



How Does Your Fundraising Performance Measure Up?



Knowing Your Gain/Loss Ratio Will Help You Raise More Money You can...

- Pinpoint strengths and weaknesses in your fundraising performance
 - Gauge how much donor attrition may be stunting your growth in giving
 - Target untapped opportunities to boost donor revenue
 - Learn where to commit more resources to make the biggest difference
- ...by participating in AFP's Fundraising Effectiveness Survey

The Association of Fundraising Professionals (AFP) has partnered with the Urban Institute's Center for Nonprofits and Philanthropy and other industry organizations in sponsoring the Fundraising Effectiveness Project (FEP), a long-range plan for helping nonprofit groups measure, compare and maximize their annual growth in giving. Other FEP sponsors include the Council for Advancement and Support of Education (CASE), the Council for Resource Development (CRD), the Center on Philanthropy at Indiana University, and the National Committee on Planned Giving (NCPG).

A key initial component of the FEP is the groundbreaking Fundraising Effectiveness Survey, a web-based survey piloted in November 2006 which is collecting fundraising data from nonprofit organizations beginning with 2004-2005 comparisons. The Fundraising Effectiveness Survey will enable participating groups to measure and compare their fundraising gain and loss ratios to those of similar organizations. Participants can then use this industry data, which AFP offers free to survey respondents, to make better informed, growth-oriented budget decisions that will boost donor revenue.

The FEP Survey is the first to compile fundraising performance data from nonprofits that not only shows the overall percentage of growth in gift dollars and donors from one year to the next but also breaks down the data in terms of the percentage gained from new, recaptured and upgraded donors that year as well as the percent of revenue lost from downgraded, lapsed new donors and lapsed repeat donors.

The Fundraising Effectiveness Survey is ongoing and open to all nonprofits. There is no charge to participate and as a participant, you receive access to the survey performance data. All information supplied by survey respondents is kept strictly confidential, and results will be reported in aggregate form only.

To learn more about the FEP survey and how your nonprofit, software firm or clients can participate, attend one of the Fundraising Effectiveness Project Overview session at the AFP conference. The sessions are Monday, March 26, 3:00 - 4:15 pm and Tuesday, March 27, 1:30-2:45 pm. Session leaders include representatives from three donor software firms and Wilson (Bill) Levis from the Center on Nonprofits and Philanthropy at the Urban Institute in Washington, DC.

Donor Software Firms Facilitate Nonprofits' Participation

A critical element in the success of the Fundraising Effectiveness Survey has been the cooperation and support of numerous donor software firms. At AFP's invitation, these firms have agreed to assist their clients in extracting the necessary data from their donor databases to complete the survey. By using a web-based survey and working with the donor software community, AFP is able to increase survey response rate, ensure greater accuracy in the data gathered, significantly save on data-entry costs and speed up the data analysis process.

If your donor software provider is not on this list, please ask them for their support. AFP and the other sponsors of the Fundraising Effectiveness Project encourage all firms to help their clients pull the data required to complete the survey.

The following donor software companies are members of the AFP Donor Software Workgroup. Collectively, these firms serve more than 50,000 nonprofit clients.

- Blackbaud (The Raiser's Edge)*
- Donor2/Campus Management Corporation*
- DonorOne (ResourceOne Technologies)
- DonorPerfect Fundraising Software*
- eTapestry*
- FundTrack Software*
- MatchMaker FundRaising Software*
- Mission Research*
- PledgeMaker(SofTrek)
- ROI Solutions
- Sage Software*
- Telosa Software (Exceed!)*

*Charter members of the AFP Donor Software Workgroup

How is the FEP Survey Different?

The Fundraising Effectiveness Survey measures fundraising performance not only in terms of overall percent increase or decrease in gift dollars and donors, but drills down to assess the impact of new donor recruitment, recaptures and upgrades as well as the individual effect of downgraded and lapsed donors. The 2004-2005 pilot survey has compiled data in the following categories:

Total gift dollars in 2004 and 2005

Gift Dollars

- gained from new donors in 2005
- gained from recaptured donors in 2005 (donors who did not give in 2004)
- gained from upgraded donors (donors who increased their gift in 2005 vs 2004)
- from donors who gave the same amount in 2004 and 2005
- lost from downgraded donors (donors who gave less in 2005 vs 2004)
- lost from lapsed new donors (new donors in 2004 who did not give in 2005)
- lost from lapsed repeat donors in 2005 (repeat donors who did not give in 2005)

Total # of donors in 2004 and 2005

Total of

- new donors gained in 2005
- recaptured donors gained in 2005 (donors who did not give in 2004)
- upgraded donors (donors who increased their gift in 2005 vs 2004)
- donors who gave the same amount in 2004 and 2005
- downgraded donors (donors who gave less in 2005 vs 2004)
- lapsed new donors (new donors from 2004 who did not give in 2005)
- lapsed repeat donors (repeat donors who did not give in 2005)

The FEP survey then calculates *gain and loss ratios* for these categories, or the percentage of gift dollars and donors gained and lost in 2005 as compared to 2004.

