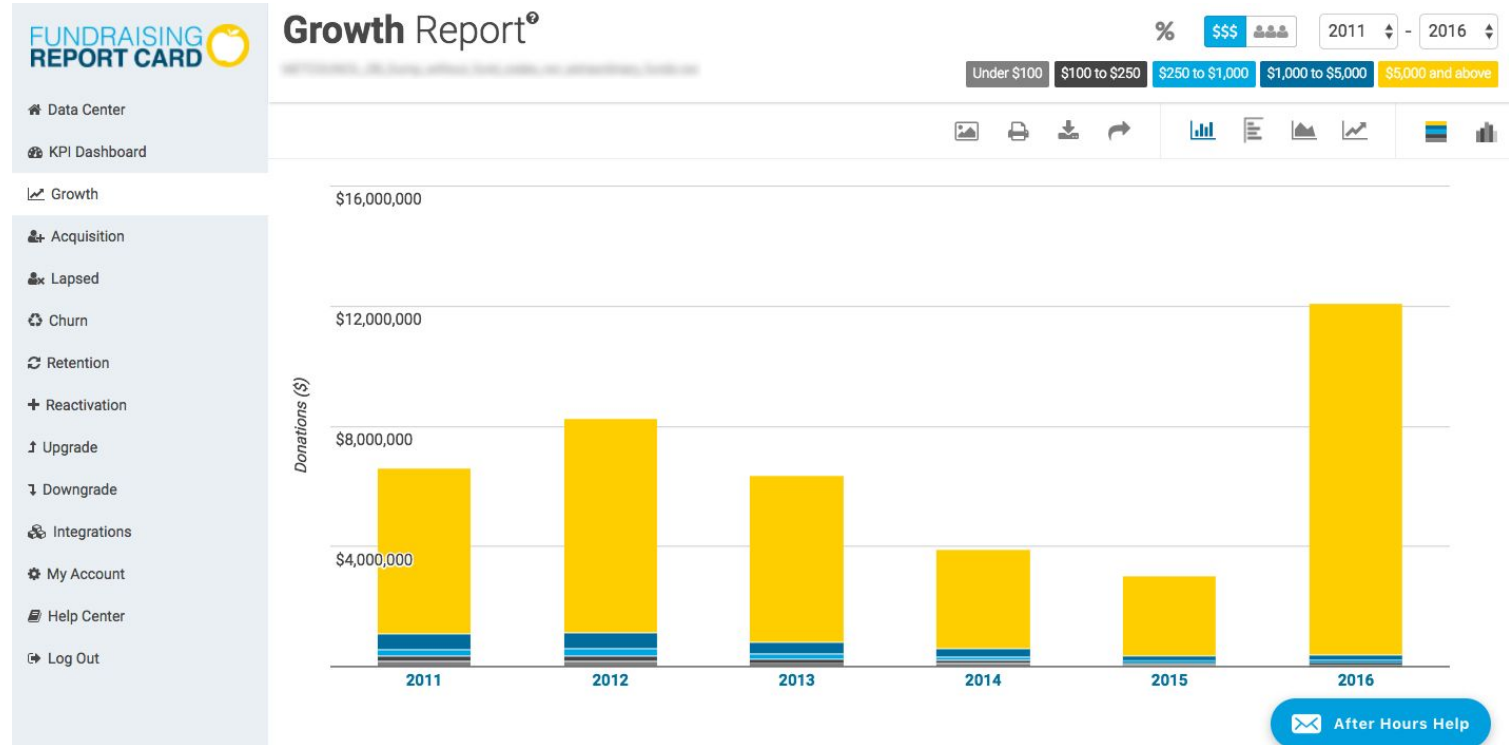
It might be obvious to you that acquisition needs to become a priority.

But guide your colleagues. Use data visualization to help them understand.

Provide context

What question is this supposed to help them answer?

