

**A03. Fundraising Metrics  
and How to Use Them**

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# Development for Conservation

## Fundraising Metrics and How to Use Them

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**David Allen, Development for Conservation**



**DEVELOPMENT  
FOR  
CONSERVATION**

## **On Fundraising Metrics, Data, Information, Science, and How We Use Them**

*Represented from the First Thing Tuesday Blog by David Allen, *Development for Conservation**

I am and have been particularly interested in learning more about what we in the land trust community measure in fundraising and how we use that information to make decisions.

What I am learning is mostly disappointing.

In particular, I have drawn two conclusions. The first is that we collect a lot of data and not a lot of information. The second is that as much as we pride ourselves using science in our mission work, we do not use science in our operating environment, and particularly not in Fundraising.

**We collect a lot of data but not a lot of information.** For example, we count how many new members join every year, but we don't track where they came from. We know how many people "like" our Facebook page, and we know the open rate for our eNews, but we don't know whether or how either is related to giving. We know what our average gift is, but we don't know whether it's trending up or down or why.

Many of us have goals related to increasing membership to a specific number or by a specific percentage, but they are stuck out there with no strategies attached. The number of members we have is related to the relationship of our attrition (renewal rate) and our recruitment. Are we gaining more than we are losing? We can increase our membership by improving either or both of those numbers. But beyond that, we don't have a clue about what to do or what will actually move either of those needles. Or even if what we're doing now will scale. Or what scaling will cost.

Will we have enough money every year to operationalize our Strategic Plan? Who knows?

The bottom line from my research to date is this: We don't use data to make decisions about fundraising. Now admittedly my sample size is limited, and admittedly there are exceptions and exceptional organizations out there. But very few compared to the size of the land trust community.

Most of us are far more likely to add some arbitrary riser (like plus 5%) to last year's budget numbers and *limit our ambition* to that projection, than we are to actually consider what might be needed. Or proactively employ proven strategies designed to get us to bigger numbers, much less make the necessary investment.

Worse in some ways is that we fudge data to make us look better. For example, we aren't honest about how much fundraising events cost. We don't include the value of in-kind contributions on the expense side. We under-count staff time or don't include that cost at all. And we don't include the fulfillment costs of auction items. (And don't even get me started on the opportunity cost of not spending that same time on activities with more significant ROI.)

Here's another example: we count members (and calculate renewal rates) as anyone who has given in the last 15 months – sometimes 18, and sometimes 24 – instead of 12. The reason to count members and calculate renewal rates is to project income. Because we don't budget on a 15-month or 18-month basis, these data points are useless. Or we somehow consider members differently than memberships or households. The number of voting adults in a household is only important if each one of them is writing checks.

**My second finding is that we are reluctant to use science in our fundraising operating environment.** This seems ironic for science-based organizations. Science reminds us that the systems at play in our universe are dynamic – always changing. Science reminds us that we are at our most vulnerable when we charge ahead with conviction born of certainty – in the wrong direction. Science reminds us that often what we accept as fact is only theory – and theories need to be constantly challenged and tested.

For example, we embed color photographs in our fundraising letters, but we've never actually questioned whether this will help us raise more money. (It doesn't.)

We prioritize asking Board members to write notes on letters, but we don't actually track whether or not this works. (It does, but signing the outside of the envelopes and making phone calls are both more effective.) Plus, most of the time it's random – we don't track the notes or ask each Board member to write to the same people each year.

We reach for matching gifts under the assumption that having a matching gift available will help drive increased giving, but we actually don't know that. (It does.)

And we don't know whether the amount of the match matters – 1:1, 2:1, 5:1, 1:2. (It doesn't matter.)

And it never occurs to us to ask whether there is a downside. (There is some evidence that training donors to expect their gifts to be matched actually depresses long-term giving.)

But don't take my word for all this. Be a Scientist! Test it!

A Scientist would start with one of these theories, review the published data that is available related to it, and set up an experiment to test whether it's accurate. A Scientist would make a living by being curious about whether there's a more effective way.

What questions are you asking of your data? Here are a few of mine:

- If I didn't change any of my fundraising strategies, but instead kept doing exactly what I am doing now, how much money would I make next year? How much would I make five years from now? Am I doing enough to meet the goals of my Strategic Plan? If not, what else could I be doing? Or better yet, what should I NOT do, moving forward, to make room for something that might have better promise?
- Are my current strategies sustainable? Are they vulnerable? Are they scalable if I need to make more money?
- If I took one of my strategies and doubled it, would I double my net revenue from that activity? What about ten times? What about for each of my strategies?
- Does out-sourcing make sense?
- Am I spending *enough* money on Fundraising?

What information can I gather that might help me answer these questions?

