FUNDRAISING REPORT CARD | CLAIRIFICATION

Meaningful Metrics

Using Data to Inform Fundraising Strategy and Raise More Money!

ZACH SHEFSKA • @SHEFSKA • MAY 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?

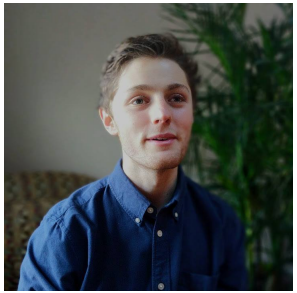
If they guess or use their gut,
they'll either get lucky or be wrong.

Meaningful Metrics

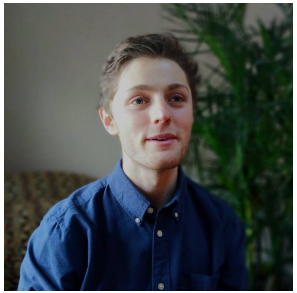
Using Data to Inform Fundraising Strategy and Raise More Money!

But, first a little background...

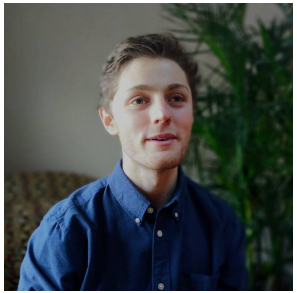
$2^{1/2}$ years ago, I was a web programmer at MarketSmart



Then I started the analytics team at MarketSmart



We've since grown to help more than 1,500 nonprofits analyze their fundraising data



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American Technion Society

Big Brothers Big Sisters Services

WASHINGTON LATIN PUBLIC CHARTER SCHOOL

And today, I’m here to share what we’ve learned along the way.

Meaningful Metrics

Using Data to Inform Fundraising Strategy and Raise More Money!

Do you recognize this?

V. Leadership and Management (19% of total scored items)

1. Demonstrate leadership that advances fundraising practice.
2. Advocate for and support a culture of philanthropy and the advancement of fundraising across the organisation and its constituencies.
3. Ensure that sound administrative and management policies and procedures are in place to support fundraising functions.
4. Participate in the organisation's strategic planning process to ensure the integration of fundraising and philanthropy.
5. Design and implement short-and long- term fundraising plans and budgets to support the organisation's strategic goals.
6. Employ marketing and public relations principles and tools to support and grow fundraising programmes.
7. Conduct ongoing performance measurement analysis of fundraising programme using accepted and appropriate standards and metrics in order to identify opportunities, resolve problems, and inform future planning.
8. Recruit, train, and support staff by providing professional development opportunities and applying human resource principles to foster professionalism and a productive, team-oriented work environment.
9. Utilise external services as needed to optimise the efforts of the fundraising function.

It came from here:

http://www.cfre.org/apply/exam-information/test-content-outline/

Let’s focus on...

5. Design and implement short-and long- term fundraising plans and budgets to support the organisation’s strategic goals.
6. Employ marketing and public relations principles and tools to support and grow fundraising programmes.
7. Conduct ongoing performance measurement analysis of fundraising programme using accepted and appropriate standards and metrics in order to identify opportunities, resolve problems, and inform future planning.

What we will cover today

Metrics to analyze to set strategic goals

- Growth
- Lifetime Value

Effective ways to segment your database

- Acquired donors
- Lapsed donors
- Downgraded donors

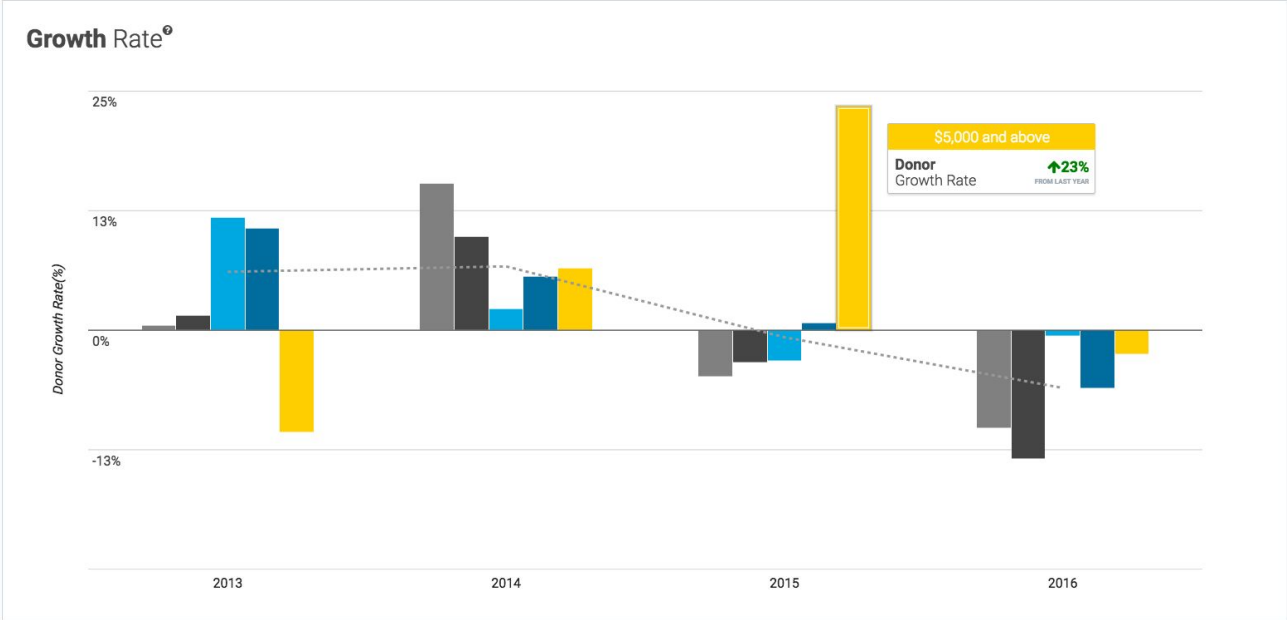
This is nice, but...