What We've Learned So Far – 2004-2005 FEP Survey Findings

Preliminary findings from the pilot FEP Survey (see Figure 1 on page 5) show that in 2005, 275 of the initial nonprofit organizations responding increased total donor revenue by over 275 \$36.6 million, a 10.6 percent responding increase over 2004. The FEP refers to this percentage as the *net gain/loss ratio*.

The survey results define this 10.6 percent net gain as the difference between a 62.6 percent gain in donor revenue achieved from new, recaptured and upgraded donors in 2005 and a 51.9 percent loss of donor revenue due to downgraded and lapsed donors.

The basic concept used here is that growth in giving equals the net of gains minus losses. New money gained in a given year is

offset, sometimes very significantly, by the dollars lost through donor downgrades and attrition that same year. For example, the \$203.9 million additional gift dollars gained in the FEP 2004-05 survey only translates into real funds after subtracting the \$169.3 million in lost donor revenue.

The survey also is collecting data on gains and losses in the number of donors, with the results for the 275 initial respondents showing a 13.1 percent overall net increase in donors in 2005 over the previous year. This 13.1 percent net gain/loss ratio represents the difference between a 60.4 percent increase in new donors and a loss of 47.4 percent of the 2004 donor population.

Nonprofits' Efforts in Donor Recruitment Pay Off

The FEP 2004-05 survey results break down the nonprofit industry's 62.6 percent gain in gift dollars, or *gain ratio*, into three categories: gains from new, recaptured and upgraded gifts. The *gain ratio* for each category is calculated as:

$$\text{Gain Ratio (\%)} = \frac{\text{survey-year gains in each category}}{\text{prior year total results}}$$

Example:

$$\begin{aligned} & \underline{\$68,069,385 \text{ in gifts from new donors in 2005}} \\ & \underline{\$325,929,686 \text{ total gifts in 2004}} \\ & = 20.9 \% \text{ gain ratio} \end{aligned}$$

As shown in this example, the gain ratio for 2005 from new donor gifts was 20.9 percent, meaning new donor dollars made up 20.9 percent of the overall 62.6 percent gain. Looking at Figure 1, we see the largest chunk of the 62.6 percent gain ratio was from a 26.8 percent gain from upgraded donor gifts, while gifts from recaptured donors accounted for 14.9 percent of the overall gain in 2005.

These findings demonstrate that many of the nonprofits responding to the survey are successful in persuading donors to upgrade their gifts. The organizations also are doing a fairly good job at recruiting new donors and recapturing lapsed donors, achieving a 60.4 percent gain in new donors in 2005.

Downgraded Gifts Make Significant Impact

Donor recruitment, however successful, is only part of the story. Perhaps the more constructive findings produced by the FEP survey is that of *loss ratios*. Loss ratio refers to the percentage of gift dollars lost from one year to the next due to downgraded and lapsed donors.

$$\text{Loss Ratio (\%)} = \frac{\text{survey-year losses in each category}}{\text{prior year total results}}$$

Example:

$$\begin{aligned} & \text{-\$76,625,636 loss from downgraded donors in 2005} \\ & \text{\$325,929,686 in total gifts in 2004} \\ & = \text{-23.5\% loss ratio} \end{aligned}$$

The 23.5 percent loss ratio from downgraded donor gifts made up for almost half of the 51.9 percent overall loss in donor revenue for the survey respondents in 2005. Gift dollars lost from lapsed new donors made up 11.2 percent of the overall loss, while lapsed repeat donors accounted for 17.2 percent.

While a 10.6 percent overall increase is certainly a positive showing, the FEP survey results illustrate how donor attrition can affect nonprofits' bottom-line net gain nearly as much or more than

successful recruitment of new donors. In fact, we see that in 2005 for every \$6 gained in gifts, the average survey respondent lost \$5, for a net gain of \$1.

