

THE
DONOR RETENTION
HANDBOOK

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Introduction

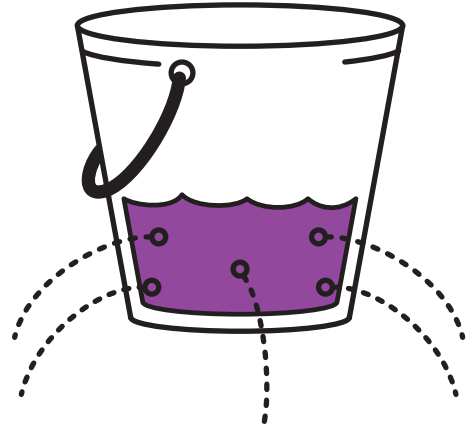
Retaining your donors is one of the smartest things you can do for the financial health of your nonprofit organization. Not only is it more cost-effective to retain donors than acquire new ones, repeat donors also tend to get more involved with your work. Whether it's fundraising, volunteering, or monthly giving, your existing donors are ideal prospects.

In the Donor Retention Handbook, you'll learn why retention is so important, what it takes to convince a donor to give again, and how to foster long-term relationships with your supporters. No matter what cause sector you work in, donor retention is a key element of your fundraising success.

Chapter 1

Retention Matters, Do Something About it!

Fundraising without donor retention is like trying to fill a water bucket with holes in it. No matter how hard you work, you will always play catch-up and all progress will be hard-won and fleeting. Even when you have lots of new donors coming in, success is undermined by supporters who slip away.



Ultimately, nonprofits that don't prioritize donor retention waste time, effort, and resources.

To build your donor base and the financial health of your nonprofit, you have to plug the holes in your bucket.

FACT: It costs more money to acquire a new donor than to retain an existing one.

The estimated cost of acquiring a donor is **five times** that of retaining one.¹

This is a well-known principle of nonprofit development, but it can still be hard to understand. To see how much donor attrition costs nonprofits, it helps to think of an example.

¹ AFP Net, "Donor Retention: What Do We Know and What Can We Do About it?" http://www.afpnet.org/files/ContentDocuments/Donor_Retention_What_Do_We_Know.pdf

Retention Stats

2009-2010 records from 2,342 organizations²

43% Overall Donor Retention

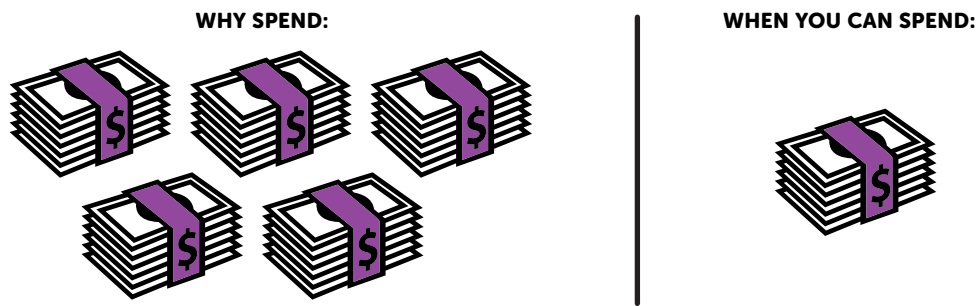
27% New (First-time) Donor Retention

70% Repeat Donor Retention

Let's say an organization has 100 donors and their annual retention is **43 percent**, the sector average. To maintain their number of donors year-over-year, they would have to acquire **57 new donors**. If it costs an average of \$10 to acquire a new donor (through marketing, appeals, and outreach), they would spend **\$570**.

But retaining a donor often costs only one fifth as much. Instead of investing \$10 of time and resources acquiring a new donor, the nonprofit would only have to spend \$2 to steward and retain an existing one.

Retaining 57 donors would only cost **\$114**.



FACT: Repeat donors have higher retention rates. Donors who make a second gift are more likely to continue giving.³

One large study found that nonprofits retained 27 percent of their new donors, but held onto 70 percent of their repeat donors. This means that a little effort after the first gift goes a long way. Two-time donors are more likely to become three-time donors, and so forth. So, not only is investing in retention more economical in the short-term, it also sets you up for success in the future.

^{2,3} Urban Institute, "Donor Retention Matters." <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412731-Donor-Retention-Matters.pdf>

The conclusion is simple: donor retention is a financial necessity.

While the nonprofit sector agrees that donor retention is important, many organizations don't know what to do about it. Here's a start: uncover what your donor retention rate is in the first place.

