MERKLE
RESPONSE MANAGEMENT GROUP

Rapport

NEW DONORS:
YOU NEED THEM MORE THAN THEY NEED YOU

New Donor Welcome & Conversion

Recent performance trends confirm that nonprofits are acquiring fewer donors than ever before and retaining less of the donors they acquire. From 2017 to 2018, the industry saw new donor retention drop four percentage points[1]. And in 2018 alone, new donor acquisition fell by 14 percent[2].

Lackluster response rates in the low single digits continue to plague nonprofits' acquisition programs, while abysmal new donor retention rates remain in the mid-twenties. Nonprofits need new donors far more than new donors need nonprofits.

What's Gone Wrong?

For years, acquisition played a significant role in a nonprofit's fundraising strategy. But as the giving landscape continues to change, new donor acquisition has taken a backseat to other fundraising and organizational priorities, like the growth of sustainer programs. This shift in priority and investment has led to the current challenges nonprofits face in acquiring and retaining new donors.

Many in the industry attribute this decline in acquisition performance to changes in the economy, the transformation of the generational profile of the United States, and new attitudes and beliefs around giving[3]. While these are contributors, they are broad-sweeping factors that impact retention across all programs. They are not specific to new donor acquisition and retention.

New donor challenges stem from other issues — both industry-created and self-imposed.

1. Limited Prospects

- Declines in retention across all areas of fundraising have had a negative impact on the availability of strong prospects. Because there are fewer good prospects in the list market, more nonprofits are targeting the same donors, significantly impacting the performance of specific lists.
- Most prospect names come from a pool of donors who are already supporting other organizations. First, this makes it harder to acquire these donors, because nonprofits are competing with other organizations that have established relationships with these individuals. Second, when a prospect does choose to give, nonprofits then have to contend with that donor's existing relationships and (often unknown) expectations.

Amy Bobrick

Vice President of Strategy, Merkle RMG

Amy Bobrick has spent more than a decade devising integrated fundraising strategies for nonprofits.

At Merkle RMG, she leads the development of strategic solutions that combine best practices and data analytics to enhance clients' fundraising programs.

2. On the Surface, the Ends Don't Justify the Means

- Acquisition appeals usually lose money. This is understood, as it is considered a necessary investment to bring on new donors to maintain a healthy donor file. Typically, it can take up to 18-months for a nonprofit to recoup this investment on a newly acquired donor.
- In addition to new donors being expensive to acquire, nonprofits retain only about 25 to 30 percent of those donors.
- Acquisition spend is the first to be scrutinized and reduced during the budgeting process, as nonprofits look for ways to close gaps or find more funding. The declines in new donor performance have prompted nonprofits to shift their priorities away from acquisition and change their fundraising strategies to make up for the decreasing number of donors.
- These shifts in fundraising strategy have put a higher priority on retaining existing donors over acquiring new ones. More resources are being allocated to high-value giving programs, like sustainers and mid-level giving.

3. Static Budgeting and Rigid Performance Evaluation

- Many nonprofits still manage their fundraising like it were 1999, when they had just a single channel and only a handful of giving programs to worry about. To their own detriment, these nonprofits have not modernized their budget development to reflect the variety of giving channels and the complexity of today's fundraising programs.
- This antiquated mindset does not account for the future value new donors bring to an organization. With leadership focused only on immediate returns, nonprofits often misevaluate the overall performance of their acquisition efforts. This puts acquisition programs at a disadvantage because their full impact is not being considered.

4. Absence of Appreciation

- Nonprofits discount how critical it is to deliver a positive new-donor experience. While many feel that they can get away with treating first-time donors like any other donor, new donors require and deserve more cultivation than existing ones.
- Most of the time, new donors are immediately thrown into the appeal stream where they are handled in the same manner as existing donors. Countless industry studies have reported that often, a new donor receives an appeal for a second gift before their first donation is even acknowledged.

> *"Long-term overall donor trends have been driven primarily by trends in new donor acquisition. For most of the past 15-years, this has meant declines in overall donor numbers driven by declines in acquisition."*
>
> donorCentrics® Index of Direct Marketing Fundraising, 2018 Third Calendar Quarter Results, 2019

- A byproduct of their archaic budgeting and performance evaluation, nonprofits are not able to justify the additional time or expense it takes to properly welcome and acknowledge a new donor. But compared to the initial acquisition investment, this is a nominal expense.
- And unfortunately, acknowledgement programs tend to run on autopilot, with nonprofits paying them little attention throughout the year. Much of a nonprofit's staff is already overtaxed and could not bear another operational fundraising piece to manage.

New donors require and deserve more cultivation than existing ones.

Putting Your Best Foot Forward

Improving new donor acquisition and retention is just as painful as it is necessary, but abandoning this effort or choosing to ignore the growing problem is not the answer. Making the move to acquire new donors and convert them to repeat donors is a critical investment that must be prioritized to sustain long-term revenue.