- When to apply concepts
- Where to start when I get back to work

Metrics to analyze to set strategic goals

Donor & Donation Growth Rate

The percentage change in donations or donors over any period of time. Most frequently measured in terms of annual (year over year) change.



Definition: https://goo.gl/MHT5dD

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

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

https://www.philanthropy.com/article/Donations-Grow-4-to-373/236790

There’s a reason this metric makes headlines every year!

You'll want to know your organization's growth rate when you're setting high-level fundraising goals.

Related reading: https://fundraisingreportcard.com/data-driven-fundraising-plan/

What was your organization’s donation growth rate last year?

How about the year before that?

What about broken down by giving level?

Tracking changes in your organization’s annual growth rate can help you and your team set realistic growth goals for this year.

How to calculate Growth Rate

You only need two numbers:

- total donation revenue or donors from this year (x)
- total donation revenue or donors from last year (y)

Growth Rate = (x - y ÷ y) × 100

Simply subtract this year's total from last (**x-y**).
Divide that number by last year's total (**y**) and multiply by 100.

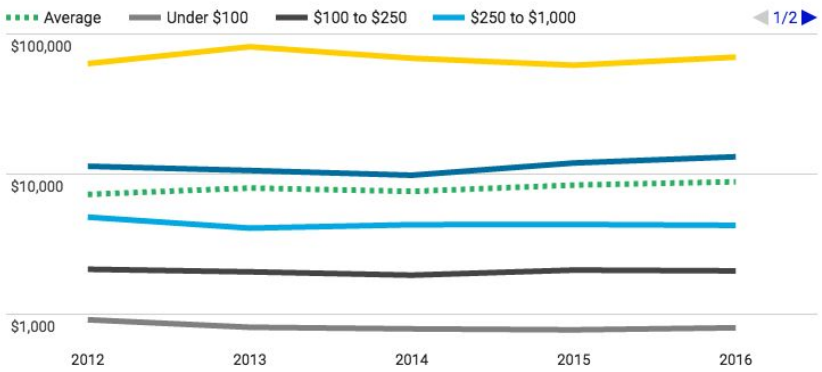
Donor Lifetime Value

A projection of future revenues from any given donor based on average donation amount, donation frequency and average years of actual giving.

Donor Lifetime Value

$8,855 in 2016

↑6%



Definition: https://goo.gl/L7NAjR

Why measure it?

Unlike other metrics, Donor Lifetime Value (LTV) is forward-looking.

LTV predicts the value of your organization’s relationships with your donors into the future...

With that information, you might be able to more effectively budget costs for donor acquisition campaigns.

Plus, when you pair LTV with another metric, Donor Acquisition Cost (DAC), you can start to gauge “business model viability.”

For example, if you’re acquiring donors at a cost of $50 per donor, and your donor lifetime value is $75, you would be “profitable.”

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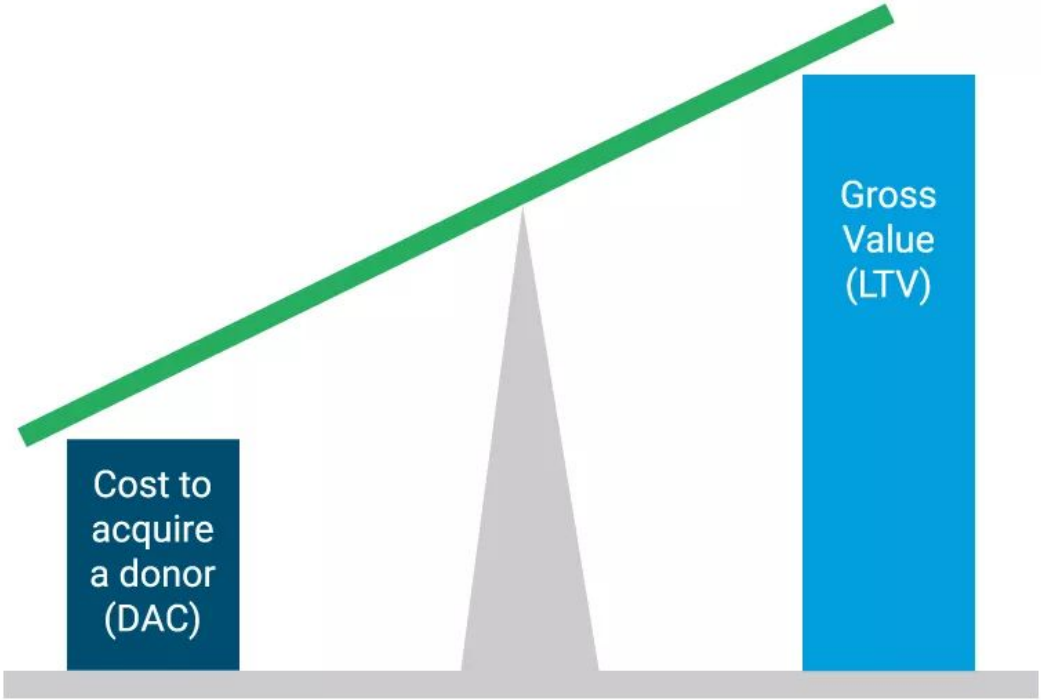

But if DAC is $100 per donor and LTV is $75 you'd know that you're in the red. Acquiring each new donor will actually incur a $25 loss.

