Knowing Your Strengths: The Importance of a Comprehensive Donor Giving Behavior Audit

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There are natural "cycles of giving" that develop in people based on what you send them over the years. It is helpful that organizations analyze and understand these patterns, so they can direct more donors to behave positively year after year, for greater long-term success.

Nonprofit organizations should take an opportunity, at least once a year, to review their donors' giving behavior. A comprehensive audit is vital to understand how donors behave, so that an organization can raise more money now and in the future. The goal is to build upon strengths and proactively deal with downward trends. A strong analysis will help uncover the most important factors for making donors perform better and to understand changing giving patterns.

Getting Started

When considering how to perform your analysis, make sure you partner with a firm who gathers detailed input in an effort to truly understand your communications plan and donor categories. Segmenting the analysis based on relevant differences in your communications strategy (such as monthly giving versus regular DM donors) will help you learn more about your donors and their behavior. In addition to looking at differences in the communications approach, you should analyze each donor category based on its unique metrics and benchmarks for performance. For example, your file should be analyzed with respect to the long-term performance/potential of donors in such categories as new donors, long-standing donors, recaptured after one year lapsed, recaptured after two years lapsed, etc.

The audit should analyze data from multiple perspectives in order to illustrate how all the different file segments impact the total results within any given year. After all, the goal of any audit

is to improve the long-term financial health of your donor program. You can do this by making informed decisions regarding your marketing and donor communications efforts, and speaking to each segment using the most effective approach. With this analysis, an organization can choose to put itself in a more favorable position to realize greater gains, and invest in areas that have a direct impact on their long-term financial well-being.

A donor behavior audit lets you look at acquisition and renewal issues in a variety of ways. It indicates, by the donors' performance, whether your previous approaches were successful, and whether there are opportunities for doing things better in the future to raise donor performance in each category. A well-rounded audit will not only analyze data, it will provide a

ALSO IN THIS ISSUE

Nonprofit CRM — Donor Relationship Marketing

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"Out with the old and in with the new."

Well, that is the traditional thought each year around this time. In the nonprofit world, though, the advent of a new year is a great time to review what worked and what didn't in the previous cycle for your organization.

The last several years have brought much to-do over customer relationship management (CRM) and its predecessor, database marketing (DBM). We have seen that some initiatives have worked spectacularly; others have not fared as well.

The business approach for some of today's more successful nonprofits has stemmed from proficiency in grass roots volunteerism and appeals. The products they offer beyond incentives like tote bags and coffee mugs have mostly been intangible — satisfaction, tax deductions, and the knowledge that donors have helped better the world in some way — something much more difficult to sell than a computer, car, or set of dishes.

What Works, What Doesn't?

Past success may have depended entirely on one fundraising method, such as event marketing, direct mail, or telemarketing, instead of a balanced marketing plan. Regardless, in each of these fundraising cases, data on past giving, contact information and preferences, and other constituent information has to be organized, stored, and used for furthering communication and the relationship between the donor and the organization.

In order to prosper, a nonprofit must react to the donor's needs and support their preferences for contact frequency, donation levels and volunteer decisions. As communication channels and options grow more sophisticated, so must the approach of the nonprofit change with the times. An e-mail appeal or acknowledgement can be less expensive than a letter; an electronic debit for donations may be less costly to track and process than checks and cash. In either case, the basis for successfully implementing technology is a sound database structure capable of accommodating the various types of data that a nonprofit may collect on its constituents.

For many of these organizations, transferring data into a centralized database has been a tremendously successful first step. By consolidating data and resources, nonprofits can leverage management of direct mail appeal campaigns and the coordination of volunteers while containing costs.

"Out with the old way of maintaining data in separate places, and in with a new, better organized data structure."

The benefits don't just stop there. Database marketing can function well as a business enabler — a tool to allow the organization to implement, collect, and leverage important data as well as develop increasingly complex levels of communication, analysis, and donor targeting.

CRM, on the other hand, has seen its share of challenges in the business world. Often, it hasn't translated into direct success, so why, you may ask, should we consider it as an option for our organization?

