

## A Short Guide to Answering Questions All Fundraisers Should Ask

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Several times a year I'm asked to take a look at an organization's fundraising program and make recommendations. I start—always—with a look at the basic numbers. Why? Because there's no way I can offer any sound or sophisticated advice without first understanding an organization's basic vital signs.

No way am I going to recommend they step up acquisition and spend more money unless I know they can hold onto a decent number of the donors they attract (retention rates). Equally, I'm not about to say it's OK to spend \$15 or \$30 or even \$50 to bring in a new donor unless I know what that donor is likely to be worth to the organization over a long period of time. That's why I have to first calculate Life Time Value (LTV).

Once I've done that I can make rational recommendations about acquisition because I know how long it will take them to get their investment back. And also, by knowing their donors' Life Time Value I can tell them how they compare to other organizations and how long will it take them go their acquisition investment back, and what will it be worth.

In short, it would be irresponsible to put any of my experience to work making recommendations and challenging their current program without first knowing the basics.

So, here are the basic questions I ask and the tools I use to get the answers. Fortunately, most are already in [The Agitator Toolbox](#) and most can be used quickly and easily - absolutely free-- to get basic answers.

### QUESTION # ONE: HOW MANY DONORS CAN WE REACH?

Before doing any other analysis, I want to know how much of a handicap the organization is currently working under. When they send out an appeal is it only being delivered to 80% of the file, or is actually reaching the donors on their list?

Here are two things I look for and the tools I use.

- **Correct Donor Addresses.** How many bad postal addresses are on your file? The average percentage of undeliverable addresses on nonprofit files is 11%. But, you don't have to guess. You can find the exact number *absolutely free*. Just to [TrueNCOA.com](http://TrueNCOA.com) and get a free report ([see sample here](#)).

Then, once you've seen that report, if you want them to clean and update your donors' addresses it'll cost you just \$20 regardless of *the size of your file*. Plus, TrueNCOA will send you weekly update notices even if you choose not to purchase the \$20 service.

Most organizations are pretty sloppy when it comes to keeping their addresses up to date. And when they do, most organizations spend far too much for address correction services. Can't beat \$20.

You'll find a more detailed description in the [Agitator Toolbox here](#).

**Alert on E-Mail deliverability.** Deliverability of email to your donors' digital addresses varies all over the lot depending on your email service provider. The CRM EveryAction's [2018 Nonprofit Email Deliverability Study](#) estimates that an average of 20.6% of the millions of #Giving Tuesday emails we not deliverable.

This is an area that deserves far more attention by all of us given the increased public, regulatory and service provide concern over the misuse of email services and rapidly changing protocols by email services like Gmail and a variety of Internet Service Providers (ISPs).

For my purposes I'm estimating that between 20 and 40% of all emails are *not* being delivered. Thus, it's wise to remind you of the admonition contained in [M+R's 2018 Online Benchmark Study](#): "a single fundraising email sent by a non-profit to a single subscriber was less likely to be opened and less likely to generate a click, an advocacy action, or a donation. That 0.06% response rate means that nonprofits had to send a fundraising message to about 1,667 recipients just to generate a single donation."

So much for those who rely solely on digital, falsely believing that direct mail is dead.

- **Deceased Donors.** There's little more embarrassing than calling a donor only to have the person who answers the phone say, "She died six months ago." And nothing more frustrating for a deceased donor's family to continually receive mail addressed to the deceased donors.

Savvy fundraisers not only mark their records for a deceased suppression, but many turn a donor's death into an opportunity to thank and involve the family.

Finding out who on your donor files have died is easy and free. Simply go to [TrueDeceased.com](#) Here's the [free report](#) you'll receive . And if you want to keep your files updated the cost of this service is only \$50 *regardless of the size of your file*. On top of that you receive weekly updates at no additional charge.

You'll find a more detailed description in the [Agitator Toolbox here](#).

So, you can get the answer to Question #1 for free. And if you want to clean your files up while you answer the question it'll cost you a maximum of \$70.


## QUESTION #TWO: WHAT IS OUR RETENTION RATE?

When it comes to acquisition a key question is: What is our *first-year* retention rate? No use pouring money into the bucket if it's going to run right out the bottom. Thus, the first-year retention rate is key to making the most of your acquisition investment. The national average currently stands at 23%, meaning 77% of new donors abandon ship by end of the first year—rate is key to making the most of your acquisition investment.

*Multiple year* retention rates will give you a pretty good indication of the quality of donor experiences you're providing. The national average for multi-year donors currently stands at 60%.

Putting new donor and multi-year or repeat donor retention together the current overall retention rate is 45.5%. The national retention rate has been below 50% for the last decade.