To find out your current retention rates, use this simple two-step calculation:

①

$$\text{Number of donors last year} - \text{Number of donors who gave last year, but not this year} = \text{NUMBER OF RETAINED DONORS}$$

Example: $2,000$ donors in 2013 - $1,150$ who did not give in 2014 = 850 retained donors

②

$$\text{NUMBER OF RETAINED DONORS} \div \text{Number of donors last year} = \text{DONOR RETENTION RATE}$$

Example: 850 retained donors / $2,000$ donors in 2013 = 42.5% retention

How many of your donors are falling through the cracks?

Now, take a look at who those lost donors are. They might be event participants or third-party donors, who may not have as strong a connection to your organization. Identifying your weak points will help you see where to focus your improvement efforts.

Now it's time to think about what you want to accomplish and how to make it happen. Read on to learn what donors want, how to deliver it to them, and how to purposefully guide supporters toward greater giving and involvement.

Chapter 2

Give Donors What They Want

Nonprofits want and need to improve donor retention. But what exactly does that mean?

In industry studies, researchers usually define retention rates by whether donors give again year-over-year. If someone donates \$25 in 2014, that person would be considered “retained” if they make another gift — of any size — in 2015.

While consistent year-over-year donations are important, this is a very limited way of understanding donor retention. Of course we want someone who gave last year to give again this year, but our goals for the relationship should be bigger. Retention goes hand in hand with donor cultivation and engagement. After that first \$25 gift, your organization has an opportunity to upgrade that donation into:

- **Monthly donations**
- **Peer-to-peer fundraising**
- **Larger gifts**
- **Event participation**

For the purposes of measurement, donor retention simply means giving in consecutive years. From there you can encourage them to do more.

Don't forget to share all the other ways your donors can get involved. Retaining them with a second gift of \$25 is good. Setting up a monthly gift or a peer-to-peer page that raises \$400 is even better.

Focus on creating an awesome donation experience that makes them want to give again. When they're ready, you can ask if they want to make an even bigger contribution to your mission.

For sustained growth and support, you must not only satisfy donors enough to make another gift, but engage them and make them a stronger supporter.

Like any relationship, though, you must give as well as receive.

Give Donors What They Want

To keep donors invested in your mission, your organization must provide the emotional fulfillment and real-world results they want.

Donor satisfaction is the foundation for donor retention. Several organizations have surveyed the public to find out what they want from a nonprofit after making a gift. Here are the top results:

- **Say “Thank You.”** This seems simple, but it can have a big effect on donor retention. When asked why they stopped giving to an organization, 13 percent said it was because they weren’t thanked.

After donating, your supporters should immediately receive an automated thank you and receipt from your donation platform. Follow that message up with a more detailed communication.

Include these specifics to show their gift has been noticed:

- **The campaign they gave to**
- **Whether they have given to your organization before**
- **What their gift will be used for**

- **Show Impact.** Poor communication with donors can cause trouble even if you do say “thank you.” Once someone gives to your nonprofit, it is up to you to follow up and show them the direct results of their gift.

Sixty percent of donors said they’re

interested in impact and success stories after they make a gift. In the weeks and months after a donor gives, send them updates on the projects or programs they support. Remember that individual stories are especially effective.

60%

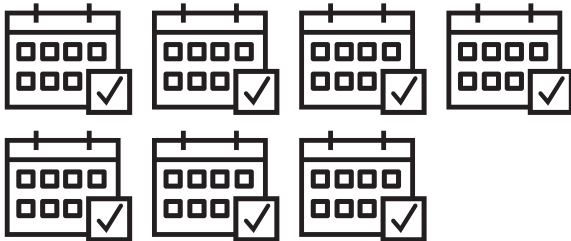
OF DONORS ARE INTERESTED IN IMPACT AND SUCCESS STORIES AFTER THEY MAKE A GIFT.



NONPROFITS SHOULD WAIT

7+ MONTHS

BEFORE ASKING FOR A SECOND GIFT.



- **Wait to Ask Again.** Finally, be smart about when you make your next asks. A survey found that 63 percent of respondents said nonprofits should wait seven months or more before asking for a second gift.

This doesn’t mean, however, that you should stop communicating with donors or asking them to participate in your

mission. Spend the first six months after a donation thanking, updating, and engaging the donor with awesome content. Ask them to consider attending an event or creating a peer-to-peer fundraising page.

Your goal is to keep the donor interested and involved with your work, even if they don’t want to give again right away.

Effective communication is vital to donor retention. Have a system in place to steward and engage donors year-round. Since many organizations communicate with donors through email, Chapter 3 will walk through the email marketing best practices that improve donor retention.

