

► **BENCHMARKING TO DRIVE FUNDRAISING SUCCESS**

Putting a peer learning process to work for your organization

Carol Rhine, Target Analytics, a Blackbaud Company
Michael J. Smith American Museum of Natural History

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blackbaud[™]
your passion > our purpose

► GOALS FOR THE SESSION

- Encourage you to use data to drive fundraising practices
- Encourage you to participate in some form of benchmarking
- Share trends from the Arts & Culture sector
- Learn how key performance indicators can help shape strategy
- Hear from the American Museum of Natural History about how they use data to drive success

► WHAT IS BENCHMARKING?

“[Benchmarking is] a systematic and continuous measurement process; a process of continually comparing and measuring an organization’s business processes against business leaders anywhere in the world to gain information which will help the organization take action to improve its performance.”

From Jason Saul, 2004. Benchmarking for Nonprofits. Wilder Publishing,
www.wilderorg/pubs.

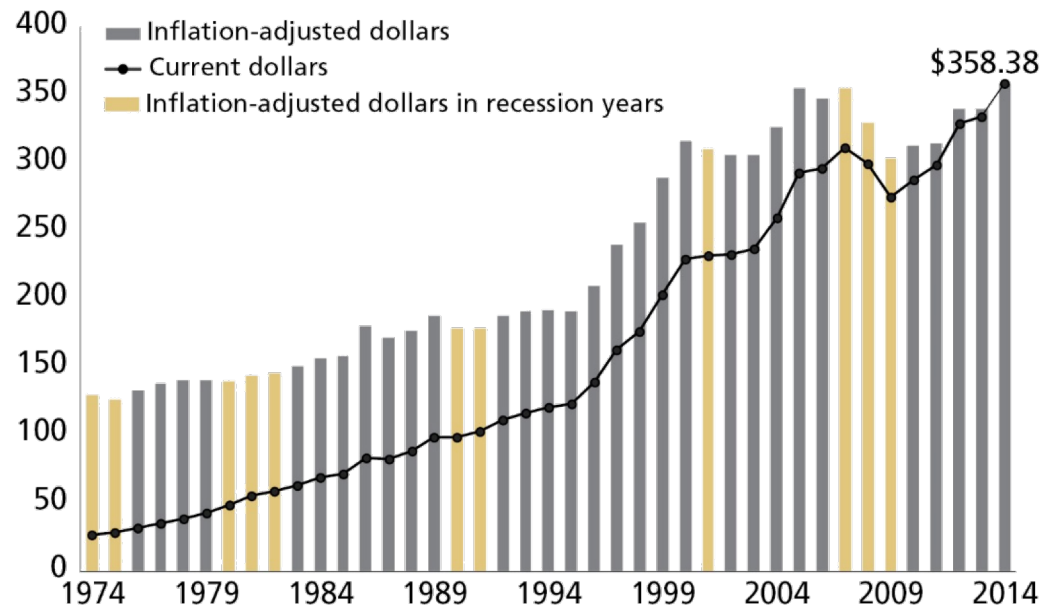
► WHAT IS BENCHMARKING?

- **Benchmark Reports:**

- Compare program performance across peer sector organizations or cohort groups sharing a the use of a common fundraising tactic.
- Reports are based on data or surveys.
- Examples include industry reports such as Giving USA, Target Analytics Quarterly Index, AFP Fundraising Effectiveness Project, World Giving Index, donorCentrics Collaborative Benchmarking Reports, and M+R Online Fundraising Benchmarks.

► WHAT IS IT? TYPES OF BENCHMARKING

- Survey-based Industry – usually opinions of experts
- Internal benchmarking – tracking measures over time
- Campaign performance measures
- Donor performance