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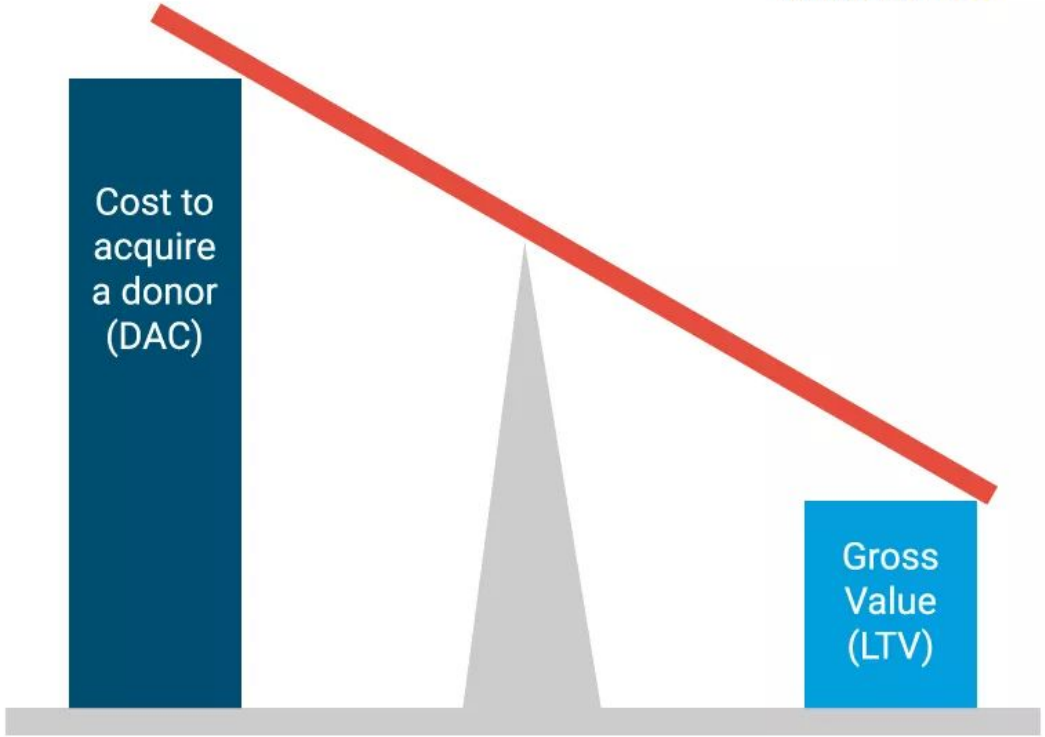


LTV is not an easy metric to calculate… but it is valuable.

For example, the LTV of a Starbucks customer is north of $14,000.

Source: https://goo.gl/O7FvZ1

That’s unbelievable, but it’s true.

If Starbucks spends $1,000 to acquire a new customer, it’s “no big deal.”

That’s the power of Donor Lifetime Value. It quantifies the value of stewarding and maintaining long-term relationships with donors.

How to calculate Donor Lifetime Value

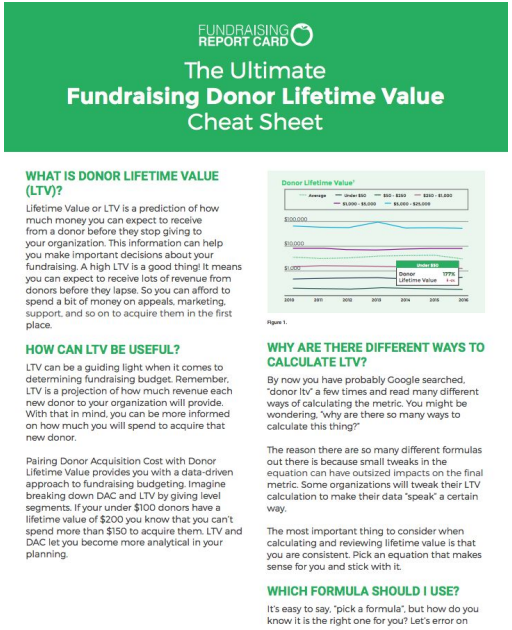
You need three metrics:

Donor lifespan is simply the length in time that a donor maintains a relationship with your organization. Determining this metric can be accomplished by analyzing many years of historical donation data. Although difficult to calculate, the definition should hopefully be simple to comprehend. Lifespan is nothing more than what is sounds like – the length of time a donor has a relationship with your organization.

Average donation amount is the average amount of a donation made to your organization by all donors. You may want to consider segmenting this input to calculate segmented lifetime values. More on that below.

Frequency of donation is yet another seemingly simple metric needed to calculate donor lifetime value. It is a measure of the total number of donations made in a time period (let's stick with years) divided by the total number of donors in that time period. For example, if your organization received 1000 donations in 2016 and those gifts came from 500 donors, your frequency of donation would be 2. Each donor (on average) is making 2 contributions. That's your frequency of donation.

This is not as simple as Growth Rate, but...



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The Ultimate
Fundraising Donor Lifetime Value
Cheat Sheet

WHAT IS DONOR LIFETIME VALUE (LTV)?

Lifetime Value or LTV is a prediction of how much money you can expect to receive from a donor before they stop giving to your organization. This information can help you make important decisions about your fundraising. 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 them in the first place.

HOW CAN LTV BE USEFUL?

LTV can be a guiding light when it comes to determining fundraising budget. Remember, LTV is a projection of how much revenue each new donor to your organization will provide. With that in mind, you can be more informed on how much you will spend to acquire that new donor.

Pairing Donor Acquisition Cost with Donor Lifetime Value provides you with a data-driven approach to fundraising budgeting. Imagine breaking down DAC and LTV by giving level segments. If your under $100 donors have a lifetime value of $200 you know that you can't spend more than $150 to acquire them. LTV and DAC let you become more analytical in your planning.

Figure 1.

WHY ARE THERE DIFFERENT WAYS TO CALCULATE LTV?

By now you have probably Google searched, "donor ltv" a few times and read many different ways of calculating the metric. You might be wondering, "why are there so many ways to calculate this thing?"

The reason there are so many different formulas out there is because small tweaks in the equation can have outsized impacts on the final metric. Some organizations will tweak their LTV calculation to make their data "speak" a certain way.

The most important thing to consider when calculating and reviewing lifetime value is that you are consistent. Pick an equation that makes sense for you and stick with it.

WHICH FORMULA SHOULD I USE?

It's easy to say, "pick a formula", but how do you know it is the right one for you? Let's error on

That's why we have a cheat sheet :-)
https://goo.gl/SvwvGx

Donor LTV = Lifespan × Average donation amount × Frequency of donation

You don’t calculate each individual donor’s Lifetime Value.
Nor do you calculate LTV for your entire file.

Instead, you segment by giving level.

You'll want to know "what is the LTV of any new under $100 donor I acquire?"

Or better yet, “any new major donor ($5,000+) I acquire?”

The results will be eye opening and informative!