Chapter 3

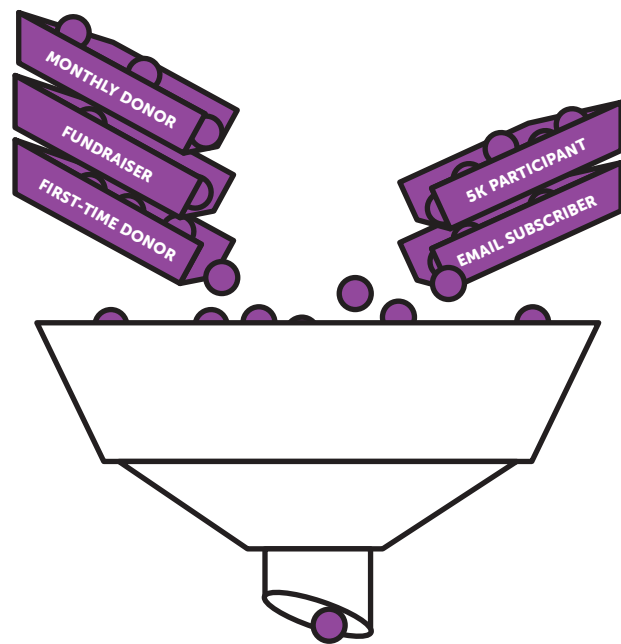
Email Funnels for Communication

Email is inexpensive, fast, and has tons of design and content possibilities. Email is a key communication channel for improving donor retention because organizations can send targeted messages to supporters at every level of involvement.

Segment donors according to their involvement with your organization. Then, build email communications specific to each group. These “email funnels” ensure every donor receives personalized communications that ultimately support retention.

Your Contact Funnel

Picture anyone who engages with your organization as entering at the top of a big funnel. They might have made a donation to a friend’s fundraising page (called a third-party donation), participated in your spring 5K run, or just subscribed to your email updates. Everyone who gives your nonprofit their email address falls into this funnel.



By obtaining the contact information for these people you will be able to thank them, share awesome content, and ask for their help. But the people in this funnel may differ greatly from one another, which means that a single message will not make sense for all of them.

Let's look at two donors as an example. Matilda is a monthly donor to an organization called Music for Kids. She's supported them for over a year. Joey donated to Music for Kids once, through a friend's personal fundraising page.



MATILDA

- Gives \$15 every month.
- Has supported Music for Kids for over a year and is well-acquainted with their work.



JOEY

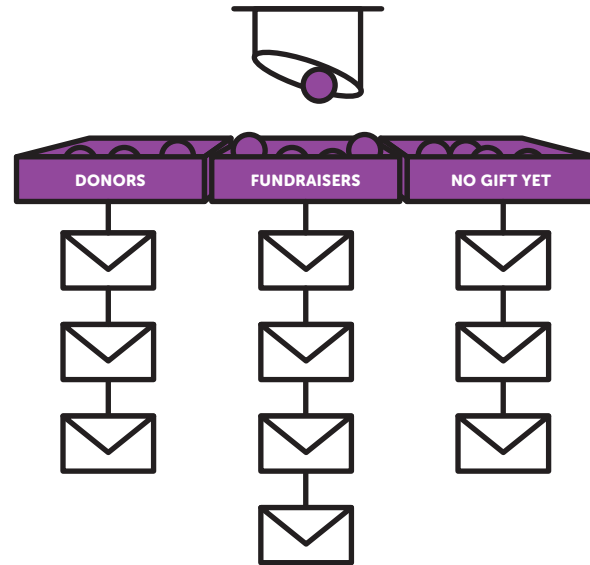
- Gave \$20 to a friend's fundraising page.
- Not very familiar with Music for Kids.

It's likely Joey will need introductory information about Music for Kids. Sending him an in-depth report on a project he's never heard of doesn't make sense. Meanwhile, Matilda shouldn't receive emails that ask her to join the monthly giving program. That could make her feel deeply unappreciated.

Make every message you send relevant and interesting by segmenting donors with different histories.

To speak more personally to your supporters, you can group them based on the actions they've taken in the past. Then, you can engage them in ways that make sense for your relationship.

To start, create just a few funnels: donors, fundraisers, and contacts who have never made a gift or fundraised for you before. If you notice your organization has a low retention rate in one group, consider making their emails your first priority.



Most Important Email Funnels

REGULAR DONORS

- **Who they are.** Donors give once, twice, or even three times a year will fall in this category. These donors are familiar with your organization but haven't committed to a monthly gift.
- **What to send.** They should receive emails that update them on the specific campaigns they have contributed to and the overall impact their dollars have made on your mission.
- **What to ask.** Give them opportunities to give again, become a recurring donor, or fundraise.

