YOUR DONOR RETENTION TOOLKIT

By Pamela Grow

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MEET THE AUTHOR

Pamela Grow has raised hundreds of millions through her consultancy, weekly Grow Report e-newsletter, donor-focused Basics & More online trainings, and Simple Development Systems coaching program. Pam's ultimate goal is to provide "law of attraction" fundraising training to small nonprofit organizations — at prices they can afford.

A pioneer in creating online training for nonprofit professionals, Pamela created both the first online nonprofit storytelling class in 2010, and the first online nonprofit stewardship training. Partnering with Chris Davenport of the Nonprofit Storytelling Conference, she created the landmark program, 100 Donors in 90 Days and The Donor Retention Project. In 2016, Pam developed the processes, curriculum, branding, and launch for the Veritus Group's Major Gift Academy, the seminal online training for nonprofit major gift officers.

In 2010, Pamela was named one of the 50 Most Influential Fundraisers by Civil Society magazine, and in 2016, she was named one of the Top 25 Fundraising Experts by the Michael Chatman Giving Show. Her blog, PamelaGrow.com was named one of 25 Must-Read Nonprofit IT Blogs 2016. More recently, her blog came in at #2 on the Top 75 Fundraising Websites and Blogs for Fundraisers.

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INTRODUCTION

If you've been in the field of nonprofit fundraising for any length of time, there's no doubt that you've already heard about the importance of donor retention.

But why is donor retention such a critical area of concern?

To put it as simply as possible, imagine that you've just opened a pizzeria in your community. You've dreamed of running a pizza shop and making pizzas your family's way, and now it's happened. You start out with real promise. Customers flood into your shop for weeks.

The only problem is, they never return to buy a second pie.

It wouldn't be too long before you were out of business.

Customer loyalty is the holy grail of business. It's why Starbucks spends $1,400 to acquire customers who start off by spending $4.25 for a Caramel Frappuccino®.

Amazon knows that loyalty is vital. With over 90 million Prime members each paying $119 a year, they've already generated nearly $9 billion in revenue before those customers even buy a product.

And donor loyalty is the holy grail of fundraising.

Did you know that the cost of bringing in new donors can easily run 50% to 100% more than the dollars collected from them? By focusing your efforts on retention, you're actually saving on fundraising costs.

Practicing retention fundraising is, quite possibly, the smartest thing you can do for the long-term health and sustainability of your organization.

Loyal donors will, in time, become major donors. Today's $1,000 gift given by the CEO's friend (who disappears once your CEO has been fired by the board) has nothing on that loyal donor who has given $50 a month every month for the past 10 years. Lifetime donors become monthly donors. Lifetime donors leave bequests. Lifetime donors tell their friends and family about the work your organization is doing.

Not convinced yet?

In his timely little book, The *Zen of Fundraising*, the godfather of relationship fundraising, Ken Burnett, tells the story of a postgraduate student who undertook some research into major donors' attitudes toward bequest giving. The student identified meaningful long-time donors, who had already made the decision to leave a legacy gift, and sent them questionnaires.

One question that was asked of donors was whether they had notified the nonprofit of their choice that a bequest gift was coming. The answers were nearly universal. No.

The reason why? As one donor wrote, "May change mind."

Your job, as a fundraising professional, is to take your donor on a journey from first gift…to lifetime. In *Your Donor Retention Toolkit*, you'll discover why retention is so vital to your organization's health, how to create the systems that inspire your donor to give again, and how to foster lifetime relationships with your supporters.

Let's get started.

WHAT DO YOU REALLY NEED TO MEASURE?

The first two questions I ask nonprofit organizations in training sessions are:

- Do you know your donor retention rate?
- Do you have a planned giving program?

You see, the answers to those two questions tell me a lot about how the organization views their future. Unfortunately, nine times out of ten the answer to both questions is *no.*

How many of your donors are falling through the cracks?

At its most basic, donor retention is a measure of how many donors return to donate to your organization again. To calculate your overall donor retention rate, first add up the number of donors who gave to you in one 12-month period AND then add up the number of donors from that same group who made a donation in the following year. Then, divide year two by year one.

Got that? Your next step will be to break down your donor retention rates by segments.