Effective ways to segment your database

There are a few different ways you can segment your database to find insights in into the behaviors of your donors.

By giving level, i.e. looking at LTV of under $100 donors vs. $100-$250 donors.

By geographic region, i.e. looking at LTV of donors in California vs. New York.

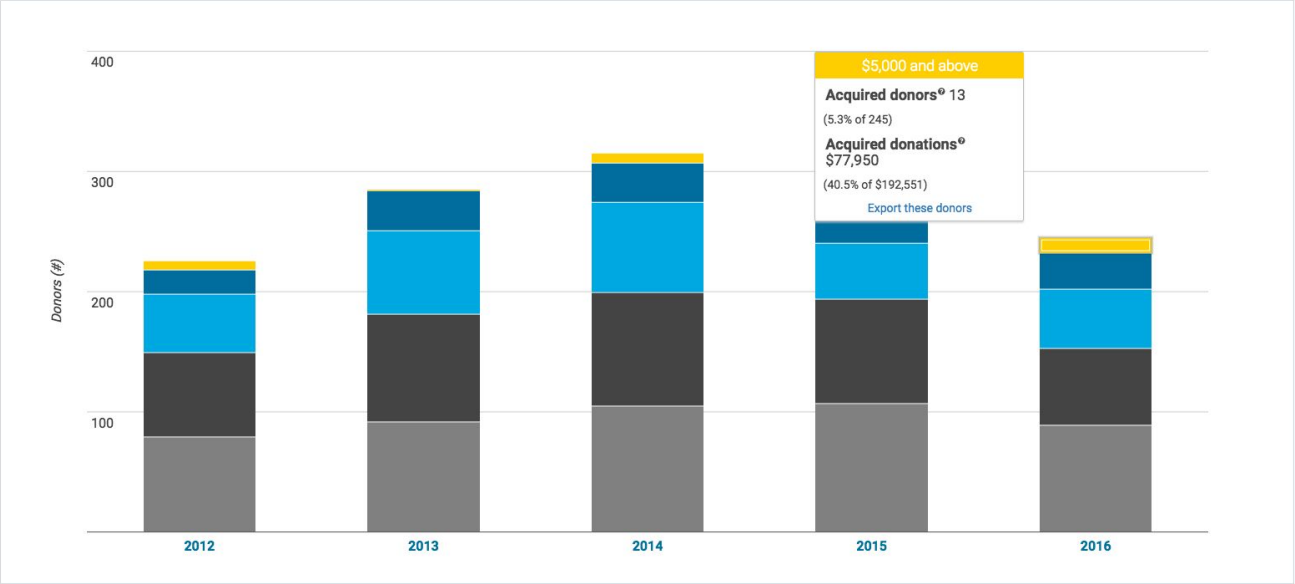
By performance metric, i.e. looking at LTV
of donors reactivated donors vs. retained donors.

Or you can use my preferred method, by giving segment & performance metric.

For example...

Acquired Donors

Donors who had never made a contribution to your organization until this year.



Definition: https://goo.gl/cH88K0

Why segment this way?

We all probably agree that newly acquired donors need some sort of special treatment to keep them retained.

I won’t get into the specifics. I’m not a fundraising professional.

But, you know who is!
http://clairification.com/new-subscribe/

Having access to lists of acquired donors,
broken down by giving level, could allow you to...

Send highly targeted follow-up appeals.

For example, your thank you appeal for all newly acquired **under $100** donors in 2016 could be worded...

“Thank you so much for your contribution last year! This year consider renewing at **$75** to see your impact go even further!”

Again, I’m not a fundraising professional,
but hopefully you get the idea.

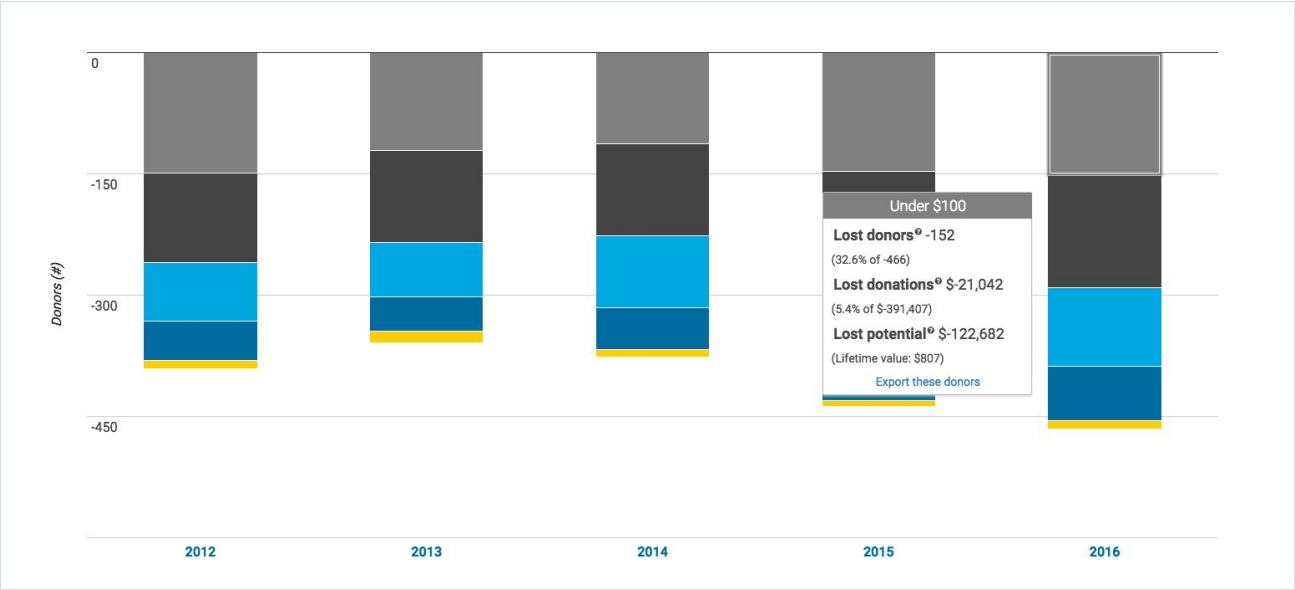
Check your CRM. Do they export a segmented donor acquisition report for you?