MONTHLY DONORS

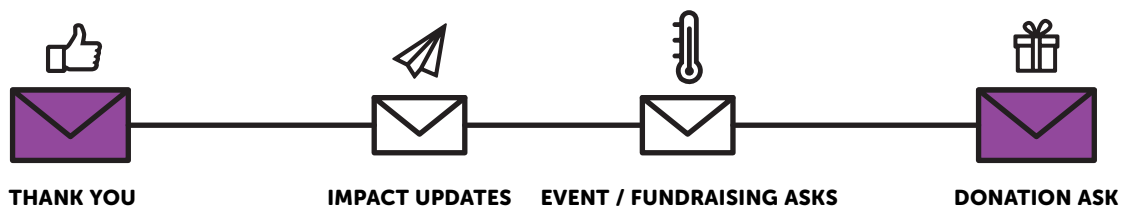
- **Who they are.** These are some of your most committed supporters and should receive regular program updates.
- **What to send.** Success stories that specifically demonstrate how their ongoing support impacts your work and constituents.
- **What to ask.** Let them know about events and peer-to-peer fundraising opportunities. Once (at most twice) a year, you can also approach them about increasing their monthly gift.

3RD PARTY DONORS

- **Who they are.** People who have donated to your organization through a peer-to-peer page (personal fundraising page). They may have done some research or they may have simply donated to support their friend.
- **What to send.** This segment of your donors probably needs a more superficial introduction to your organization. Tell them who you are, what you do, why you do it, and how their donation made a difference.
- **What to ask.** After an introductory series, you can ask them to get more involved by donating to an upcoming campaign or attending an event.

Creating an Email Series

For each segment of your donor base, set up a unique email series. The framework you create will enable you to send donors the information and appeals that strengthen their relationship with your organization.



After a donation, you must send a **thank you message**. If they are a brand new donor or third party donor, it's also a good idea to send them some introductory information about your organization.

The next email in the series should demonstrate **how their donation impacted your cause**. After that, you can communicate about **upcoming events or peer-to-peer fundraisers**. Start with softer asks that naturally lead them to get more involved.

Maintaining Your Funnels

Remember to periodically peruse your email segments to make sure your donors are in the right place. Also be on the lookout for out-of-date information.

Only after you've demonstrated impact and offered up new ways to get involved can you ask for another gift or even a monthly donation.

Creating email funnels has many benefits. They force you to understand your donor base and build special rapport with each segment of supporters. Donors will feel more appreciated and involved, and they'll be more empowered to take the next step in helping your cause.

Chapter 4

Transparency and Responsiveness

Trust is an essential part of donor retention. You must show your supporters that they can count on your organization to be open, honest, and effective. Nonprofits build trust with donors by being transparent and responsive to questions and concerns.

It helps to think of donors as investors in your organization. When someone invests in a business, they expect timely performance updates. Donors are not just donating to your cause, they're investing in it. Keep an open line of communication with them to reinforce that their investment is being used wisely and making a difference.

Financial Transparency

One of the most important aspects of transparency is openness about the financial workings of your organization. The most basic requirement of financial transparency is that nonprofits must make their 990 tax forms available to the public.

Form 990 **Return of Organization Exempt From Income Tax** OMB No. 1545-0047
Department of the Treasury Internal Revenue Service
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
▶ Do not enter social security numbers on this form as it may be made public.
▶ Information about Form 990 and its instructions is at www.irs.gov/form990.
2014
Open to Public Inspection

A For the 2014 calendar year, or tax year beginning _____, 2014, and ending _____, 20____

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization
Doing business as
Number and street (or P.O. box if mail is not delivered to street address) Room/suite
City or town, state or province, country, and ZIP or foreign postal code

D Employer identification number
E Telephone number
G Gross receipts \$

F Name and address of principal officer:
H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
If "No," attach a list. (see instructions)
H(c) Group exemption number ▶

I Tax-exempt status: 501(c)(3) 501(c) () ◀ (insert no.) 4947(a)(1) or 527

J Website: ▶

K Form of organization: Corporation Trust Association Other ▶ **L** Year of formation: **M** State of legal domicile:

Part I Summary
1 Briefly describe the organization's mission or most significant activities: _____

Include a link to your completed 990 tax form either in the footer or about us section of your website.

But simply complying with this legal standard won't necessarily be enough to win a donor's trust. Smart nonprofits make a point of showing how donations are used every step of the way.

FUND THE FIGHT

When you invest in FIGHT COLORECTAL CANCER, you're empowering a community.

This year we need more people like you willing to fund the fight by:

- Giving a monthly donation
- Starting a fundraising page
- Donating via a workplace giving program
- Making a donation in honor of a survivor or in memory of a loved one


We are making colorectal cancer a national priority. We can't do it without you!