Change does not happen overnight, and it certainly does not happen on its own. Nonprofits must take a series of steps to address these challenges and correct their course.

1. Redefine Success

- While the performance of a specific appeal is important, do not limit performance evaluation only to immediate returns on that appeal. This is a shortsighted approach that fails to account for the full impact of that acquisition effort.
- Expand the evaluation of appeal performance to include a new donor's subsequent giving in that initial acquisition year and the following calendar year.
- Additionally, account for subsequent gifts over the longer term. Aside from converting new donors to repeat donors, converting them to other giving programs, like a sustainer program, should be included as a part of the overall performance evaluation.

2. Refine Your Approach

- Net-present value is a telling metric that provides great insight into donor value at specific times post-first gift. This metric accounts for all fundraising costs, including the initial acquisition cost.
- Develop a net-present value report that details six-month, 12-month, 18-month and 24-month value of newly acquired donors. This helps demonstrate the longer-term value that new donors bring to the organization.
- Implement these findings and review them at both the appeal and list levels. Incorporating both initial appeal performance and

subsequent giving can inform and improve list strategy. While this can be a sobering review, it provides great insight into where there are opportunities for improvement.

3. Understand What it Takes

- First impressions are everything. Nonprofits need to commit resources (people, finances or both) to stewarding new donors. The largest investment — acquisition — has already been made. Once a prospect has given their first gift, don't waste this opportunity you've created merely because it requires a small additional investment.
- Before revising your own stewardship program, map out what you believe is the ideal experience for a new donor — no holds barred. Take a holistic approach that includes all communication channels. Consider which information about your nonprofit is most compelling and important for a new donor to know. Reflect on your own positive (and negative) giving experiences. In this exercise, the fundraising world is your oyster.
- After defining the unicorn of new-donor onboarding experiences, conduct an audit that maps out your existing onboarding process. Be sure to consider emails and every other type of communication that a new donor may receive from your organization. Note how your actual process differs from your ideal process.
- In addition to understanding the current onboarding experience, explore reasons why a new donor might lapse and how these reasons can be effectively countered by action from your nonprofit.
- Identify simple ways to improve the donor giving experience. No donor, especially a new donor, should be made to feel like an ATM. Ensure that new donors are, at the very least, being thanked before receiving another fundraising appeal from your organization. This practice should extend across channels.
- Most importantly, determine how much your nonprofit is willing to invest in this stewardship effort. It doesn't have to be executed all at once. Rather, it can be tested in small segments of new donors at first (for example, new donors who gave more than the ask amount or those who completed the engagement piece). Then, based on results, it can be rolled out to the full audience over time.

4. Develop and Execute a Sustainable Strategy

- Once your organization has a baseline understanding of the onboarding process and reaches consensus around the level of investment your nonprofit is comfortable making, the next step is prioritizing these new donor cultivation efforts. Start with the low-hanging fruit, like sending acknowledgements sooner or

Acquiring new donors and converting them to repeat donors...must be prioritized to sustain long-term revenue.

suppressing new donors from the next appeal until they've been appropriately welcomed.

- Engage your vendor partners to gain a broader understanding of their capabilities. Use this to identify areas that they can support or manage to execute your new donor cultivation strategy.
- Some vendors can send acknowledgements within 24-hours of gift receipt. Others have contact center capabilities that can coordinate outbound thank-you calls or emails if contact information is provided. Tell your vendor partners what you are trying to accomplish so they can help you develop the strongest operational and execution plan.

Redefine, refine, understand and execute are the main ingredients to improving new donor acquisition and conversion. Fundraisers know that new supporters are integral to the stability and growth of an organization but have become distracted by competing priorities. It's time that they reembrace and prioritize the cultivation of new donors. Nonprofits cannot continue to neglect this cohort; converting more first-time givers into repeat donors is vital to maintaining a healthy donor file.

Start with baby steps. In time, your nonprofit will see significant returns from these efforts, including higher conversion rates and faster second gifts. A little attention and acknowledgement can go a very long way with your new supporters.

Interested in learning how Merkle RMG can help maximize your return on investment in new donors?

Contact Amy Bobrick,
Vice President of Strategy
at 301-797-4468 or
ambobrick@merkleinc.com.

About Merkle RMG

Merkle Response Management Group (RMG) is a processing, data and technology-driven company. By combining best-in-class direct response processing, customer care and fulfillment solutions with actionable data insights, Merkle RMG drives one-to-one relationships for an improved donor and customer experience that increases retention and revenue.

Sources:

[1]The Fundraising Effectiveness Project, 2018 Report

[2]donorCentrics® Index of Direct Marketing Fundraising, 2018 Third Calendar Quarter Results, 2019

[3]donorCentrics® Index of Direct Marketing Fundraising, 2018 Third Calendar Quarter Results, 2019