If not, then use Fundraising Report Card!

Pair that new tool with Claire's amazing resources and you have some **actionable next steps**.

Lapsed Donors

Donors who made a contribution last year, but did not renew this year.



Definition: https://goo.gl/78bbEh

Why segment for lapsed donors?

To create a strategic plan to recapture them in 2017!

Again, break it down by giving level.
You'll want to look at...

Lapsed under $100 donors.

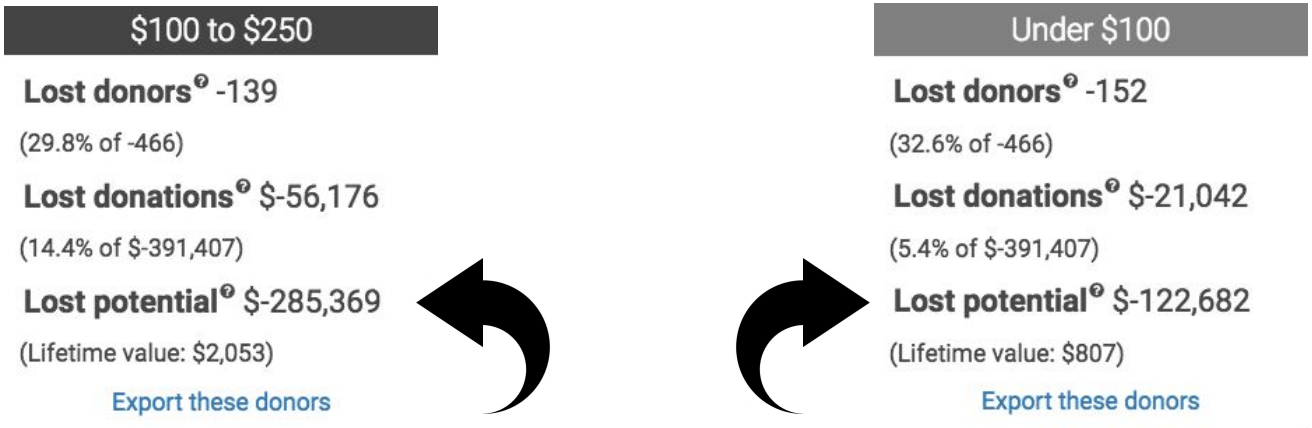
And compare them to...

Lapsed $100 - $250 donors.

You’ll start to notice interesting things, such as...

Lost potential

The number of lapsed donors in a particular segment × their Lifetime Value



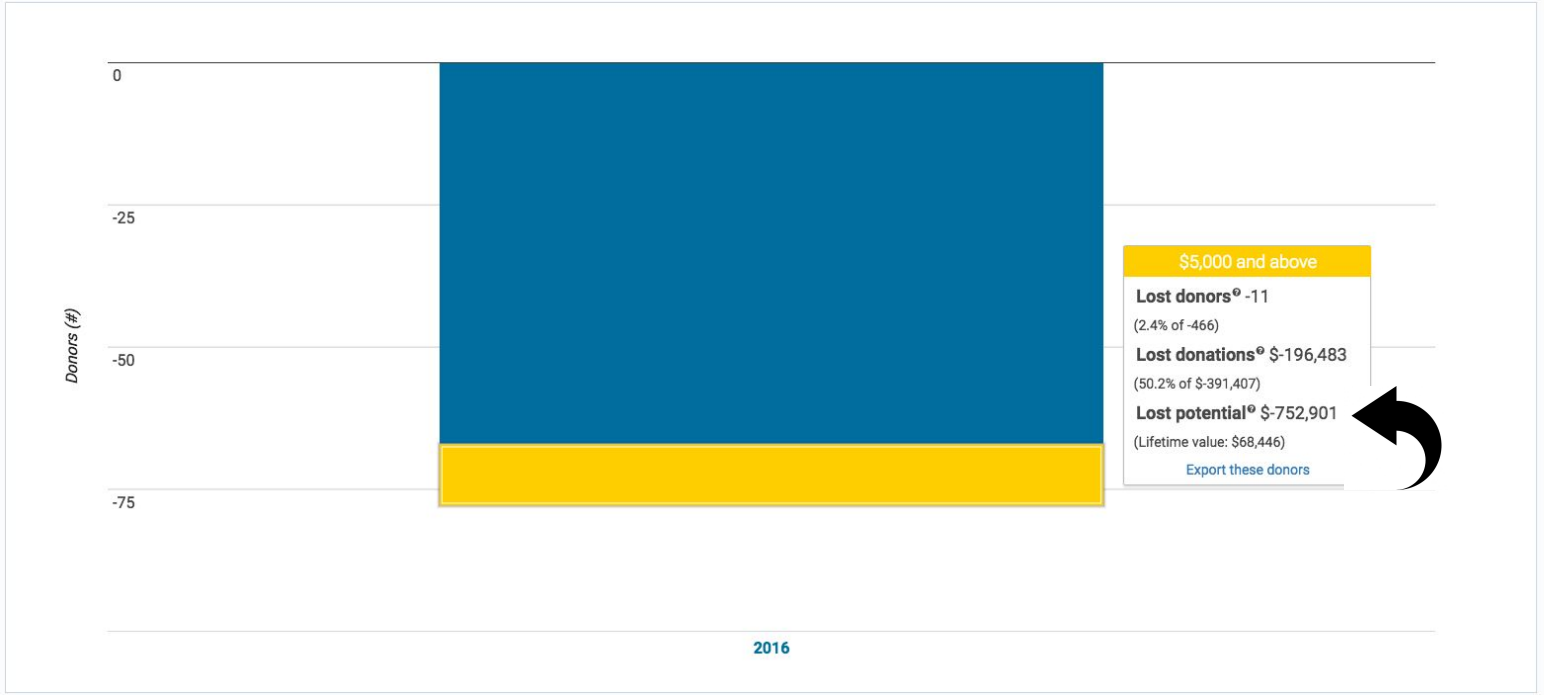
Having this data at your fingertips can inform strategy.