93 CENTS OF EVERY DOLLAR DONATED GOES DIRECTLY TO COLORECTAL CANCER PROGRAMS!

2014 FINANCIAL OVERVIEW

3 EASY WAYS TO GIVE:

1. Donate online: Give.FightCRC.org
2. Mail a check: 1414 Prince St., Ste 204, Alexandria, VA 22314
3. Shop for gear at Store.FightCRC.org




2014 FINANCIAL OVERVIEW


FY14 (July 1, 2013 - June 30, 2014)

Contributions:	
Unrestricted	\$733,623
Restricted	\$611,648
Total	\$1,345,271
Product Sales	
In Kind Donations	\$63,071
Interest Income	\$118,703
Other Income	\$647
Total Revenues Combined:	\$1,529,192
Expenses:	
Management	\$34,588
Fundraising	\$53,852
Policy	\$395,073
Research	\$965,958
Awareness and Education	\$119,515


For a full list of sponsor and donor names, 990 reports and financial statements, please visit: FightColorectalCancer.org/financials

Fight Colorectal Cancer does a great job of making their finances easy to understand for donors. They clearly break down revenue sources and expenses in their annual report.





We're thrilled to announce that after two years of work with ThoughtWorks, we launched one of rural Nepal's first EMR systems.



ALEX HARSHA

But why does it really matter?

The most pressing challenge is how we teach our team to use the EMR in order to solve for the patient.

"It's an interesting shift," says Alex Harsha, researcher at Possible. "It's not just putting data down—it's learning how to utilize that data, how to synthesize it, how to look for the right things to make smarter clinical decisions."

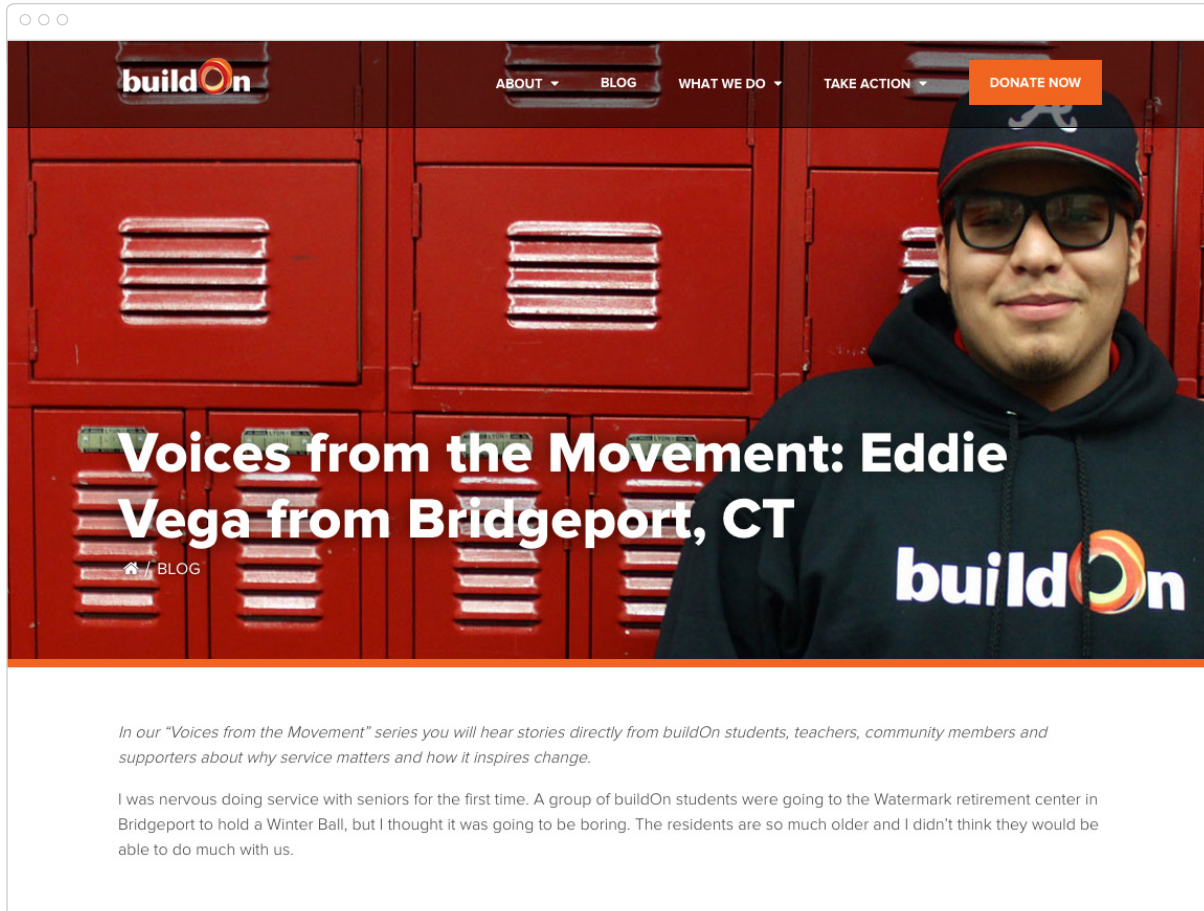
SEE OUR EMR

Impact Transparency

Transparency doesn't begin and end with dollars and cents. Communicating your program outcomes are just as important. Donors want to know where their money was spent. *Show them* the real-world impact you are creating together. This is why your impact must be incorporated into your ongoing communications with supporters.