A similar argument can be said for the number of donors: For every six donors brought in the door, nonprofits are letting (nearly) five slip out the back door for a net gain of one donor. As shown in Figure 1, the overall net gain in donor ranks in 2005 of 13.1 percent was comprised of a 60.4 percent increase in new and recaptured donors offset by a loss of 47.4 percent of the 2004 donor population. Lapsed new and lapsed repeat donors were equally represented in this loss, indicating a need for more effective donor retention strategies for first-time as well as repeat donors.

Previous research has identified enormous potential for cultivating new money, but the FEP survey results point to the significant potential for increasing net donor revenue by minimizing the number of lost and downgraded donors. One fundraising professional stated after looking at the survey findings, "An important and under-examined aspect of the fundraising stats we look at is the loss...reducing loss, not just raising more."

Small Changes in Retention Can Make Big Difference

In a recent *Chronicle of Philanthropy* interview, Adrian Sargeant of the Indiana University Center on Philanthropy commented on the potential for increased growth in giving simply by improving donor retention. "We need to look into the things that drive donor retention. People haven't grasped the difference that even small changes in donor retention can make on the bottom line. You ought to know as a nonprofit what the effect on net contributions would be if you could hold onto 1 to 5 percent of the donors you're losing every year."

Sargeant adds that the center's research suggests "a 10 percent improvement in donor retention can increase returns by up to 200 percent." (*Chronicle*, February 22, 2007) Based on the FEP sur-

vey findings, a 10 percent reduction in the 51.9 percent loss ratio would put the loss ratio at 46.7 percent.

This would increase the overall net increase from 10.6 percent to 15.9 percent (62.6% gain ratio minus 46.7% loss ratio). An overall net gain of 15.9 percent a year means the level of giving will double every five years. This would be a much different scenario than the current 7.5 percent average national growth rate, at which the level of giving doubles only every 10 years.

FEP Survey Is Launch Pad to Take Fundraising Performance to New Heights

When AFP asked its members in January 2006 if a survey of this scope would be of interest, more than 1,500 fundraising professionals indicated overwhelming support for the project. Nonprofit organizations are aware of the untapped potential for growth in giving. However, until now, fundraisers and top decision makers have lacked the detailed performance data and benchmarks needed to maximize their resources for increased donor revenue.

Penelope Burk, a member of the FEP Technical Advisory Group and president of Cygnus Applied Research Inc., states in her

book, *Donor Centered Fundraising*, that donor attrition is "the most serious problem in fundraising today." Her book provided some of the basis for the design of the FEP survey. Based on some of the survey findings, the AFP plans to provide nonprofits with effective strategies for improving retention by tapping into the expertise of Burk and other fundraising professionals.

How Does Your Fundraising Performance Measure Up?

FEP's main message is this: When performance is measured, performance improves. As one fundraising professional remarked: "Most of us fundraisers focus on how we can get more, and most will have no idea of how much they're losing or how much they must get in new [gifts] to make up for that loss in order to have a net increase."

The first step is to submit your fundraising data from 2004-2006 to AFP. You can find the Fundraising Effectiveness Survey online at <http://websurveyor.net/wsb.dll/33613/fepsurvey.htm>. Ask your donor software provider to assist you in pulling the information from your database. (See previous section about donor software firms' involvement in the FEP survey.)

Survey respondents will receive comparative fundraising performance data that will allow them to measure their own gain and loss ratios against the FEP averages (see Figure 2 on page 5) and also compare their numbers with those of similar organizations based on criteria such as:

- dollars raised
- average gift size
- type of organization
- age of development program
- geographic location

- fundraising budget
- number of personnel
- combinations of these criteria

AFP will continue to add new participants' data to the initial FEP 2004-2005 Survey in order to build baseline data that is as comprehensive as possible. Repeat participants (those who already have submitted 2004-2005 figures) should submit their 2005-2006 data this spring.

In subsequent years, FEP plans to collect additional information about fundraising methods, costs, gift type (annual, capital and planned gifts) and other variables.

For More Information

For more information about the FEP, please contact Bill Levis, Project Manager at The Urban Institute (grlevis@aol.com) or Cathlene Williams, Ph.D., CAE, Vice President, Research at AFP (cwilliams@afpnet.org).

OF INTEREST TO AFP CONFERENCE ATTENDEES

As part of its FEP efforts, AFP has invited Penelope Burk to conduct a seminar for seasoned fundraising professionals at the association's annual conference this week. The seminar, titled *Donor Centered Fundraising*, will be held Monday, March 26 and Tuesday, March 27 from 8 am to 9:15 am. The session will cover the impact and causes of donor attrition and strategies for gaining donor loyalty.