For example:

- If events-based fundraising plays a big role in your organization's fundraising, how are you retaining those ticket buyers and converting them into donors?
- What are your monthly donor retention rates?
- What are the retention rates of your first-time donors?
- What are the retention rates of your online or Giving Tuesday donors?
- Are there ANY apparent factors that are common to your "high retention" donors (those who give repeatedly from year to year)?

When you can break down your organization's donor retention rates by segment, you can start to develop your internal systems to retain those donors.

Are You Keeping Tabs on the Metrics that Matter Most?

Every great fundraising strategy starts with consistent, reliable reporting.

Constituent reporting provides a goldmine of information to help you cultivate donations and retain donors. These reports can pull from all constituent-related transaction fields (donors, pledges, fundraising campaign response rates, etc.) and help identify trends among your constituents.

Are you set up for success with a fundraising CRM (Customer Relationship Management) system that helps you delve into your donor data? DonorPerfect fundraising software is designed to equip nonprofit professionals with reports they can run right from their dashboard. Its comprehensive reports provide both summaries and detail on gift and pledge history - identifying trends for you.

The Association of Fundraising Professionals' (AFP) Fundraising Effectiveness Project analyzes giving behavior from over 154 million donations, totaling more than $68 billion. It's an invaluable resource for fundraisers like you to know where the overall sector stands — and how your nonprofit measures up. DonorPerfect participates in this project by offering a report named AFP-FEP that compares an organization's increase and decrease in new, upgraded, recaptured, downgraded and lapsed donors with that of other nonprofits.

What Your Donors Really Want

What do charitable donors really want? Penelope Burk, an expert in donor behavior and founder of the annual *Burk Donor Survey* has laid it out repeatedly, year after year.

Donors want:

Acknowledgement that the gift was received and that you were pleased to get it. Private, direct, one-on-one communication is best. 92% of donors surveyed said that acknowledgement is critically important.

Assurance that the gift was "set to work" as intended. Give donors confidence that the project to which the gift was directed had/is having the desired effect.

IT'S TIME TO REWRITE YOUR THANK YOU LETTERS

"Begin at the beginning," the King said gravely, "and go till you come to the end; then stop."

--Lewis Carroll (*Alice's Adventures in Wonderland*)

Your thank you letter and/or thank you email provides the perfect opportunity to take the donor relationship further. Doesn't it pay to get yours right?

Whether you're a new or established organization, you'll want to begin creating letters for every type of gift eventually imaginable.

Review your thank you letters on a quarterly basis and update them with the latest stories, accomplishments and donor testimonials.

Create thank you letters for:

- Annual fund donations
- In-kind donations
- Board gifts
- Bequest gifts
- In-memoriam gifts
- Foundation grants
- Initial monthly gifts
- Direct mail
- Long-time donor loyalty
- Corporate sponsorship

I also keep a desktop "swipe" file on my computer, one that includes choice letters, stories, inspiring paragraphs - whatever helps to stimulate the creative thought processes. When so much of fundraising involves "rinse and repeat," it's easy to get bored and feel as though you're writing the same thing over and over and over again. But remember, gratitude never gets old - and heartfelt stories are always new to your donor. Be fresh. Make your thank you letters original. Humanize your language. Have fun!

The 10 Components of an Ideal Thank You Letter

1. Joy. You want, first and foremost, to make the reader - the donor, your friend, your supporter - experience a genuine sense of joy when they open your letter.

Envision a working mother arriving home early from the office after stopping by the sitter's to pick up her sick three-year-old. She's just listened to 50 minutes of the news on her commute home, all the while worrying about her daughter's fever and frustrated over the time it's taking to reach her. Daughter falls asleep in the car on the way home and, after tucking her baby into bed, the exhausted mom settles in with

her mail, off her feet for the first time in hours. Bills, circulars, and your thank you letter complete her pile. The mother, your donor, opens your envelope and reads:

You're creating miracles!

Every day, thanks to your support of XYZ organization, a lonely, homebound senior will receive the gift of food and friendship…

Suddenly, your donor is a hero. You've let her know that she's making your work possible. Somehow, her life seems a little less exhausting than it did a mere 15 minutes ago.