Possible lets their supporters know about an exciting technology upgrade at their hospital.

It's important to give hard data and statistics, but don't underestimate the power of individual stories. For example, if your nonprofit provides clean water in developing countries, it makes sense to tell donors how many wells you've built and how many people gained access to this water through your work. But what people are more likely to appreciate and remember is the story of a specific family or child whose life was changed.



The image shows a screenshot of a web browser displaying a blog post. At the top, there is a navigation bar with the 'buildOn' logo on the left and menu items 'ABOUT', 'BLOG', 'WHAT WE DO', and 'TAKE ACTION' in the center. An orange 'DONATE NOW' button is on the right. The main content area features a photograph of a young man, Eddie Vega, wearing a black hoodie with the 'buildOn' logo and a baseball cap, standing in front of red school lockers. Overlaid on the photo is the title 'Voices from the Movement: Eddie Vega from Bridgeport, CT' in large white text. Below the photo, there is a sub-header 'BLOG' with a small icon. The main text of the post begins with an italicized introductory sentence: 'In our "Voices from the Movement" series you will hear stories directly from buildOn students, teachers, community members and supporters about why service matters and how it inspires change.' This is followed by the start of a paragraph: 'I was nervous doing service with seniors for the first time. A group of buildOn students were going to the Watermark retirement center in Bridgeport to hold a Winter Ball, but I thought it was going to be boring. The residents are so much older and I didn't think they would be able to do much with us.'

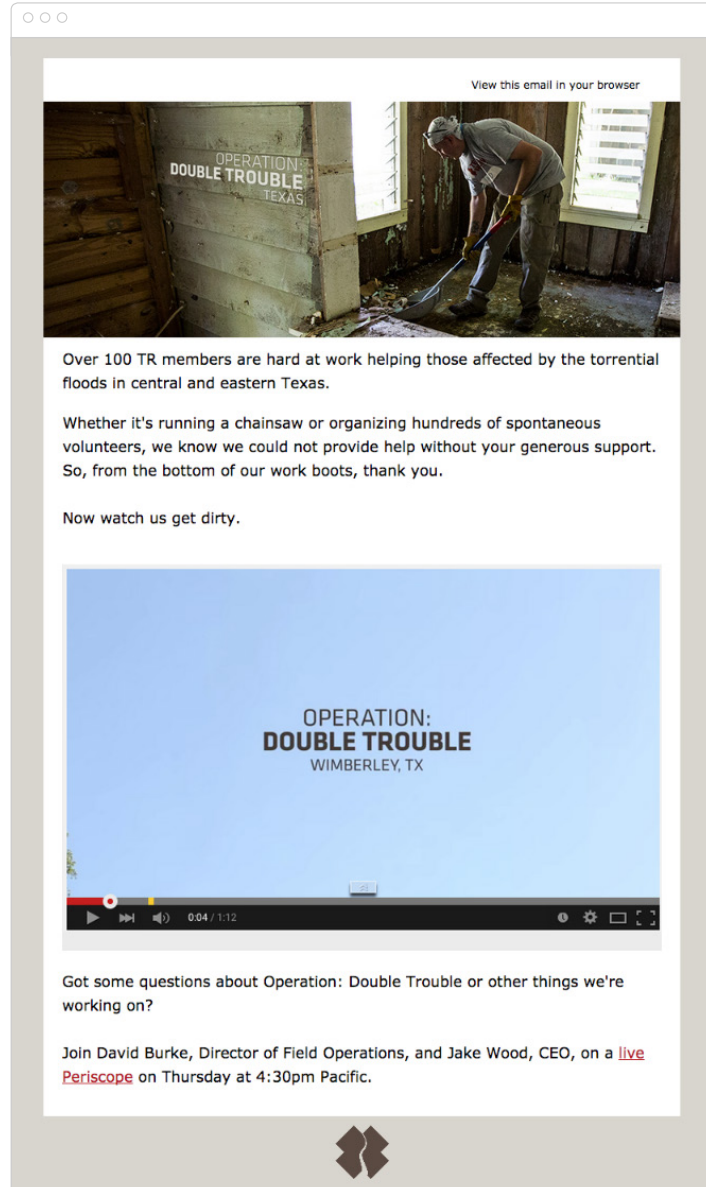
buildOn shares the experiences and stories of the high school students they mentor and support on their blog.