SOURCE: Giving USA Foundation | GIVING USA 2015

► GOALS OF BENCHMARKING

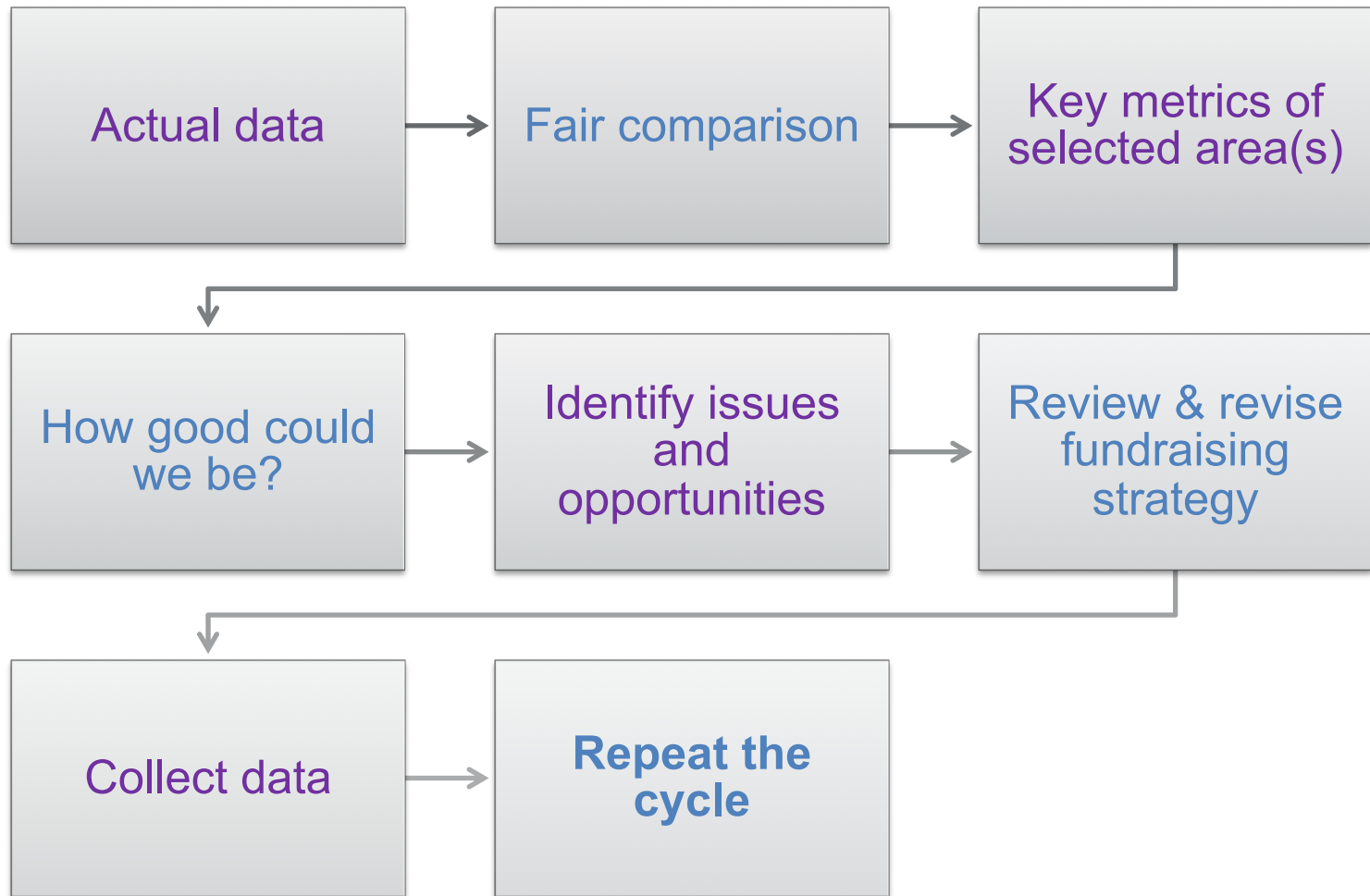
Goals

- Identify common challenges and successful practices
- Learn to use the benchmarks to shape strategy
- Gain great ideas and insights to improve your program
- Share learnings with your peers
- Focus on value over time

Guidelines

- It is not a forum for grading program performance
- Everyone should feel comfortable contributing
- Confidentiality should not be treated lightly

► HOW?



► HOW AND WHY?

Intra

- International organizations
- Federated organizations
- Same sector

Inter

- Same sector
- Cross sector
- Activity specific e.g. online fundraising

► REASONS TO BENCHMARK

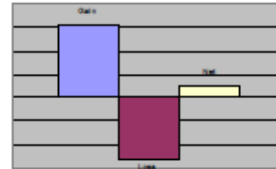
- Is it just me? Or is everyone having that problem
- Ammunition for my budget when they tell me to cut expenses more
- Learn good ideas – and what's hot
- Avoid bad ideas – and what's not
- Network with other fundraisers

► FEP REPORT PUBLISHED BY AFP

2015 Fundraising Effectiveness Survey Report



FEP



The 2015 Fundraising Effectiveness Project report summarizes data from 8,025 survey respondents.

Participating Donor Software Firms

- | | |
|---------------------------------------|---------------------------------------|
| Abila* | MatchMaker FundRaising Software* |
| Bloomerang | Metafile* |
| Donor2/Campus Management Corporation* | PhilanthrAppeal (FundTrack Software)* |
| DonorPerfect Fundraising Software* | The Raiser's Edge @ (Blackbaud)* |
| eTapestry* | ROI Solutions |
| GiftWorks (Mission Research)* | Telosa Software (Exceed!) |

* Charter member of the AFP Donor Software Workgroup

Project Sponsors

- | | |
|---------------------------------------------------------|-----------------------------------------------------------------------------------|
| Association Foundation Group (AFG) | Partnership for Philanthropic Planning (PPP) |
| Association of Fundraising Professionals (AFP)* | Center on Nonprofits and Philanthropy at the Urban Institute* |
| Association of Donor Relations Professionals (ADRP) | Lilly School of Philanthropy at Indiana University-Purdue University Indianapolis |
| Council for Advancement and Support of Education (CASE) | Council for Resource Development (CRD) |

* Founding partners, providing resources for the project.