AKA make a more compelling case to invest in donor retention.

Then, once you've segmented your database for lapsed donors you can send targeted "reactivation" appeals.

Plus, segmenting with giving levels will help you focus on the most important lapsed donors that need personal touches from you.

For example...


0
-25
-50
-75
Donors (#)
2016
$5,000 and above
Lost donors -11
(2.4% of -466)
Lost donations $-196,483
(50.2% of $-391,407)
Lost potential $-752,901
(Lifetime value: $68,446)
Export these donors

This organization lost 11 donors in their $5,000+ segment in one year.

That’s 11 people to pick up the phone and call this year!

And, that’s the idea here.
Data Driven Fundraising isn’t a silver bullet...

But it’s close! It helps you focus your attention on the right people at the right time.

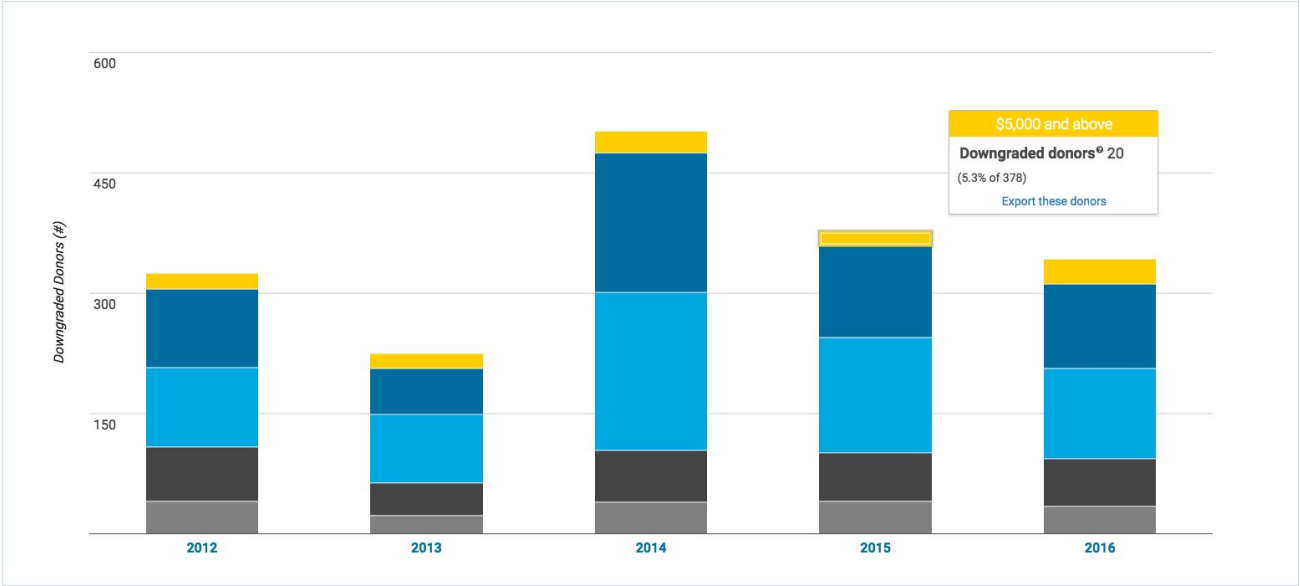
So, check your CRM. Do they easily export this data and create instant reports for you?

If not, then use Fundraising Report Card!

And then pair your new tool with some of Claire’s great resources on recapturing lapsed donors.

Downgraded Donors

Donors who renewed this year, but decreased their amount of contributions.



Definition: https://goo.gl/RGpn1m

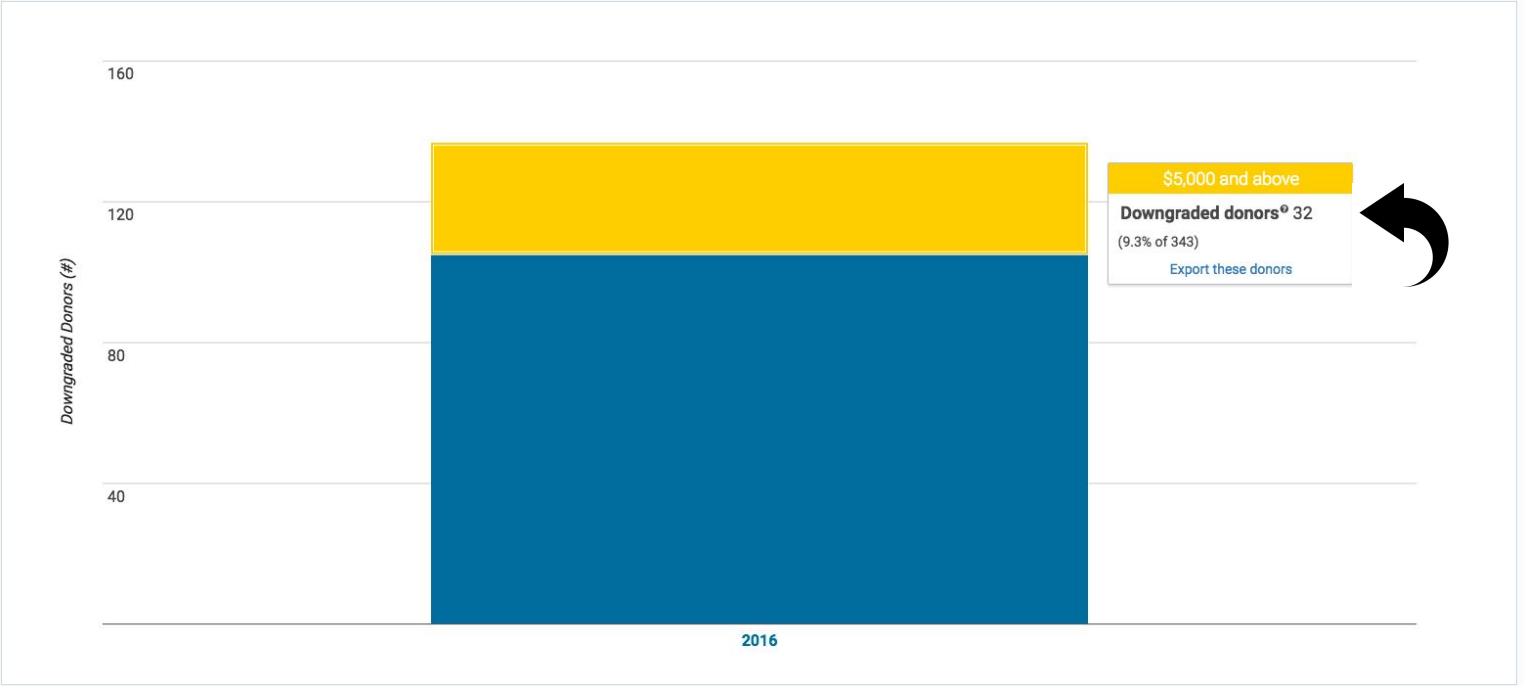
Segmenting your database by downgraded donors is interesting...