Also, don't be afraid to be honest about a program's failure or a setback to your mission. Donors would rather hear bad news directly from your organization than find out through the media. If you keep important details from donors, it's a surefire way to lose all their trust (and certainly their future support).


Operations Transparency

Supporters don't need to know every detail of every decision you make, but they should know your plans and how you arrive at them. For example, if you are announcing a new program, share why the organization deemed it necessary. Did you realize there was specific population you weren't serving? Did you recognize a more effective way to solve a problem?

Donors definitely want to know what your organization is up to, but you can really strengthen your relationship with them by telling them the reasons behind your work. It not only shows that you consider them a part of the organization, but that you respect their views and understanding of the mission.



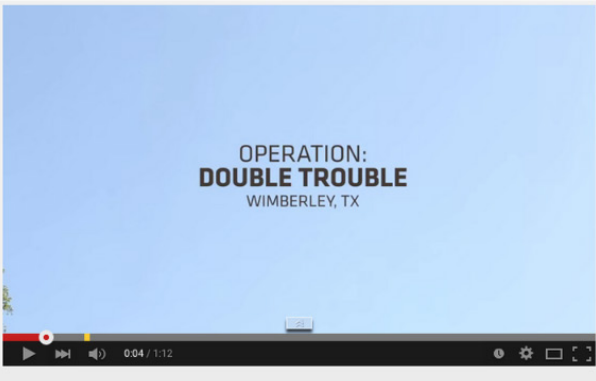
View this email in your browser



Over 100 TR members are hard at work helping those affected by the torrential floods in central and eastern Texas.


Whether it's running a chainsaw or organizing hundreds of spontaneous volunteers, we know we could not provide help without your generous support. So, from the bottom of our work boots, thank you.

Now watch us get dirty.



Got some questions about Operation: Double Trouble or other things we're working on?

Join David Burke, Director of Field Operations, and Jake Wood, CEO, on a [live Periscope](#) on Thursday at 4:30pm Pacific.



In an email updating supporters on one of their missions, Team Rubicon signed off by inviting readers to join a video conference with their Director of Field Operations and CEO.

Accepting Donor Input

Just like any conversation, listening is exceptionally important.

When someone invests in an organization or company, they need to feel like their voice matters. To retain donors, nonprofits must be available and responsive. Part of this is simply giving donors the opportunity to get in touch. The most common ways donors communicate with nonprofits are by email, phone, and via social media.

EMAILS

When you send donors a thank you or update, what email account does it come from? Is it from *Jenny* jmorales@example.org or *[NO REPLY]* no-reply@example.org?

One sender tells donors that a real person is communicating with them, the other says they are receiving a form letter from an account they shouldn't even try to respond to.

This is why all your communications should include a signature from a staff member and their contact information. It can still be a catch-all email account, but let them know that there is a real person on the other end.

Emails should be answered as soon as possible, but at minimum you should respond within 24 hours. Even if you don't have the answer to their question then, let them know you've received their email and are looking into it.

PHONE

Most donors probably won't call you on the phone, but include a contact number in your communications to convey that you are available to them. If possible, they should be given the number of someone who works in donor relations.

All staff members should answer the phone politely, and it doesn't hurt to add an extra thank you if the caller mentions being a donor.

“ *Animal Sanctuary of Riverdale, this is Kyle. How can I help you?*”

Voicemails, like emails, should be returned within 24 hours or less.

SOCIAL MEDIA

Social media is a great opportunity to connect with supporters and get a sense of what interests them. You can also easily ask questions and get their thoughts. Among announcements, appeals, and fun posts, work in the occasional question to start a conversation.



Heifer International asked their Facebook followers to help them choose the name of a newborn goat on their farm.

Supporters can also easily ask questions or leave a comment. Be responsive by answering, liking, and sharing their posts. It shows that supporters' input is not only noticed, but also appreciated. Social media moves fast, however, so make sure you keep an eye on your notifications.



Bright Pink responds to a supporter who tweeted to promote their upcoming event.

Trust is Ongoing

To keep donors coming back, you need to nurture the relationship. Like any other relationship, trust is built through effective communication. Show donors what happens with the money they give and invite them to get in touch. The tricky thing about trust is that it takes a long time to build up and can be destroyed in an instant. Honesty and responsiveness must be everyday practices at your organization.