► FEP NET PERFORMANCE

- The basic concept of the Fundraising Effectiveness Survey is that growth in giving from one year to the next is the **net of gains minus losses**.
 - **Gains** consist of gifts by new donors and recaptured lapsed donors and increases in gift amounts by upgraded donors.
 - **Losses** consist of decreases in gift amounts by downgraded donors, and lost gifts from lapsed new and lapsed repeat donors.



The net increase (or decrease) is the net of gains minus losses.

► FEP SUMMARY

- Gains of \$3.611 billion in gifts from new, upgraded current, and previously lapsed donors were offset by losses of \$3.438 billion through reduced gifts and lapsed donors.
 - With a positive \$173 million net growth-in-giving, **every \$100 gained in 2014 was offset by \$95 in losses through gift attrition.** That is, 95 percent of gains in giving were offset by losses in giving for a **net gain in gifts of 5 percent.**
- Gains of 3.615 million in new and previously lapsed donors were offset by losses of 3.713 million in lapsed donors.
 - With a negative (97,649) growth-in-donors, **every 100 donors gained in 2014 were offset by 103 in lost donors through attrition.** That is, 103 percent of the donors gained were offset by lapsed donors for a **net loss in donors of -3 percent.**

► FEP SUMMARY

- The greatest losses in gift dollars came from lapsed repeat and downgraded gifts.
- The greatest losses in donors came from lapsed new donors.
- The median donor retention rate in 2014 was 43 percent; no change from 2013's rate. The gift or dollar retention rate increased from 46 percent in 2013 to 47 percent in 2014.
- **Over the last nine years, donor and gift or dollar retention rates have consistently been weak -- averaging below 50 percent.**





**Giving
USA™**

Shared intelligence.
For the greater good.