These are donors who were retained this year from last, which is obviously a good thing.

But, for some reason or another they decreased their amount of giving this year. Why was that?

We can apply the same strategy from our lapsed donor segment here.

For example...


160
120
80
40
Downgraded Donors (#)
2016
$5,000 and above
Downgraded donors 32
(9.3% of 343)
Export these donors

32 downgraded $5,000+ donors in 2016!

Those are 32 people to call, engage with and try to upgrade in 2017.

That’s the concept of segmentation.

It’s all based on donor behavior.

You could use a predictive model to help you
figure out who your best major gift donor prospects are.

Or...

You could find trends in your donors’ giving patterns and behaviors by looking at which performance metrics they fall into.

For example, your major donor prospects are probably all your donors who are part of your retained $250+ up segments.

Segmenting by performance metric and giving level is a powerful way to focus your attention.

This is nice, but...

When to apply these concepts

Getting past the “I don’t have the time” paradigm

Related: https://goo.gl/VeNLqa

You have a lot on your plate...

Coordinating appeals, engaging constituents, helping with programs; the list of responsibilities you oversee is undoubtedly long.

“Oh, this is another thing I need to add to my task list that is already too long.”

Analyzing your data will result in finding efficiencies. You'll focus your efforts on the tasks and activities that matter most.

But, when is the right time to dive into this?

When you have three key ingredients in place.

The right data.
"What is my end goal?”

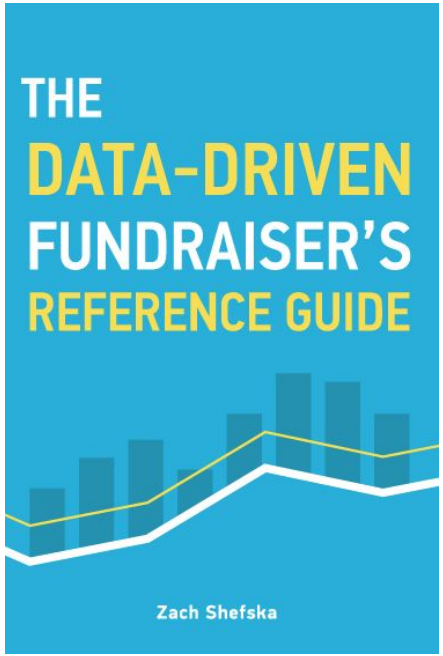
The right time.
Most likely right now...

The right person.
It’s probably you...

Okay, it isn't *that* simple, but that's why I wrote this :-)
https://goo.gl/0T1Isz

Where to start when I get back to work

It’s a marathon not a sprint.

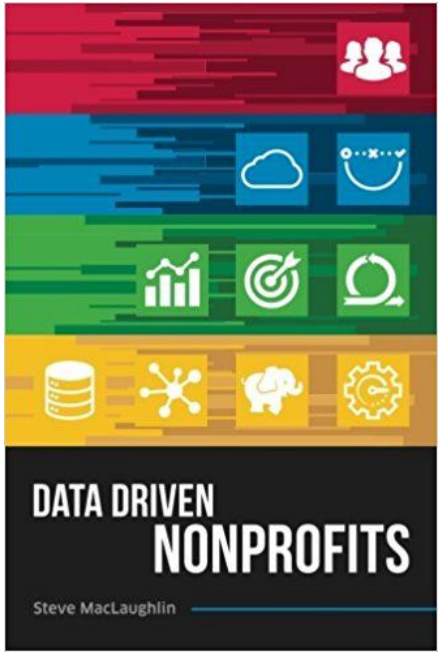


Don’t go at it alone!
https://goo.gl/X6TqmD

Start simple. Read a good book on the subject...