OK, so let's talk about Fundraising Metrics. What is a **Metric?**

Quite simply, a metric is something that changes.

- It's something that is created – it exists when once it did not.
- Or it's something that is erased – it does not exist when once it did.
- Or it's something that increases or decreases over time – a needle that moves.

We want to understand metrics for two reasons: because we want to predict what might happen in the future, and because we want to influence or even control what happens.

And let's talk about **Source Codes**

You should know where your donors come from. Mailings to your "house file"? Direct mail to purchased or traded lists? Events? Tabling? Field trips? Volunteer activities? Social media? Board member gifts? Brochures?

The most useful mechanism for keeping track of all this is Source Codes. When people stop by your booth at the Farmer's Market and give \$35 for a membership, you should attach a source code to their membership that tells people from now to eternity that that particular donor came from tabling at the Farmer's Market in a particular month of a particular year. When you mail to someone whose name you got from the Audubon Society's list, you should attach a source code to their membership that tells people from now to eternity that that particular donor came from a mailing to the Audubon list.

Note that this particular source code should be attached to the individual donor's record as well as to the gift record. There may in fact be other source codes that you attach to other gifts, but this is their first gift, and it's different.

So with that as a starting place, I want to offer you Five Metrics that Matter in Fundraising. I'm not suggesting that these are the only metrics – just that these five will help you *a lot* because they give you a lot of *information*. And I believe they will make a difference for most land trusts if we are willing to 1) continually challenge theories (even those involving sacred cows of fundraising), 2) conduct experiments and gather data faithfully, as scientists would, and 3) make decisions based on the information they get back.

### **Metric #1 – Cost of acquiring a donor and cost of acquiring a first renewal.**

#### What to count and how to count it

Each thing that you do to find and recruit new donors has costs associated with it – design, printing, postage, consulting, transportation, premiums for joining (and fulfillment!), paid ads, event venues, and so on.

Add up all the costs and divide into the number of donors that were recruited from that particular activity.

And then take this one step further and divide these same costs into the number of first renewals you have a year later.

Should you include staff time? – absolutely, but it might become a second calculation altogether. So the cost associated with recruiting new members might be expressed as \$\$\$ plus ## hours of time.

#### What can this tell you?

Cost of acquiring new donors can help you in three ways:

- If you have a goal of acquiring a specific number of new donors, this metric can help you budget appropriately to be successful;
- If you have a specific amount of money to spend on donor recruitment, this metric can help you decide among several strategies to get the most bang for your bucks; and
- This metric can help you determine whether a specific activity is scalable.

## **Metric #2 – Number of Individual Donors**

### What to count and how to count it

Sounds simple doesn't it? But it's not really. Consider these variations:

- Someone who buys a T-shirt, or a Gala ticket, or even a whole table at the event may or may not be a donor. Is there charitable intent? Or are they just looking for an enjoyable evening? Would they feel good about giving anyway if the event is rained out?
- A foundation grant or corporate gift might actually be an "individual" after all, if the gift comes in as a convenience on behalf of the donor. The easy way to see this is with Board members. If a Board member's gift actually comes from their family foundation, it's still a gift from an individual Board member.
- I would NOT recommend counting gifts from individuals whose ONLY gift was a memorial.

Whatever you end up actually counting, record it somewhere so that you and those who follow you can count donors in the same way every year.

Now pick ANY specific date during the year. I use January 8<sup>th</sup> for this purpose, but you could choose February 27, or May 13, or whatever. The count is then the number of individual donors who gave money in the 365 days *ending on that date* – in my case, from January 9 of the year before to January 8 of the chosen year.

### What can this tell you?

If I also know the number of donors and the average gift, I can predict the amount of money I will have available to my organization in the next 365 days. And if I know my annual renewal rate and number of new donors coming in every year, I can project revenue for the next several years as well.

Will I have enough? If the answer is NO, I have an opportunity to do something different NOW, before it's too late, to influence that outcome.

### **Metric #3 – Average Gift**

#### What to count and how to count it

This one really is simple. In the 365-day period I chose earlier, how much money was given by the donors I counted? Divide that amount of money into the number of donors and I have my average gift.

#### What can this tell you?

If I know the average gift and the number of donors, I can predict the amount of money I will have available to my organization in the next 365 days. And if I know my annual renewal rate and number of new donors coming in every year, I can project revenue for the next several years as well.

Knowing the average gift can also help me better understand how special projects, such as capital campaigns, affect giving in other ways. Did raising money for that special project result in an average gift spike? If so, did it merely return to normal or did it create a new normal? In other words, does raising money for special projects help or hurt fundraising in the long run?

And what about factors not in our control? How will localized need for hurricane relief help or hurt our other fundraising? (Think New Orleans, or Houston, or Puerto Rico, or now the Carolinas.) Can we expect giving to return to normal or will we need to adjust to a new normal?