A public service initiative of The Giving Institute

Giving USA 2015

The Annual Report on Philanthropy for the Year 2014

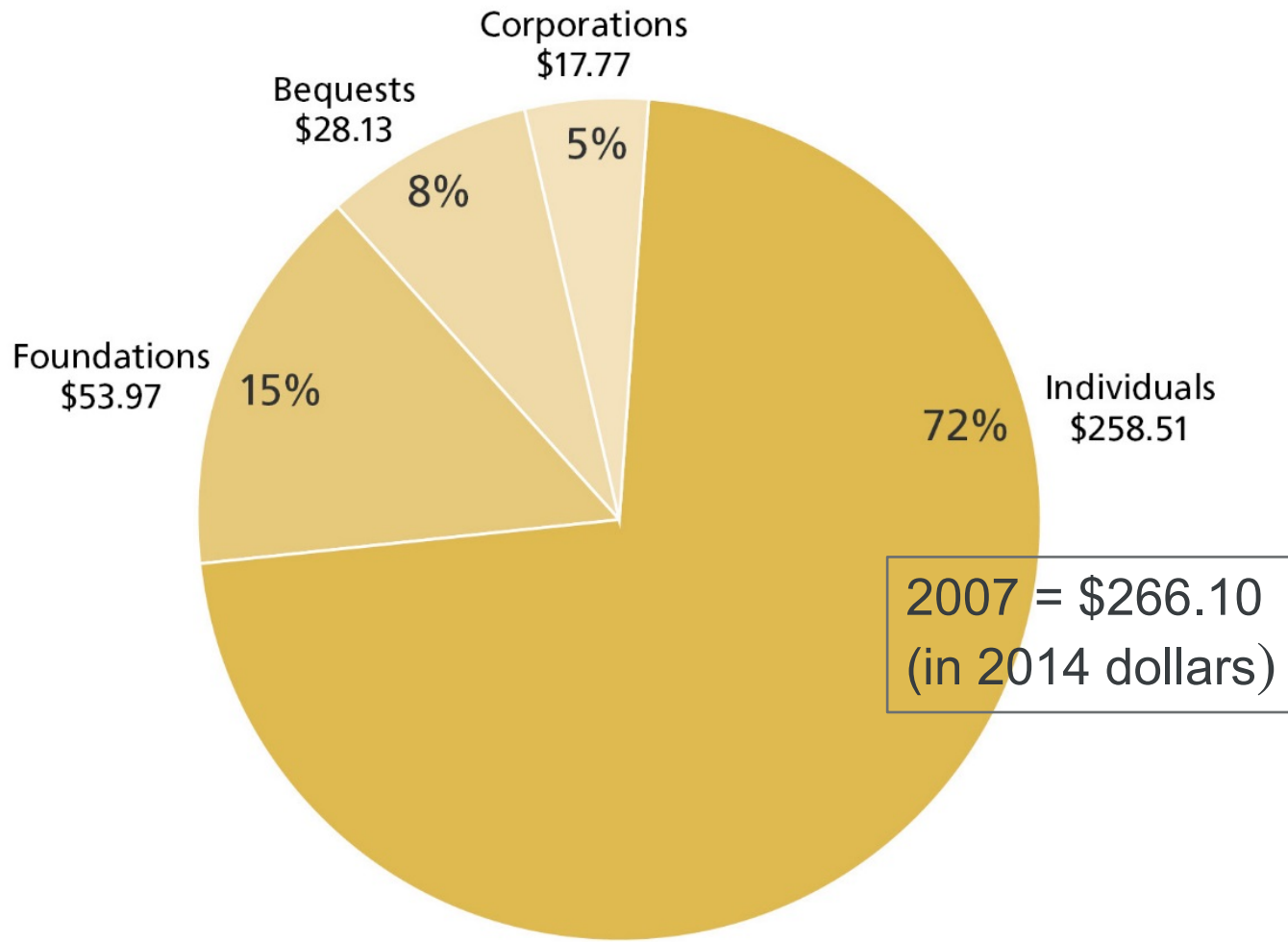
Researched and written by



