

How to retain your charity's donors

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Do you know how many donors who gave in 2006 continued to support your work in 2007? How many new supporters did you gain in 2007? How many donors did you lose in the last financial year? And do you have a plan in place to get them back the habit of supporting your charity?

If you answered yes to all these questions then read the next article. But, if you didn't, keep on reading and learn how to increase the effectiveness of your fundraising activities before your next mailing.

To ensure that you are keeping your charity's donors from one year to the next as well as getting new ones you need to look at the donor retention rates. By definition *donor retention rates is the percentage of donors (e.g. new donors, multi-year donors, etc) who repeated their contributions to your charity from one year to the next.*

These rates are some of the some of the most important statistic in fundraising. Monitoring donor retention rates and taking action to change them can add great value to your fundraising programme.

How to measure donor retention rates

One of the most common ways of measuring donor retention is by using a calendar year (or financial year) as a time frame. You can calculate your donor retention rate by using the formula below:

$$\text{Retention Rate} = (\text{Donors Present Year} / \text{Donors Past year}) \times 100$$

So, basically you count the number of donors who gave one or more gifts in the current year and you divide this number by the number of donors, from the same donor pool, who gave in the past financial year. Then you multiply this number by 100 to get the rate as a percentage.

For example, if 2,300 donors gave you a gift in 2007, and 730 of the same donors have made a donation in 2008, the overall retention rate is 32%.

Retention rates and donor segmentation

Retention rates vary greatly for different segments of your donor base. For example, retention rates of multi-year donors are likely to be higher than those of first-year donors. This is because multi-year donors have been involved with your charity for a longer period of time.

To check the health of your fundraising programme you need to calculate regularly the retention rates of these three segments within your donor file:

- **Multi-year donors.** These are donors who have made donations to your charity in the last 24 months before the current year. Often, they will have the highest retention rate compared to other donor segments in your file. For example, donors who gave in 2006, in 2007 and again in 2008.
- **First-year donors.** These are donors who gave their first gift to your charity in the prior 12-month period. It is a known fact that the retention rates of new donors are much lower than those of other donor segments.
- **Reactivated donors.** By definition, reactivated donors gave a gift in the prior 12-month period, but did not give a gift in the 12-month period before the last one. For example, they gave in 2006, did not give in 2007 but, gave again in 2008. The retention rates for reactivated donors should fall somewhere between multi-year donors and first-year donors.

You should measure the retention rates of key donor segments at least once a year and ideally every quarter. If you notice that the retention rates are going up then you know your fundraising efforts are bearing fruit.

But, if the retention rates are dropping then you need to step back and evaluate your fundraising activities. For example, if you are pursuing a growth strategy (*acquiring new donors by using outside lists or mailing inserts, etc*) they you are likely to see an increase in numbers of new donors but overall low retention rates. The reason for this is that it takes time for the new donors to make a second or third gift.

Or if you are an educational charity giving away free resources to people who make a first contribution then you will notice an increase in your response rates, but a decrease in retention – because some donors might have made a gift because they wanted a free resource.

However, if you notice a decline in retention rates over the last three years that can not be explained by changes in your fundraising programme then you need to take strategic action to reverse the trend of losing your donors.

This is where retention rates of key donor groups come handy because you can quickly identify the problematic group or groups and put in place fundraising activities that will encourage donors to keep giving.

How to increase new-donor retention rates

An effective way to increase new-donor retention rates is by *creating a donor conversion strategy* which consists of: special mailings, emails and online giving prompters.

A successful *donor conversion strategy* aims to help the new donor bond with the charity by showing appreciation for their first gift, listening to how the donor wants to relate to the charity, putting them in the driving seat of the relationship and inviting them regularly to support the cause.

Our recommendation is that you begin implementing your conversion strategy with new donors within the first three months of the new donor being added to your database.

Similarly, you can use *a donor conversion strategy* to reverse the low retention rates of your reactivated donors file. However, in these cases, bearing in mind that these donors have supported your work before you can tailor your messages in such ways to remind these donors of what they have achieved by supporting your work. And, more importantly, what future contributions can make possible

That's why by referring to the number of years they have supported your cause – the impact they have made or the generosity they have shown – you can strengthen their renewed support to your charity.

How to increase multi-year donor retention rates

If your charity's multi-year donor retention rates are falling then your charity's financial health is really at risk. This is because multi-year donors are often your most committed donors and the ones who are most likely to respond to your fundraising appeals.

Unfortunately, the most common reaction of fundraisers when they notice that the multi-year donor retention rates are falling is to cut back on the number of times they ask these donors to give to the charity. Often such actions prompt even more donors to stop giving. At the end of the day why should donors give to your charity if you stop asking them to support your work!

Instead, when you notice a fall in the retention rates of multi-year donors, you should evaluate the materials you are currently putting in front of your most committed donors and your fundraising activities.

Here are some suggestions of fundraising tools and activities to undertake in order to increase multi-year donor retention rates

- **Make your fundraising appeals urgent and emotional.** Make sure that you or the person who writes your fundraising letters is not burying the need for funds at the end of the appeal or expressing it in institutional language.

- **Keep your cause in front of your donors in creative and fresh ways.** Share compelling and heart warming stories in your newsletters, appeals and thank you letters.
- **Make every point of contact between you and the donor a positive and memorable one** – this means regularly updating your website, responding quickly and effectively to donor’s requests for information, thanking them promptly for their gifts, give them opportunities to get involved in your work beyond making a donation (e.g. ask them to pray, to volunteer, to visit projects in the field, etc)
- **Ask all your donors to renew their support or membership to your charity at least once a year.**
- **Offer donor opportunities to give monthly or quarterly** to support your work through online fundraising tools, mailings and phone calls.

And remember that by investing in keeping your most valuable donors you will not only increase the donated income to your charity but you will also pave the way for receiving major gifts and legacies.

To find out how you can maximise the return of your fundraising activities by using insights from your donors giving behaviour make sure that you attend our [Fundraising Workshop](#) on 30th of May 2008.