Data Driven Nonprofits

Steve MacLaughlin



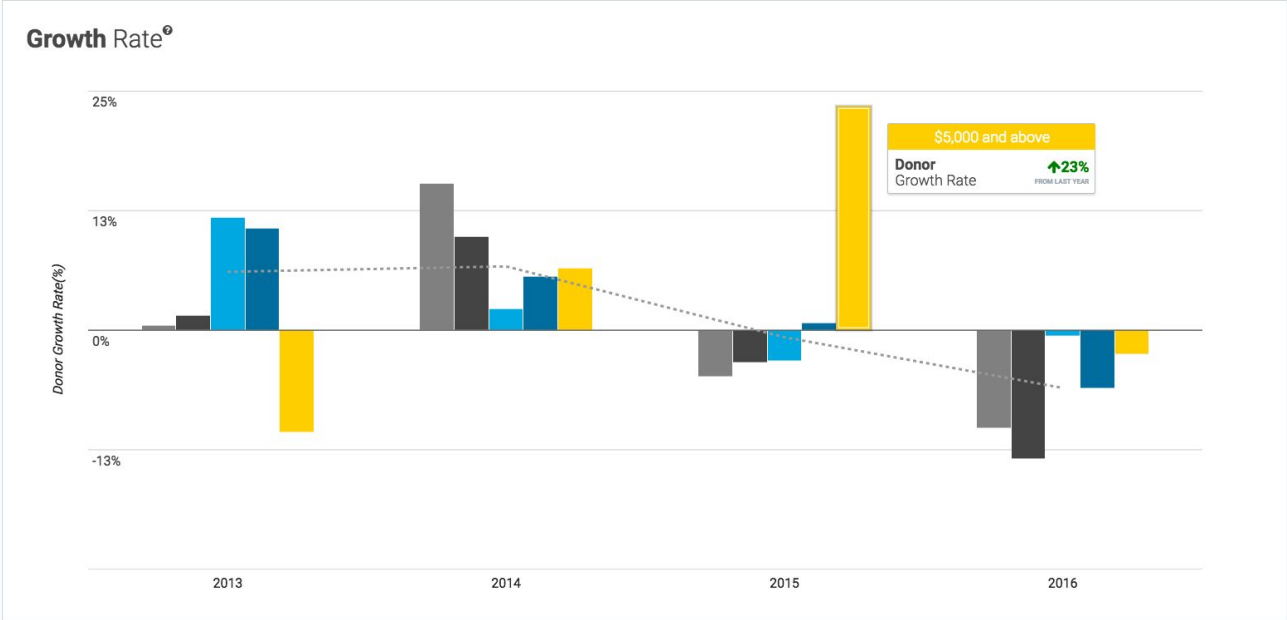
https://goo.gl/h7YWEj

Then, take advantage of ongoing educational opportunities.
P.S. Clairification School :-)

And ultimately, start to have discussions about data internally.

Donor & Donation Growth Rate

Share simple metrics first. Donor & Donation Growth Rate is the perfect place to start.

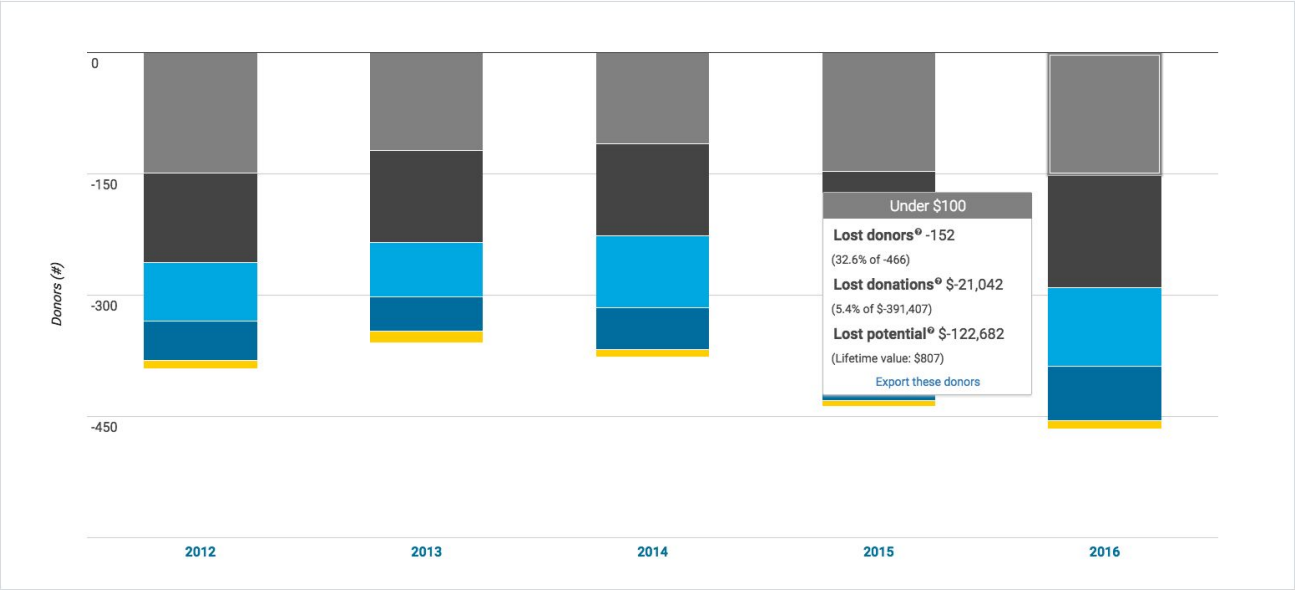


Definition: https://goo.gl/MHT5dD

Identify trends in your growth rate.
Take those insights to the next all-staff meeting.

Lapsed Donors

Donors who made a contribution last year, but did not renew this year.



Definition: https://goo.gl/78bbEh

Identify your lapsed donors.

Pair that with recapture strategies from Clairification School.

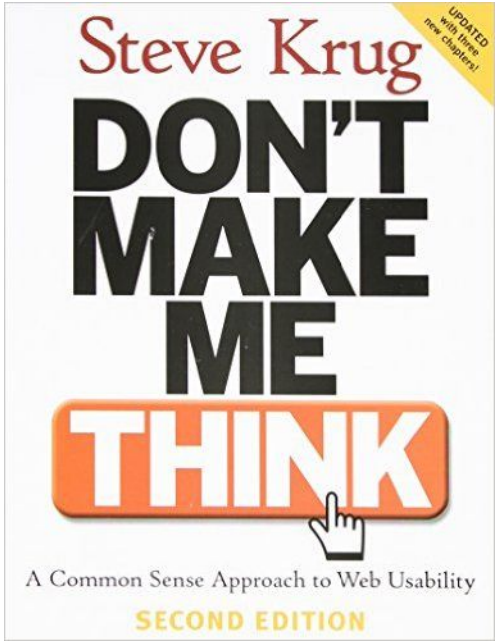
Take that data, and that plan to your next all-staff meeting.

And finally, start to ask questions. Help others ask questions.

"After careful consideration of all 437 charts, graphs, and metrics,
I've decided to throw up my hands, hit the liquor store,
and get snockered. Who's with me?!"

Oh, and...

I can’t make it through a presentation without recommending this book.



https://goo.gl/Cf3xy9

But, I'm happy to help **YOU** think!

And I know Claire is too!

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Fundraising Report Card

Free to analyze up to 5,000 donation records. Starts at $240 annually!
fundraisingreportcard.com

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claire@clairification.com • clairification.com

Clairification School

30+ years of fundraising expertise and your online, year-round fundraising continuing education. For only $100!
clairification.com/new-subscribe