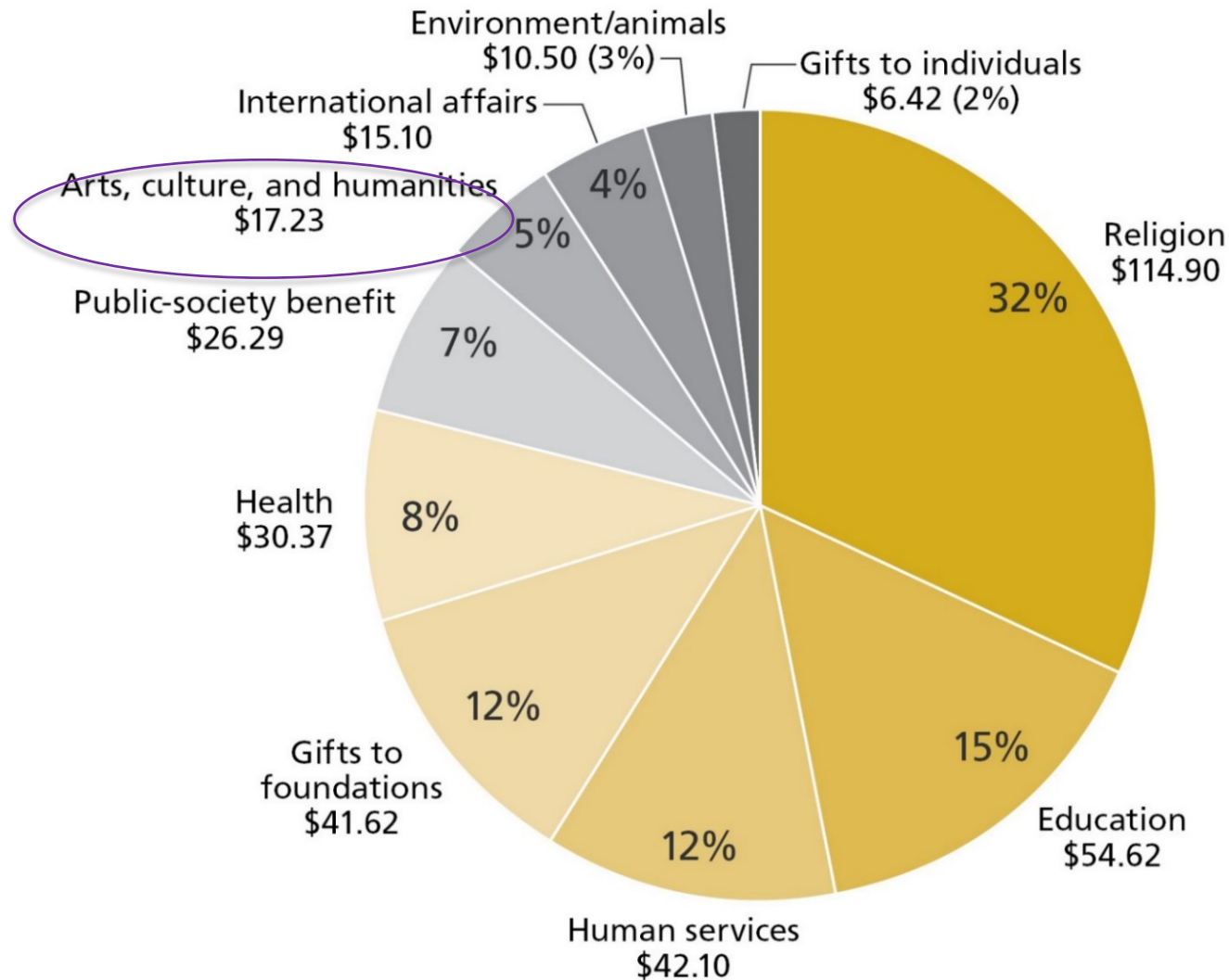
**LILLY FAMILY
SCHOOL OF PHILANTHROPY**

INDIANA UNIVERSITY
Indianapolis

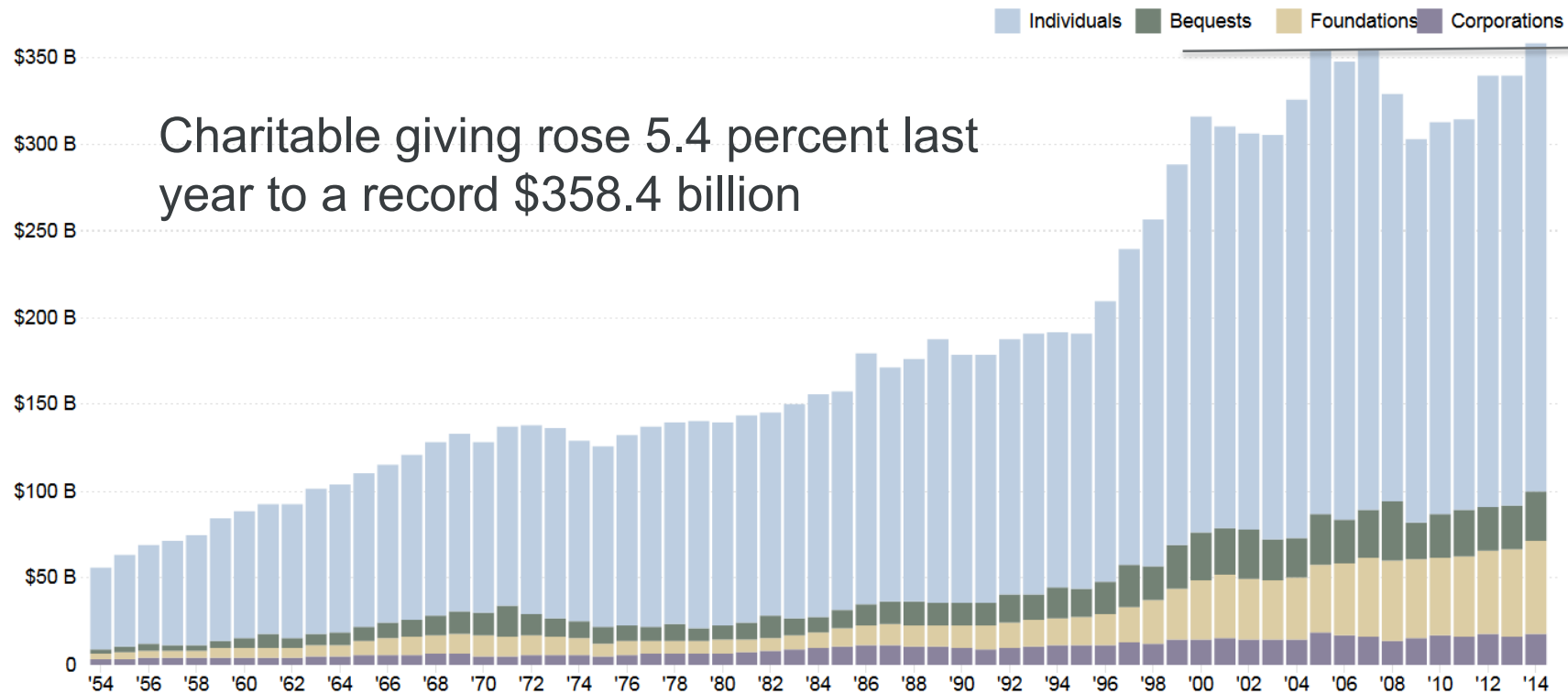
► 2014 CONTRIBUTIONS: \$358.38 BILLION BY SOURCE