2. Speed is of the essence. You must get your thank you letters out within the first 48 hours. What internal systems can you put into place to ensure promptness? Thirty minutes daily every morning thanking donors? Create an unbreakable plan that works for your organization.

3. Personalize. Your thank you letter should be personalized. These days there is absolutely no excuse for the "Dear Friend" letter.

4. You should reference the amount in the body of the letter. Include the date of the gift as well, for tax receipt purposes.

5. Reference what the gift was towards. Was it an in-memoriam gift? An annual appeal gift? A matching gift appeal? A foundation grant?

6. Is the donor's past giving acknowledged? If a donor has given every year for the past seven years, you'll want to be sure to let them know how much their continued support means to you.

7. Tax deductible language can be printed in an italic, 8 to 10 point font, centered, below the signature and P.S.

8. Don't forget your P.S. The P.S. can be used to drive donors to something new, like your Facebook page or a new Twitter account, for example. Perhaps a new blog on your site or your new e-newsletter.

9. Point the reader in the direction of a contact person in your offices. "If you have any questions or you'd like to stop by and tour our facilities, please call Mary Ann Development at 555.555.0055."

10. Don't ask for a second gift. There are various schools of thought on whether an organization should have what's known as a "soft ask" in a donor thank you letter. Consider including a reply envelope as a courtesy to your donor.

SEND AN "IDEAL" THANK YOU EVERY TIME WITH NONPROFIT FUNDRAISING SOFTWARE

The way you thank donors is directly connected to donor retention. But with everything that's on your plate, keeping up with timely, personalized thank yous is no easy task.

Fortunately, fundraising software like DonorPerfect is designed to help you let donors know how much their gifts mean to you the moment they give a gift by enabling you to:

1. Acknowledge gifts promptly

When a donor gives through one of DonorPerfect's online forms, you can set up your system to automatically send a thank you email the moment they send a gift. For letters, DonorPerfect will notify you via alert that there are donors to be thanked as soon as the gift data is entered.

2. Personalize thank yous

Sync thank you letters with donor information using the fields within your system to automatically add the donor's name, address, gift amount, and more.

3. Show the impact of the gift

DonorPerfect's thank you emails can be customized with your organization's logo, image, banner, signature, or other graphic of your choice. Images of your organization's efforts speak volumes.

4. Organize thank you letters

Store all of your thank you letters in DonorPerfect. When it's time to evaluate and update them, you'll know exactly where they are and can review them in a snap.

5. Save time on data entry

When a gift is processed online, donor and gift information flows directly into your DonorPerfect system, eliminating double data entry and the chance for errors.

COMMUNICATE WHAT YOUR DONORS MAKE POSSIBLE

Remember Burk's third mantra?

"Confidence that the project or program to which the gift was directed had/is having the desired effect."

But don't think of reporting impact as some deadly, dull chore. In our trainings, we teach students to use their donor communications to "Inspire and Delight." Both of these feelings are at the heart of solid, revenue-generating nonprofit communications, and they drive donors to double down on their support.

But what exactly does "Inspire and Delight" in donor communications look like? How does it take shape?

Donor retention expert, Lisa Sargent, notes that, when done well, the three best methods of accomplishment reporting are:

1. the thank-you call

2. the thank-you letter

3. the direct mail donor newsletter

We've found in our own trainings that the lowly printed newsletter is an excellent addition to your donor retention systems — provided they're done right.

Our students are not only succeeding at stewarding donors through their newsletters, they're raising money too!

BEGIN AND END WITH SYSTEMS THINKING

If you were around in the 80's, chances are you remember Van Halen. Known for their crazy antics, loud music, Eddie Van Halen's masterful guitar tracks, and the wild and woolly David Lee Roth, Van Halen achieved worldwide fame. According to Chip and Dan Heath, in their book, Decisive: ***How to Make Better Choices in Life and Work***, Van Halen and their crew "lived in fear that the venues' stagehands would screw up something and leave the band exposed to injury." But given their crazy touring schedule, there was rarely time to do a thorough quality check at every venue.