Chapter 5

Donor Appreciation and Delight

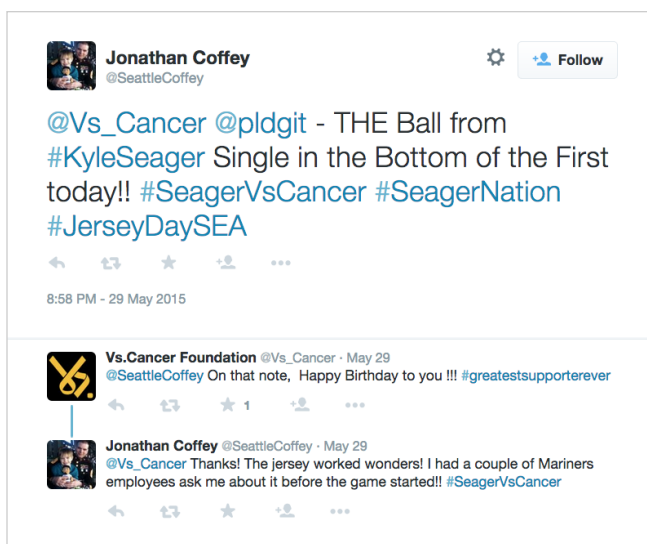
Communicate, listen, and give donors what they want to ensure they're happy. The biggest key to improving donor retention, however, is delight. By surprising and celebrating your donors, you can keep their passion for your cause alive.

If you really want donors to continue to give and support your work, you must also inspire them.



Go the Extra Mile

One way to delight your donors and keep your relationship strong is to go above and beyond their expectations. Give them a truly special thank you message and turn a donation into a heart-warming experience. While every donor should be thanked promptly and sincerely, you can really blow them away with a personalized or handwritten letter or a phone call.



An extra special thank you lets donors know that you don't take their support for granted. Even when donors know their money is going to a good cause, it helps to be acknowledged and shown they're not just another name in your database.

Vs. Cancer not only responds to a stellar supporter's tweet, but also includes a Happy Birthday greeting.

Make Their Day With Awesome Content

Not everything you send donors should be a thank you or an appeal. Share the little moments and big triumphs with blog posts, videos, social media, and pictures. You had to illustrate the problems you face when you asked for their gift, now show them the joy of solving them.

Some of the best types of content to share with donors to keep them engaged and excited are:

- **Individual stories**
- **Content that shows the scope of your impact**
- **Content explaining something innovative about your work**
- **Stories that make them smile**

One great example is an email that charity: water sent to their supporters. The subject was "Three campaigns that will make your day." These heartwarming stories remind donors that they are part of a worldwide movement of individuals taking action.



"I know I can / Be what I want to be"



"If I work hard at it"



"I'll be where I want to be!"

Shining Hope for Communities, a nonprofit that educates girls in the slums of Nairobi, Kenya made an incredible music video featuring their students singing an empowering song.

[▶ See the Video](#)

Special Events and Access

A great option to consider for donor retention is to host occasional donor appreciation events. Whether it's a small group tour of your program facility, a luncheon, or an inspiring impact presentation, inviting donors to a special event makes them feel like an integral part of your team.

Donor appreciation events don't have to be stuffy affairs. You can host a happy hour at a local bar or a potluck picnic. The goal is to give your donors a little extra attention while keeping it manageable for you and fun for them.



Special access is another way of showing donors they are part of your inner circle. You can start the soft launch of a fundraising campaign with existing donors and let them know that you wanted them to be the first to know. You can also send exclusive updates and content just for donors.

Like sending your spouse flowers “just because,” you can strengthen your relationship with donors by giving them a little something extra. Saying “thank you” and sending regular updates are a must, but to retain donors, you should also make a more personal impression, send them your very best content, and invite them for an exclusive look at your work.

Soft Launch

A soft launch comes before the official public launch of your fundraising campaign. Nonprofits can reach out to their most devoted supporters first to get momentum before opening the campaign to everyone.

Conclusion

Taking the time to strengthen your nonprofit's donor retention is a worthwhile endeavor for any organization. It's a cost-effective way to foster a donor base that is continually growing and engaging further.

By recognizing what donors want from the organizations they give to, you can leave them satisfied and eager to do more. You can streamline the process and provide more personal communications with segmented email funnels. Finally, keep donors on your side by maintaining a high level of transparency and responsiveness and sending them content that makes their day.

We hope you've learned a lot from the Donor Retention Handbook! If you want to learn more, give us a call or check out our [fundraising resources](#).

Classy



Are your
donors
monthly
givers?

Join the Classy team and the unstoppable nonprofit, Kindred Image, as they dive into the how and why of running a successful recurring giving program.

[Watch the Webinar →](#)