Let's use this acquisition report...
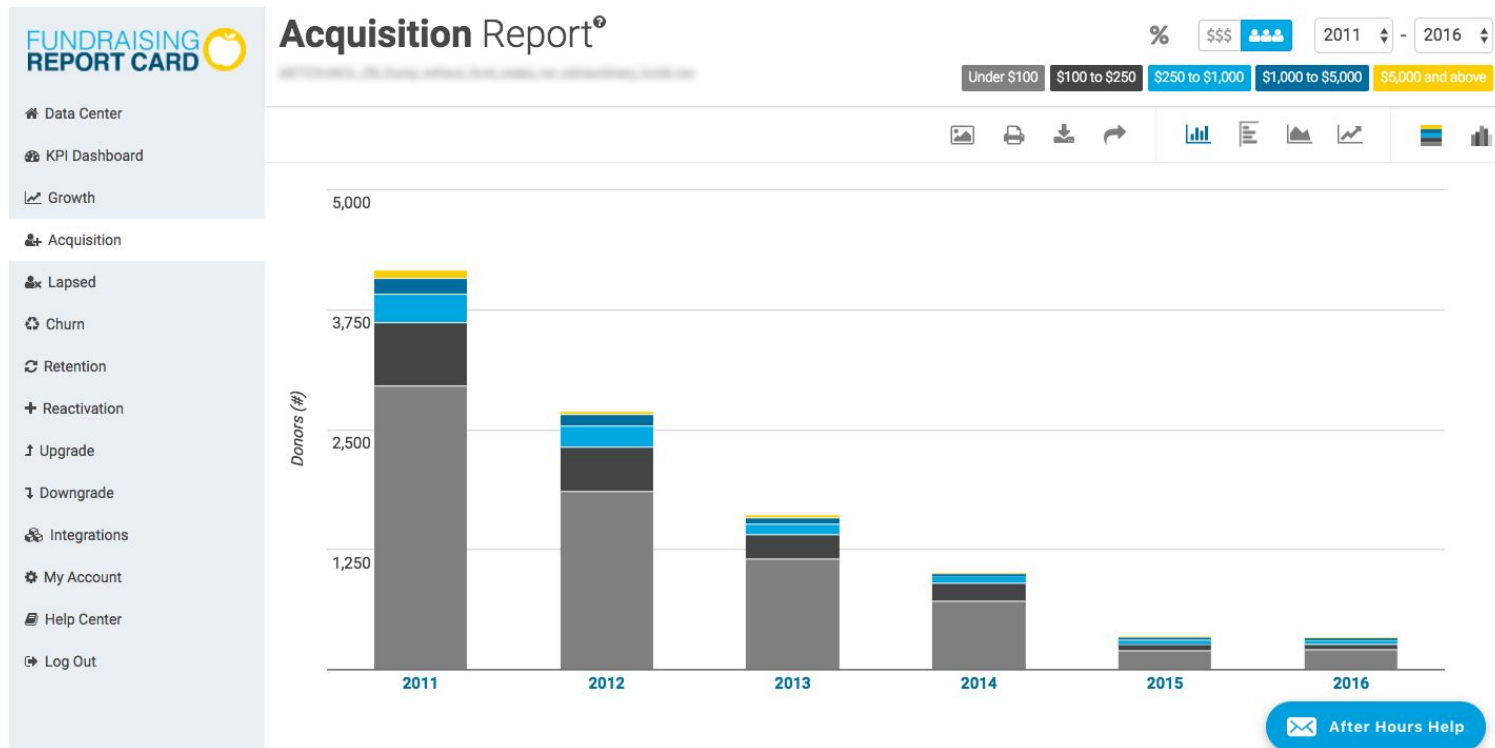
And this donation growth report as examples again.
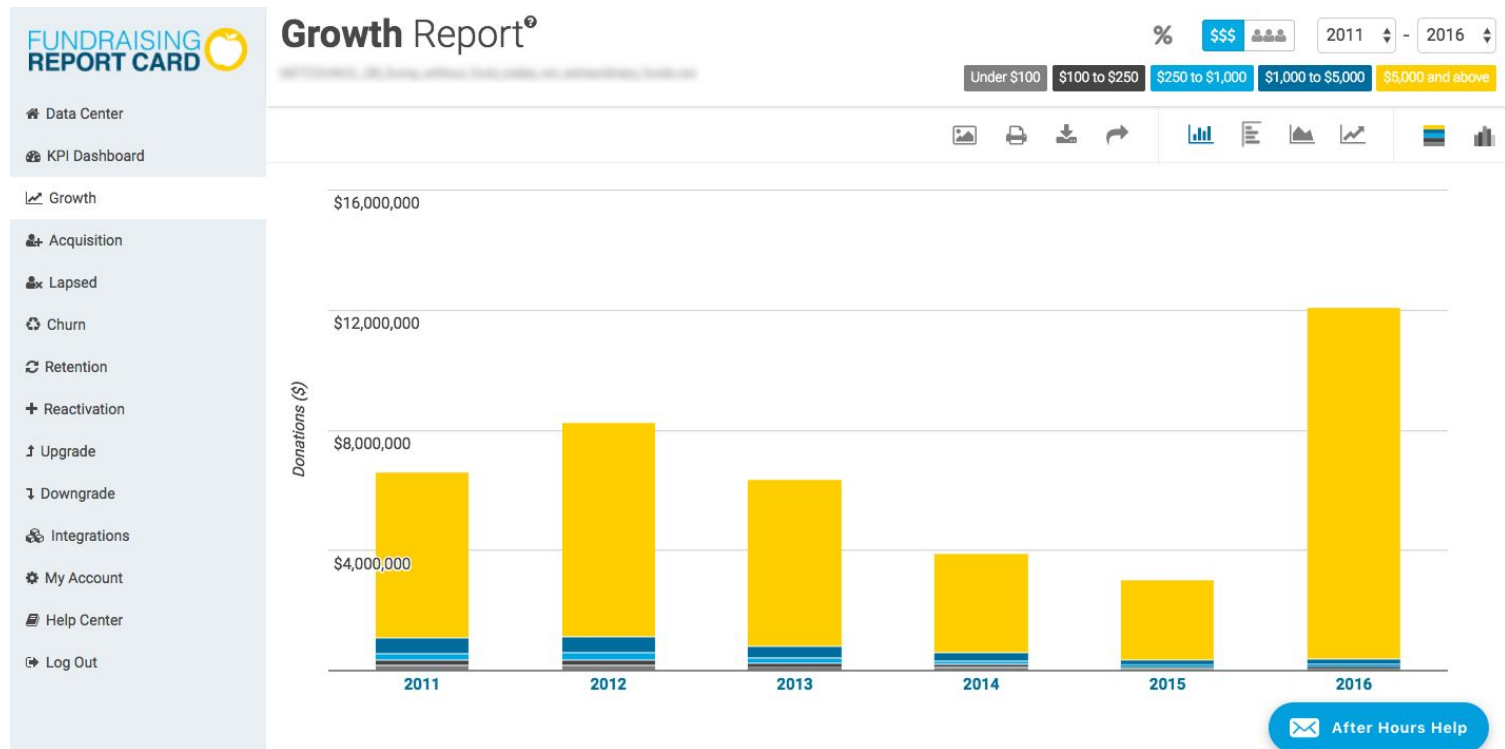
What question do those reports force you to pose?