While the challenges are many, the rewards are exponential when CRM concepts are applied correctly. CRM is not a technology; rather, it is a business approach that encompasses the way we think of our audience, how we interact with them, and how we measure and adapt to their needs. By leveraging data and technology found in DBM initiatives, CRM strategies expand those concepts to include business processes, measurement, and strategies to optimize communication channels.

When translating these concepts to the nonprofit arena, the only change is that we split our focus between the donor and the cause. By taking short, measured steps, nonprofits can implement donor-centric programs

and strategies with a much greater level of success than that seen in the for-profit world.

> ***"Out with focusing on donations, and in with the idea of focusing on balancing donor satisfaction with benefit to the cause."***

Account for Current Resources

When looking at a nonprofit organization that has grown their donation base into the multi-million dollar range, assumptions may be that there are basic business building blocks and an infrastructure in place. This may not be true, however. Grass-roots appeals may have led to the development of low-cost operations — groupings of many small chapters, independently working and growing. Key personnel may wear many hats, and thus be unable to lend the appropriate attention to donor cultivation, corporate appeals, and donor retention.

This may not be the most effective business model, or the most profitable approach, but these organizations have grown under the radar and used their limited resources wisely.

A successful operation built on grass-roots appeals and volunteerism may not have an Information Technology (IT) infrastructure to support e-mail appeals and acknowledgements, Web site contributions, and interactive volunteer scheduling systems. There may not be business rules in place, nor a hierarchy standard that applies from chapter to chapter.

> ***"Out with the old organizational structure, in with a new, better organized structure."***

The first step toward organizing into a donor-centric organization is to consider how your resources can be better organized. Review how departments are currently organized, who in the organization deals with donors and volunteers, and whether there are communication channels in place that personnel can use to monitor and share facts about the donor relationship.

Review the Old Rules

Standard business rules apply that may not have been worked out by the grass-roots organization itself — streamline communications, standardize training and operations, establish business rules based around the tactics that have worked best. Document and share the best practices and make them standard. Systematically share and communicate regularly what works and what doesn't.

In other words, make sure the basic building blocks of success are in place before tossing technology solutions into the mix.

The penalty for not reviewing organizational structure and contact rules is the damage well-intentioned employees and volunteers can do to the donor relationship. Even the most staunch organization supporter will not appreciate receiving multiple calls about the same event, or several copies of the same appeal letter.

Know the New Rules

Technology can be the most confusing layer to add to business rule implementation. Just like any small

business wanting to grow, the costs and benefits of technology need to be established. A number of questions need to be addressed. What are the basic needs? What do we need vs. want? Can the costs be amortized or subsidized by donations?

Should a nonprofit in-source or outsource IT functions? Is there a centralized database or data warehouse around which technology can be built?

Can the nonprofit stay ahead of the technology curve without diverting funds from their primary cause? By looking to manage the lowest common denominator — organizing the organization and managing the rules of engagement — an organization can better select technology based on appropriate need.

Looking at this another way, a well-organized nonprofit will be less affected by changes or fluctuations in the technology they use to manage the donor relationship.

In today's economy, business rules and the playing field can change in an instant. So must the nonprofit be able to adapt. With technology and software growing at an incredible pace, any commitment must be carefully considered. Any company can develop from a small package to an industry leader in a matter of months. Likewise, industry-leading software can quickly become cumbersome and outmoded.

There are over 60 companies offering more than 100 software solutions for managing combinations of fundraising and memberships, including marketing and contact

Nonprofit CRM — Donor Relationship Marketing

Continued from Page 18

management, volunteer scheduling, auctions, events, and, of course, accounting. Just like in any industry, these solutions range from grass-roots, free packages to multi-million-dollar, enterprise-wide management solutions.

Choices have become harder, and come more quickly, with many more available options and features. Managing the cause, the donor, and the means for continuing the effort is a complex and often daunting task. The challenge today is not only how one earns money, but how one spends it.

In conclusion, as a nonprofit organization looks to grow in the future, we must consider not only diversifying fundraising strategies, but also look to implement or improve the technology used in nonprofit DBM and CRM. By looking to the least common denominator, the organization can strengthen constituent relationships as well as plan and accommodate for growth, change and new technology — so:

> *"Out with outmoded technology; in with tools that support the donor relationship."*

And most importantly, just like the adage in the for-profit world:

> *"It is easier to keep a donor than to gain a new one."* ■

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