► 2014 CONTRIBUTIONS BY RECIPIENT TYPE

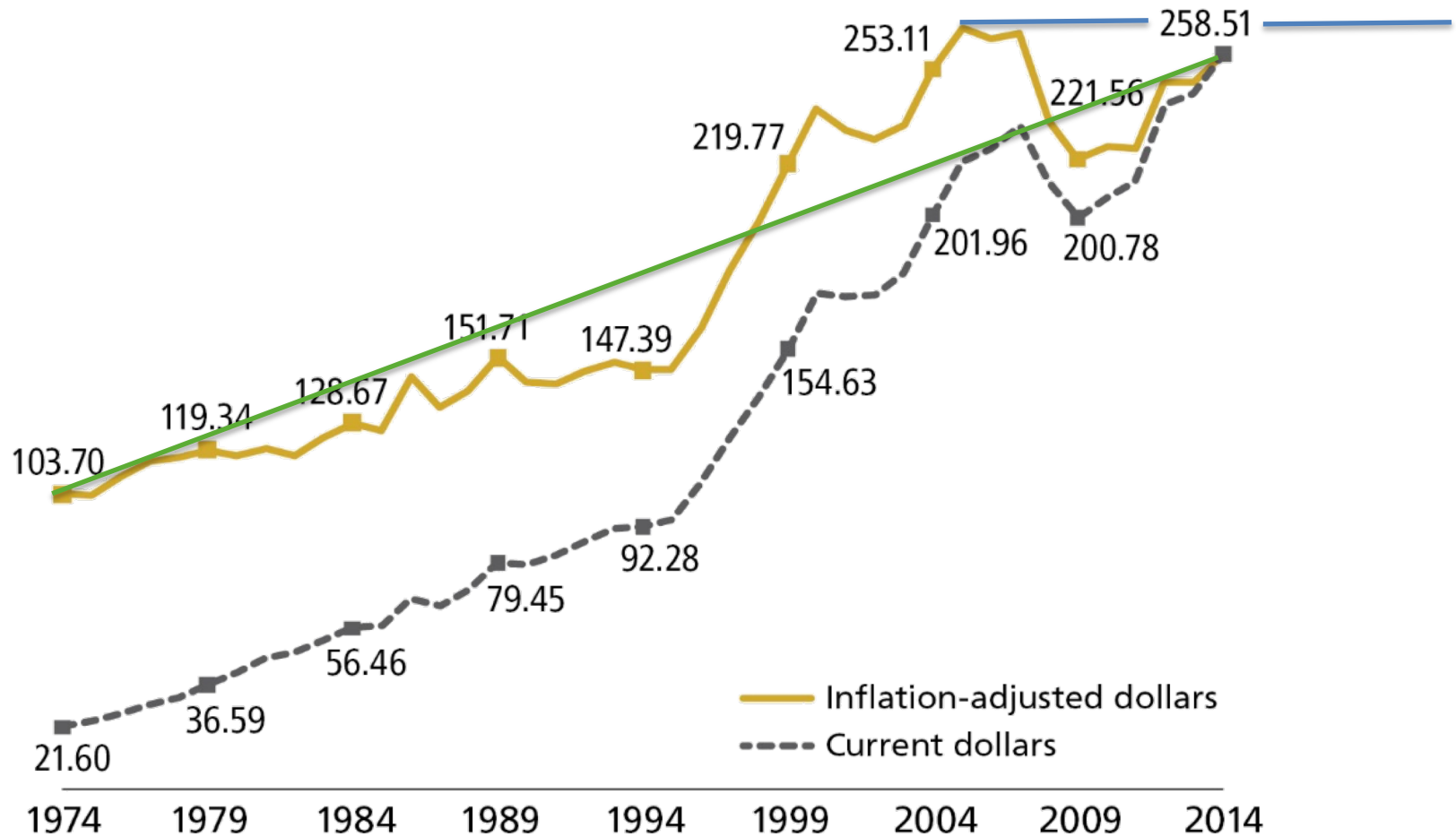


► TOTAL GIVING, 1954-2014 (IN BILLIONS)



The recession hit philanthropy even harder than previously thought. Total giving dropped by 14 percent from 2007 to 2009, the report said, a steeper drop than "Giving USA" has reported in the past and the most serious decline in the 60 years it has recorded contributions.

► GIVING BY INDIVIDUALS, 1974-2014 (IN BILLIONS)



► Target Analytics *donorCentrics*™ Index of Direct Marketing Fundraising 2015

For the twelve months ending Q4 2015, the index included transactions from 71 organizations, more than 34 million donors, and more than 78 million gifts totaling over \$2.7 billion in revenue.

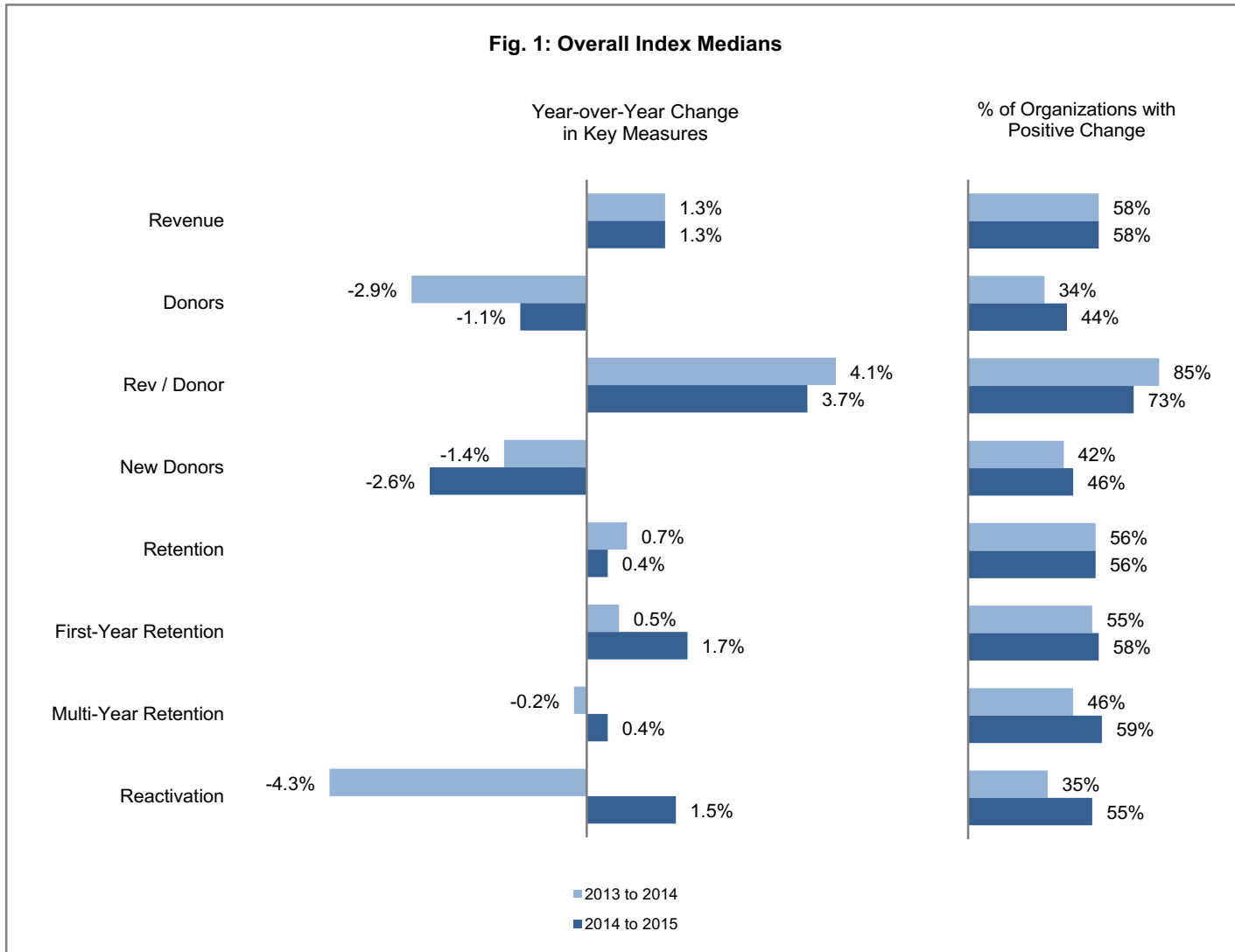
► Q4 2015 RESULTS VARY BY INDUSTRY SECTOR.