Other conference sessions that focus on evaluating fundraising performance or donor retention include:

To Get the Big Gift, Think Like a Donor

Speaker: Wayne Olson

Monday, March 26, 8:00 - 9:15 am and 3:00 - 4:15 pm

How Nonprofits Can Improve on Performance

Speaker: Wesley Lindahl, Ph.D.

Monday, March 26, 8:00 - 9:15 am and 3:00 - 4:15 pm

The Three Rs of Fundraising Success: Relationships, Research and Recordkeeping

Speaker: Jay Love

Monday, March 26, 3:00 - 4:15 pm

Donor Focused Stewardship Strategies

Speakers: Roberta Healey, ACFRE, and Heather Gee, CFRE

Tuesday, March 27, 1:30 - 2:45 pm

Building Donor Loyalty

Speaker: Adrian Sargeant

Tuesday, March 27, 3:00 - 4:15 pm

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Figure 1 – [Gain/Loss Report](#) -- for respondents to Pilot 2004-05 Survey

Gain/Loss Category	2004 (A \$)	2005 (B \$)	Gains (Losses) (C \$ = B - A)	Gain/Loss Ratio (D % = C / totA)
Amount of Gifts				
Gains				
New	\$ 0	\$ 68,069,385	\$ 68,069,385	20.9%
Recapture	0	48,501,167	48,501,167	14.9%
Upgrade	66,651,361	154,000,698	87,349,337	26.8%
Subtotal gains	66,651,361	270,571,249	203,919,888	62.6%
Same	29,845,733	29,845,733	-	0.0%
Losses				
Downgrade	136,754,761	60,129,125	(76,625,636)	-23.5%
Lapsed new	36,627,778	0	(36,627,778)	-11.2%
Lapsed repeat	56,050,052	0	(56,050,052)	-17.2%
Subtotal losses	229,432,592	60,129,125	(169,303,467)	-51.9%
Total - gifts	\$ 325,929,686	\$ 360,546,108	\$ 34,616,422	10.6%
				Overall rate of growth
Number of Donors				
Gains				
New	0	161,982	161,982	43.0%
Recapture	0	65,893	65,893	17.5%
Upgrade	77,509	77,509	-	0.0%
Subtotal gains	77,509	305,384	227,875	60.4%
Same	53,904	53,904	-	0.0%
Losses				
Downgrade	67,092	67,092	-	0.0%
Lapsed new	88,432	0	(88,432)	-23.4%
Lapsed repeat	90,193	0	(90,193)	-23.9%
Subtotal losses	245,717	67,092	(178,625)	-47.4%
Total - donors	377,130	426,380	49,250	13.1%
				Overall rate of growth

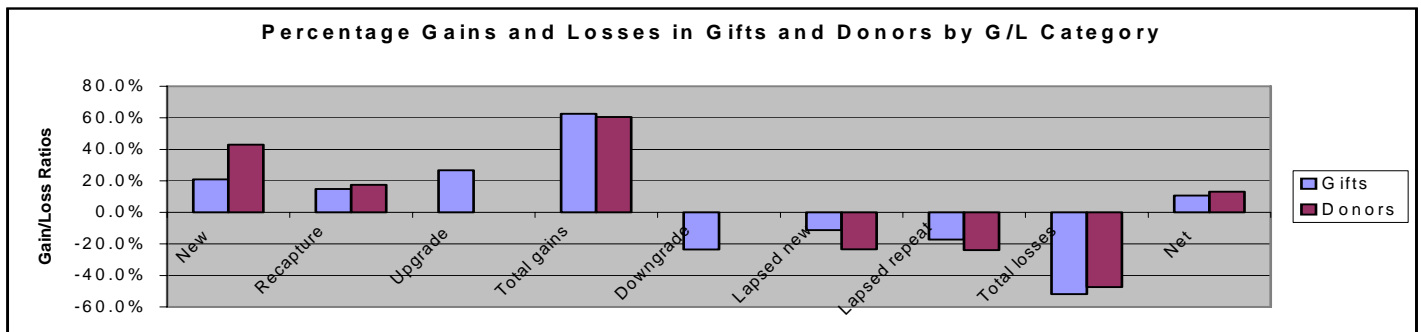


Figure 2 – Comparison of NPO's Growth-in-Giving Performance to Fundraising Effectiveness Project (FEP) Averages