Retention rates are easy to calculate as you'll see from this graphic provided by our colleagues over at [DonorTrends](#).



### Calculate Donor Retention

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**New Donor Retention**

2016 new donors who gave again in 2017	300
÷ 2016 new donors	1,000
<b>New Donor Retention</b>	<b>30%</b>

**Existing Donor Retention**

2016 existing donors that give again in 2017	52,700
÷ 2016 existing donors	99,000

You don't have to stop at just calculating the *number* of donors who retain. You can/should also calculate the *financial retention* to find out the \$ impact year over year.

If you want to compare your organization's retention rates with those of other organizations you can go to [FundraisingStats.com](http://FundraisingStats.com), a site/blog that tracks and reports on key data and benchmarks in the sector. You should also check out the [Fundraising Effectiveness Project's](#) reports that give you average retention rates drawn from thousands of nonprofits.

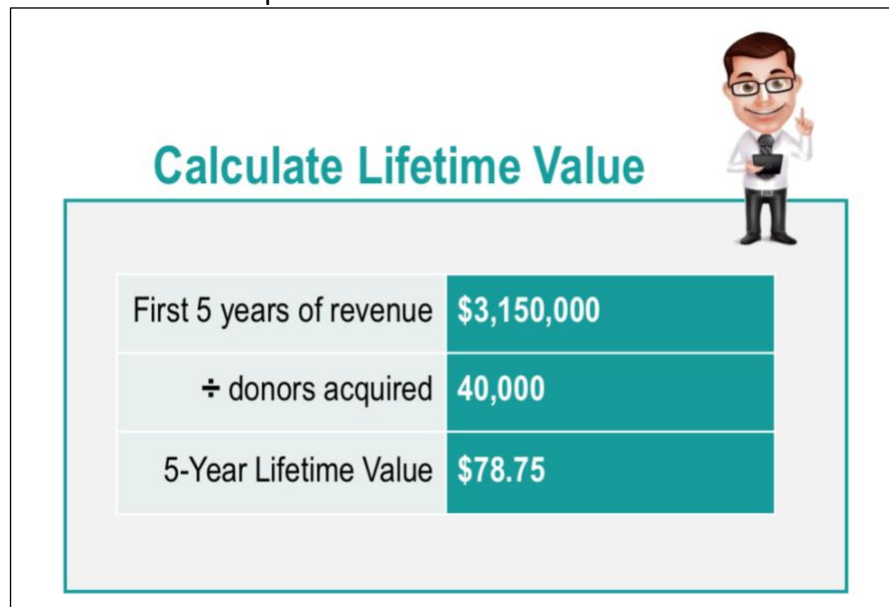
**OR... do what I do.** Use the [FREE service provided by the team at DonorTrends](#). They'll not only provide you with retention rates, they tell you exactly how your rates compare with those of other organizations in your nonprofit sector.

### QUESTION #3: WHAT IS THE LIFE TIME VALUE (LTV) OF OUR DONORS?

This is the fundamental metric –the GPS of fundraisings—every fundraiser, CEO and board should know and understand. It's not only essential for making investment decisions for acquisition and new initiatives, but it's a solid marker for telling you whether your programs and initiatives are succeeding at growing the value of the donor base year-over-year.

There are dozens of ways to calculate and use LTV. You'll find a detailed discussion of it in this Agitator post: [Back To Basics: Lifetime Value \(LTV\)](#)

For now, keep it simple. The basic thing you want to know is whether or not the value of the file is growing or not. Here's a simple illustration of the calculation from the folks at DonorTrends:



If you want to refine LTV you can subtract the cost of acquiring and servicing the donors over that five-year period to arrive a Net Lifetime Value.

**OR... you can do what I do.** Use the [FREE service provided by the team at DonorTrends](#). They'll not only provide you with lifetime value, but they'll tell you how your organization's LTV compares with the LTV of similar organizations in your sector.

### **NEXT STEPS**

With these basic answers you'll be able to spot problems and trends that will set you to thinking about the possibilities of new initiatives. For example, if your retention rates are low you should be asking "why?" and start examining the experiences you do—or don't—offer your donors. Experiences that range all the way from how/when you thank them for their first gift through the types of communication and involvement you offer your donors.

If your LTV is low or could stand some improvement (every organization can stand some improvement) start thinking about mid-level programs, monthly giving programs, and the manner in which you construct your ask strings.

In short, these simple, basic answers are the keys to begin focusing on improvement opportunities, developing hypotheses and testing new initiatives.

If you have questions, please don't hesitate to ask. You can reach me at [Roger@theagitator.net](mailto:Roger@theagitator.net)

A handwritten signature in blue ink, appearing to read "Roger", with a long, sweeping underline.