Should we double down on upgrading our existing donors, or should we invest more in acquiring new ones?

When you share with your colleagues, come prepared with a question.

That's the idea here.
That's where data can be beneficial.

Rally your team around this data, discuss it.

Provide context, and you'll be set up for success.

Applying these concepts

Segmentation is your friend.
You'll notice that metrics differ when looking at giving segments.
Under $100 donor growth rate won't be the same as
$5,000+ donor growth rate.

Analyze historical performance.
Are numbers trending higher or lower?
This helps you set realistic and attainable goals.

Graph everything.
Computers love spreadsheets, us, not so much.
Colleagues will listen when they can visualize changes.

Compare this...

| Fundraising Performance Indicator		2009		2010		2011		2012		2013		2014 YTD
36	Total gifts in Year1	$	412,745	$	581,152	$	667,917	$	818,368	$	738,495	$	967,703
37	Total gifts in Year2	$	581,152	$	667,917	$	818,368	$	738,495	$	967,703	$	981,302
40	Total donors in Year1		1,510		1,833		2,267		2,505		2,768		2,541
41	Total donors in Year2		1,833		2,267		2,505		2,768		2,541		3,023
78c	Number of gifts in Year2		7,615		9,046		10,314		10,962		11,207		12,425
78d	Average frequency in Year2		4.15		3.99		4.12		3.96		4.41		4.11
78e	Average amount in Year2	$	76.32	$	73.84	$	79.35	$	67.37	$	86.35	$	78.98
72	Monthly donors in Year2 ****		464		541		608		628		657		683
75	Monthly-donor gifts in Year2	$	204,001	$	232,587	$	355,365	$	353,440	$	391,405	$	431,082
new	Net change in monthly donors*		n/a		117%		112%		103%		105%		104%
5a	New donors in Year2		877		930		904		1,010		658		967
5b	Reactivated donors in Year2		131		223		254		275		311		407
2a	Repeat donors in Year2		825		1,114		1,347		1,483		1,572		1,649
58a	*Upgraded in Year2*		332		492		642		583		688		600
60a	*Same in Year2*		211		273		293		299		385		456
62a	*Downgraded in Year2*		282		349		412		601		499		593
7	Lapsed donors		685		719		920		1,022		1,196		892
7a	*New in Year1*		482		519		605		618		725		437
7b	*Repeat in Year1*		203		200		315		404		471		455
6a	Acquisition rate**		58%		51%		40%		40%		24%		38%
6b	Reactivation rate**		9%		12%		11%		11%		11%		16%
64	Repeat rate**		55%		61%		59%		59%		57%		65%
58	*Upgraded**		22%		27%		28%		23%		25%		24%

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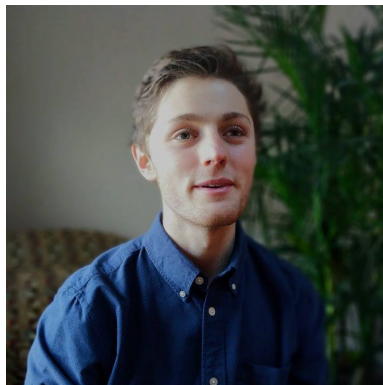# To this...