"The most egregious rumor about the band was that its contract rider demanded a bowl of M&Ms backstage - with all the brown ones removed. There were tales of Roth walking backstage, spotting a single brown M&M, and freaking out, trashing the dressing room."

But did Van Halen make outrageous demands simply because they could?

As it turns out, there was a method behind the madness, and it accounted for much more than pure rock star egomania.

If brown M&M's appeared backstage, chances were good that the contract itself had neither been fully read, nor fully executed. Any technical error in such a highly technical show could spell serious injury. Brown M&M's were the band's tripwire...and David Lee Roth was, in his own way, an operations genius.

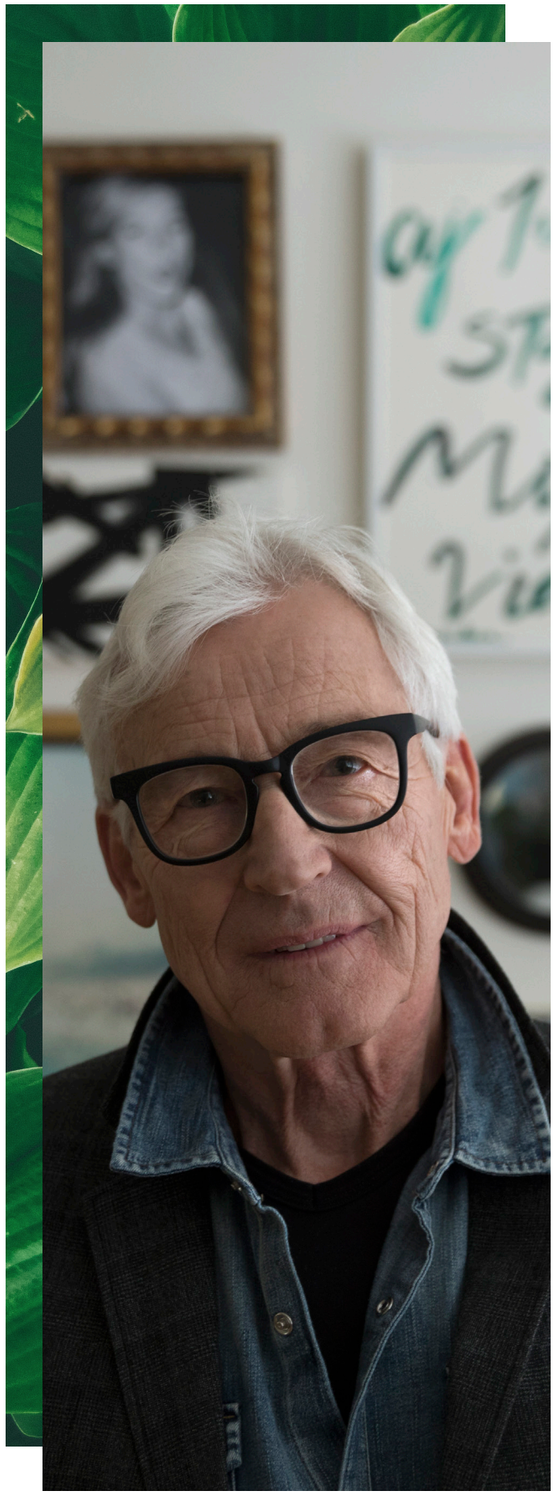
Going forward, think of your donor stewardship systems as your organization's tripwire. You must act as if your organization's future depends upon it.

Because it does.

Donor retention, donor loyalty, donor love...this is what leads to your monthly donors, your major donors, your bequest donors, your capital campaign donors - in short, your organization's sustainable funding.

Get your systems right and you'll be surprised at how easily everything else falls into place.

Distractions abound in our sector. We're constantly being tempted



by yet another *free* webinar or by claims of organizations that have raised $10k on Facebook. We're on an endless search for *new donors*.

Daily, when I speak and email with nonprofit organizations all over the world, I get the sensation that they're running and running and running and never catching up. Putting the systems in place to retain your first-time donors, your monthly donors, your mid-level donors, your event donors, and more will get you off the hamster wheel, once and for all.

Many fundraisers are calling for a "back to basics" approach.

Developing systems that frame your fundraising efforts will provide you with genuine clarity and structure.