Increases in revenue per donor generally compensated for donor declines.

Revenue increased a median 1.3% while donors declined 1.1%

- The **relief** sector experienced growth in both donors and revenue in 2015. As the result of giving for the Nepal earthquake and other emergencies, the relief sector experienced strong increases in almost all key measures of fundraising in 2015.
- The **animal welfare, arts & culture, and societal benefit** sectors experienced increases in revenue, donors, and new donor acquisition during the year.
- The **environmental** sector had modest revenue growth and modest donor declines in 2015. The sector was able to overcome donor declines due to an increase in revenue per donor.
- The **health and human services** sectors had declines in both revenue and donors in 2015. Both sectors were able to minimize revenue declines through increases in revenue per donor.

OVERALL INDEX MEDIANS



► MEDIAN MEASURES

Fig. 2: 2015 Medians by Industry Sector

	<u>Revenue</u>	<u>Donors</u>	<u>Revenue per Donor</u>	<u>Average Gift</u>	<u>Gifts per Donor</u>
Overall Index	\$22,506,381	269,336	\$79	\$41	1.77
Animal Welfare	\$31,751,622	278,902	\$108	\$30	2.02
Arts & Culture	\$11,833,432	102,863	\$84	\$55	1.53
Environmental	\$16,499,242	262,783	\$71	\$40	1.78
Health	\$21,963,063	643,942	\$43	\$29	1.01
Human Services	\$20,434,991	262,267	\$56	\$35	1.76
International Relief	\$48,226,991	230,416	\$179	\$63	2.02
Societal Benefit	\$19,085,298	212,613	\$87	\$43	2.29

	<u>% New Donors</u>	<u>Overall Retention Rate</u>	<u>First-Year Retention Rate</u>	<u>Multi-Year Retention Rate</u>	<u>Reactivation Rate (1-5 Yrs Lapsed)</u>
Overall Index	25.9%	52.3%	29.0%	61.0%	8.4%
Animal Welfare	19.5%	56.6%	37.8%	61.7%	8.4%
Arts & Culture	17.5%	62.8%	32.3%	68.7%	10.9%
Environmental	25.6%	52.9%	27.8%	61.7%	8.7%
Health	25.3%	45.5%	25.4%	54.4%	7.1%
Human Services	25.3%	47.8%	30.6%	56.2%	8.1%
International Relief	27.9%	54.3%	29.6%	63.4%	7.8%
Societal Benefit	26.2%	54.8%	29.6%	64.4%	8.8%

► MEDIAN MEASURES

Organization Performance				Change from Previous Year		Median Change for Comparison Sector	
	Q4 YTD 2013	Q4 YTD 2014	Q4 YTD 2015	Q4 YTD 2014	Q4 YTD 2015	Q4 YTD 2014	Q4 YTD 2015
Donors	283,583	271,248	269,336	-2.9%	-1.1%	-2.9%	-1.1%
Revenue	\$23,131,560	\$20,895,188	\$22,506,381	1.3%	1.3%	1.3%	1.3%
Gifts	639,145	621,778	631,402	-1.3%	1.0%	-1.3%	1.0%
Revenue per Donor	\$76.63	\$80.58	\$78.54	4.1%	3.7%	4.1%	3.7%
Average Gift	\$39.54	\$41.24	\$41.40	3.0%	2.4%	3.0%	2.4%
Gifts per Donor	1.78	1.80	1.77	1.2%	0.7%	1.2%	0.7%
Number of New Donors	80,107	72,891	73,125	-1.4%	-2.6%	-1.4%	-2.6%
New Donor Revenue	\$3,094,969	\$3,318,933	\$3,476,960	1.7%	3.8%	1.7%	3.8%
Revenue per New Donor	\$42.47	\$45.31	\$45.09	4.6%	3.6%	4.6%	3.6%
Donor Retention Rate	51.1%	51.6%	52.3%	0.7%	0.4%	0.7%	0.4%
1st-Year Retention Rate	27.9%	28.5%	29.0%	0.5%	1.7%	0.5%	1.7%
Multi-Year Retention Rate	59.9%	59.8%	61.0%	-0.2%	0.4%	-0.2%	0.4%
Donor Reactivation Rate (1-5 Yrs Lapsed)	8.3%	8.1%	8.4%	-4.3%	1.5%	-4.3%	1.5%