Growth Change
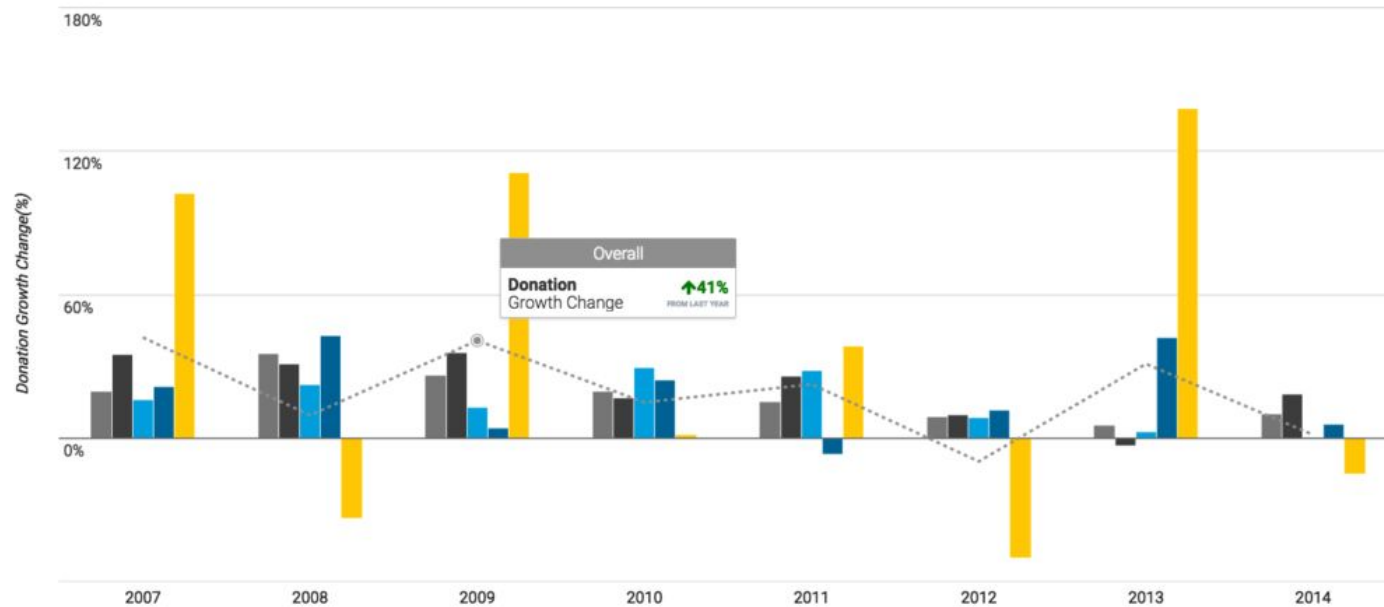
AKA, don't make them think
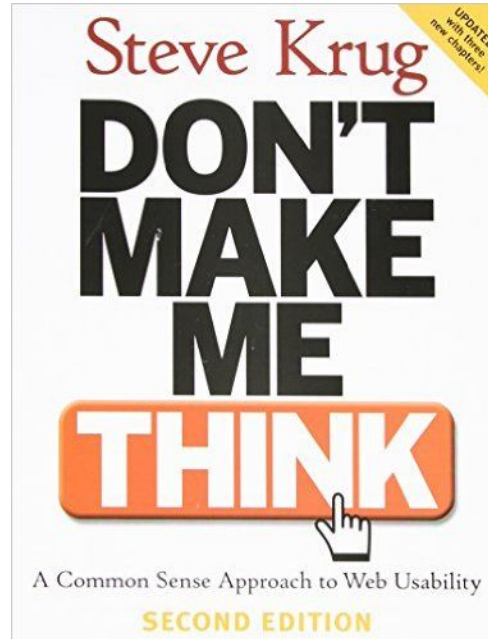
But, I'm happy to think!

With that in mind

Please get in touch!

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Related material: www.fundraisingreportcard.com/data-driven-fundraiser

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