And when we apply this *systems* thinking, what do we know about nonprofit fundraising? What is absolute fact?

Donor retention is in the toilet. The latest Fundraising Effectiveness Project shows donor retention for the sector hovering at around 46%.

So at their most basic, how do your donor retention systems work? Think in terms of the simple Ask, Thank,

Report, and Repeat model.

- Your ask comes in the form of a fundraising appeal letter or email. Or perhaps a face-to-face ask.
- Followed immediately by your thank you in the form of a letter, an email, a call, or all three. And you can **adjust** and tweak your systems for the best results.
- But the number one thing that the best fundraising systems have is their **donor - front and center of their fundraising efforts.**

What kinds of donor retention systems will you need?

When you begin breaking down your donor base into segments, you'll see that each segment comes with its own challenges.

For example, how do you steward and retain your monthly donors? You'll want to keep them enthused and informed about the great work their support is accomplishing. Sending out the same email every month doesn't really do that does it? Don't stop communicating. Instead, think of how you can repurpose stories,

thank creatively, and let your donor know how much you value their commitment.

Think about reporting with a *just because* thank you. SmartActions© within DonorPerfect allow you to send an automated email to anyone within your organization. You can use them to notify your director of a new, first-time donor or perhaps a large gift amount, prompting the director to reach out to the donor with a personal phone call to thank them.

How are you stewarding your event donors? If you're only sending out the tax deductible language receipt, you're doing your organization a disservice. Make a plan to transition those ticket buyers into donors. It might be as simple as following up with a thank you and a survey about the event. A few weeks later, include an impact update on exactly what your ticket buyer's donation helped provide.

DonorPerfect includes a free mobile app that allows you to process payments onsite, at your events. Why not include, in the receipt, an invitation to learn more about your organization and sign up for your newsletter?

What does your first-time donor retention rate look like? Create your internal systems to steward first-time donors with an eye to the next gift. For a template on creating your organization's first time donor experience, check out the resources of this guide.

Make it easy for your first-time donors to become monthly donors - and don't be afraid to ask! DonorPerfect's online forms give your donors the option to donate on a monthly basis, and they offer you the ability to process each payment, thereafter, automatically.

You get the idea. The more you can drill down your donor base into segments, the better you'll be able to plan out your retention systems.

YOUR INTERNAL AUDIT, A.K.A. "MAPPING OUT THE DONOR EXPERIENCE"

"Start with the end in mind. "

- Stephen R. Covey

Years ago, I worked for a mid-sized nonprofit organization as their stewardship coordinator. Since my job involved ensuring the satisfaction of our donors, I questioned the technology consultant, who was overseeing a merger, about the fact that thank you's were falling through the cracks. Her response was coldly dismissive:

"It's been our experience that donors are lucky to get a postcard."

Crash and burn. It's one of the biggest challenges facing our sector.

To this day, I begin every single new client assessment with the end in mind. Rather than requesting a printout of the organization's top 50 donors, I make a donation to the organization. Why? Because it informs me about the organization's back-end systems. I'll often give this assignment to the ED or board president as well: make an online donation and map out the process. Nine times out of ten they come back to me, embarrassed about the entire transaction.

What steps does your organization take when a new donor gives for the first time? What happens when a donor fills in your online donation form? How about event attendees. Are they getting a follow-up?

When you take the time to actually map out what your donors experience, following a gift to your organization, you'll be in a better place to ensure that they're getting the kind of experience that makes them a repeat donor.

Do your best with the resources and technology you have. The time to begin is now.

Are you making it a practice to regularly map out the donor's experience when they make a gift to your organization?

There's no mystery about great fundraising. Smart fundraisers create a plan — and work that plan.

Brilliant fundraisers keep donor retention front and center and develop internal systems for donor service.

When a colleague calls to tell you that she's just raised x number of dollars using a cool new tool or a board member wants to start a "signature" event, or your ED is balking at your plans to implement board member thank you calls, or another board member is suggesting that your organization check out Amazon Smile, take a good, hard look at your donor retention rates. Because the success of your individual giving plan — of your monthly giving program, of your major gifts program, of your planned giving program — depends on it.