And solicitation strategies. Will a donor club work for us? Should I ask for \$100 right away, or wait a few years?

### **Metric #4 – Renewal Rate(s)**

#### What to count and how to count it

Again, no rocket science here, but it's amazing how unscientific some of our data is. If you have a good count on the number of your donors in a 365-day period, count how many *of those donors* made another gift in the 365-day period immediately following.

Anyone who thinks about this long enough will see how flawed this is. One donor gives on January 10<sup>th</sup> and gives again on January 7<sup>th</sup> virtually two years later and is counted as a renewal while another donor giving on the 7<sup>th</sup> one year and the 10<sup>th</sup> the very next year is not.

I accept those flaws, because any system of counting that produces a more “accurate” result in the purest sense, would be impossible to maintain – and unnecessary.

What can this tell you?

Quite simply it helps you predict revenue. It helps you control your universe. Knowing how many of your current donors will give again next year, and how much they will give, and how many new donors you will have, and how much they will give, will tell you how much money you will have.

If you need more money than that, you will need to start doing something new.

One more thing – the opposite of renewal rate is attrition rate. If you know how many donors you are losing every year, you know how many you will need to recruit just to stay even. And if you know that plus the Cost of Acquiring a Donor, you can calculate what the budget must be to stay even.

### **Metric #5 – Five Year Value of New Members**

If I told you that for every \$100 you spend this year recruiting new members, you will have \$340 in 2022, you would probably have no problem spending tens of thousands on recruitment. And again next year and the next year.

Earlier this year, I asked you to provide me with data on exactly that metric. I heard from twelve different land trusts with memberships ranging from fewer than 100 donors to more than 1,100. I asked everyone to isolate donors who made a first gift in 2013 and calculate how much money *those donors* had given in the five years between 2013 and 2017. The range was \$139 to \$1,593. The average was \$342, and the median was \$473.

So why aren't we all pouring money into new donor recruitment? No one lost money on recruitment and most had ROIs of 400-600%. Maybe because we never get past looking at the first year.

What to count and how to count it

Again, pick a specific date in 2013 or prior to today's date in 2014. Isolate the donors who made first gifts that year, and add up all the money those donors have given in the five years since then. Divide the total amount of money into the number of new donors.

This is the average value after five years of each member recruited in that first year.

What can this tell you?

This metric tells you two things. When combined with the Cost of Acquiring a Member, it can provide a powerful argument for spending money on recruitment. This is especially true in the context of a Strategic Plan, because membership building has a Return on Investment over a period of 3-5 years. Membership recruitment efforts often cost more than they bring in from donated receipts. These efforts break even after two or three years and net money for years thereafter.

It also helps you decide between recruitment strategies. I often hear that direct mail is dead and that recruitment through email and social media is the wave of the future. This gives everyone the information they need to see for themselves.

What questions are you asking of your data? Here are the ones I posed earlier:

- If I didn't change any of my fundraising strategies, but instead kept doing exactly what I am doing now, how much money would I make next year? How much would I make five years from now? Am I doing enough to meet the goals of my Strategic Plan? If not, what else could I be doing? Or better yet, what should I NOT do, moving forward, to make room for something that might have better promise?

***Using Renewal Rate and Recruitment data, I should be able model exactly how many members and donors I will have each year for the next few years, and the Average Gift will help you predict revenue.***

- Are my current strategies sustainable? Are they vulnerable? Are they scalable if I need to make more money?

***Keeping track of the Five-Year Value of Members over time and using the Source Code information to differentiate between different recruitment strategies can help me double down in the things that are working and de-emphasize those that are not.***

- If I took one of my strategies and doubled it, would I double my net revenue from that activity? What about ten times? What about for each of my strategies?

***These questions illustrate where the time calculation comes into play. Doubling or tripling the cost might or might not double or triple the result. But is this the best use of my time?***

- Does out-sourcing make sense?

*These metrics give me information necessary to answer this question. I know of several organizations that have made more money from their events after outsourcing than the outsourcing actually cost. And it freed up their time to spend on other, more lucrative fundraising strategies.*

- Am I spending enough money on Fundraising?

*Instead of doing as much as I can with what I have, these metrics help me figure out how much it will take to do what I need.*

I hope this inspires you to challenge your own assumptions and test whether there might be a better way. Work at getting data that will help you tell whether you're on the right track or not. Count things that matter. Plan for the long-term. And prepare yourself for making changes for based on information.

**David Allen** brings over 30 years' experience in organizational development, board governance, and fundraising to his **Development for Conservation** consultancy. David works nationally with land trusts and other conservation groups to improve systems that raise more money.

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