Thank you! For tracking the metrics that matter, for getting the donor journey right, and for caring so very much. Every day you're creating a brighter world.

EXAMPLE DONOR TIMELINE

WEEK 1
SHOW GRATITUDE
Send your donors the thank you letter.
***Bonus Points:** Donor thank you phone call.

WEEK 3-6
WELCOME PACK
Send your donors the welcome pack.
***Bonus Points:** Include a soft ask & short survey.

MONTH 3
SHOW IMPACT
Send your donors the impact report.
***Bonus Points:** Donor thank you phone call.

MONTH 4
ASK
Monthly giving ask, appeal to donors.
***Bonus Points:** Hand written sticky note.

MONTH 5
APPRECIATION
Tell your donors thank you, just because.

MONTH 6
SHOW IMPACT
Send donors an annual report.
***Bonus Points:** Make it a gratitude report.

MONTH 7
HOW CAN I HELP?
Petition, increase donor engagement.

MONTH 8
ASK
Send donors appeal letter, online campaign
***Bonus Points:** Include an engagement piece.

MONTH 9
GIVE US FEEDBACK
Send a donor support survey.
***Bonus Points:** Don't forget to follow up.

MONTH 10
APPRECIATION
Send the Dave Donor Letter.

MONTH 11
ASK
Send your donors the year-end integrated campaign.
***Bonus Points:** Add an engagement piece.

MONTH 12
GRATITUDE
Send your donors a thank you letter.
***Bonus Points:** A phone call or hand written note.

«date»

LOGO

«title» «first_name» «last_name»
«prof_title»
«address»
«address2»
«city», «state» «zip»

Dear «first_name»,

Opening sentence/headline/paragraph. Make your donors feel the love!
Example: "Your generosity will create incredible change."
"Thank you for inspiring all of us here at [ORGANIZATION] with your thoughtfulness and generosity."
"Because of you, a dog destined to die in a shelter now has a forever home with a loving family."

Thank you! Do you need to thank your donor for something specific? Have they made an "in memoriam" gift, responded to an emergency appeal or capital campaign gift? Reference the amount. Acknowledge any special instructions or previous gifts.
Example: Your gift of «amount» in memory of «tribute_name» is truly appreciated.

Show the impact of the donor's gift. Be sure to tie the impact back to the original appeal.
Example: Thanks to you, Destiny will be the first in her family to graduate from college.

How will you be in touch in the future? Include a contact.
Example: If you'd like to stop in for a tour of our new kitchens, give Mary Q. Development a call at 555.555.5555 – we'd love to get your feedback!

Say thank you again.
Closing: In gratitude,

P.S. Thank them again… or use your P.S. for further engagement – Sample: There's a new video online with a message just for you. Check it out at www.xyz.org.

A CHECKLIST FOR STEWARDSHIP

- ☐ Is your thank you letter mailed within 48 hours of receiving a gift?
- ☐ What procedures can you put into place to make that happen?
- ☐ Do you have a personalized automated thank you email (not a receipt) in place?
- ☐ Are you (and your board and ED) calling donors regularly?
- ☐ Are you showering your donors with joy?
- ☐ Did you reference the gift amount in the body of the letter?
- ☐ Did you use the word "you" more often than "I" or "we"?
- ☐ If they're new, did you welcome them to your nonprofit's family?
- ☐ Is your letter personalized?
- ☐ Did you let the donor know when they'll hear from you?
- ☐ Did you say thank you more than once?
- ☐ Is your thank you letter hand-signed?
- ☐ Did you include the contact information for a key staff person?
- ☐ Did you include a P.S.?

ABOUT DONORPERFECT

DonorPerfect gives you all the tools you need to engage, inspire, and retain your donors. Designed to help your organization grow, DonorPerfect's core CRM system expands to incorporate growth tracks that support fundraising and donor management initiatives like online fundraising, donor engagement, fundraising events, donor retention, and more. From online giving solutions with integrated payment processing to email and mobile marketing tools to highly customizable reporting, DonorPerfect empowers your team to work better together on a single platform, learn what makes your donors move, and most importantly, cultivate the relationships that will make your mission a reality.

Learn more and register for a product demo at

donorperfect.com

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