ARTS & CULTURE SECTOR

Fig. 22: Arts & Culture Sector Medians
Year-to-Date Change in Key Measures

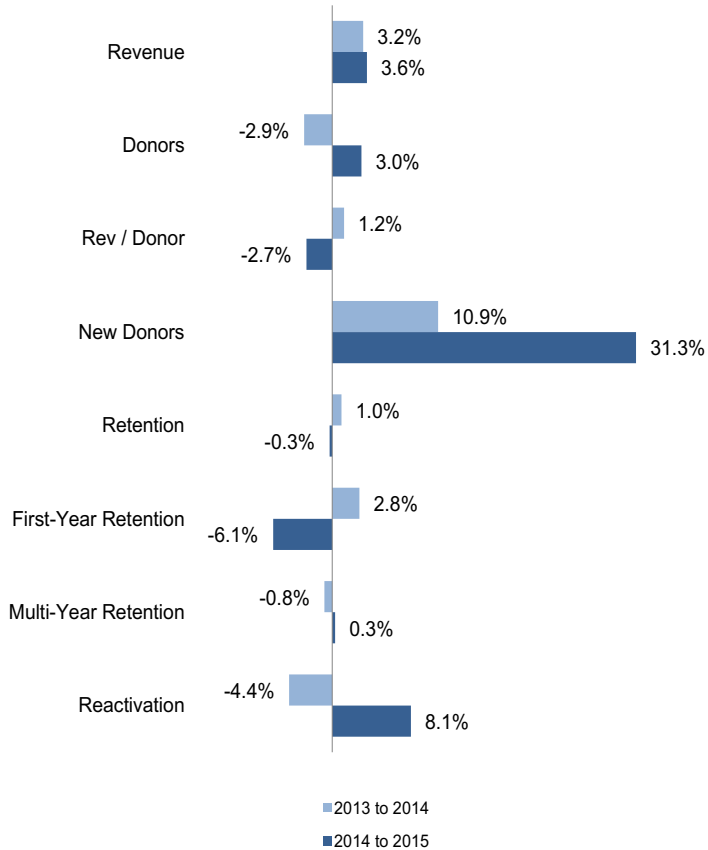
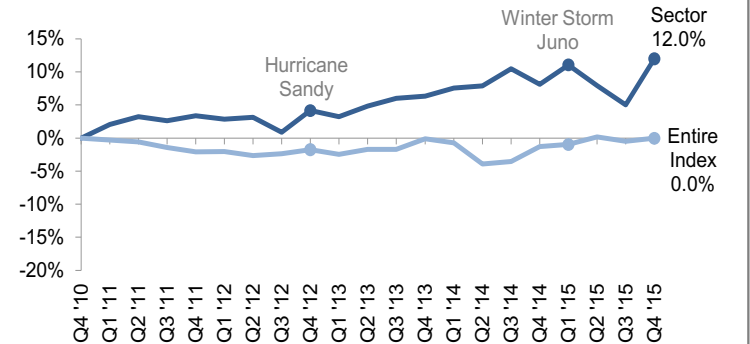
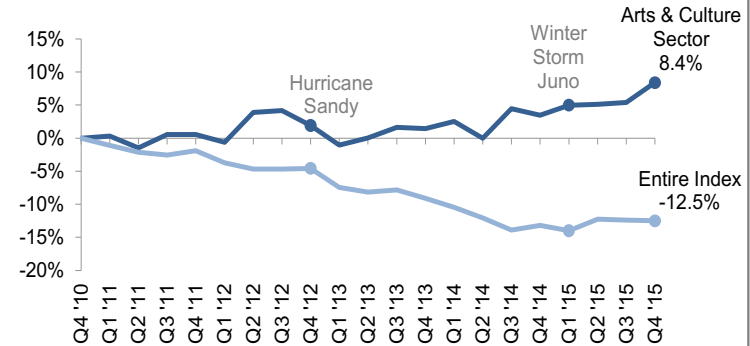


Fig. 23: Five-Year Arts & Culture Revenue Trends
12-Month Quarter-End Median Change from Q4 2010



Each data point is the median change in revenue for the 12 months ending in that quarter from the 12 months ending in Q4 2010.

Fig. 24: Five-Year Arts & Culture Donor Trends
12-Month Quarter-End Median Change from Q4 2010



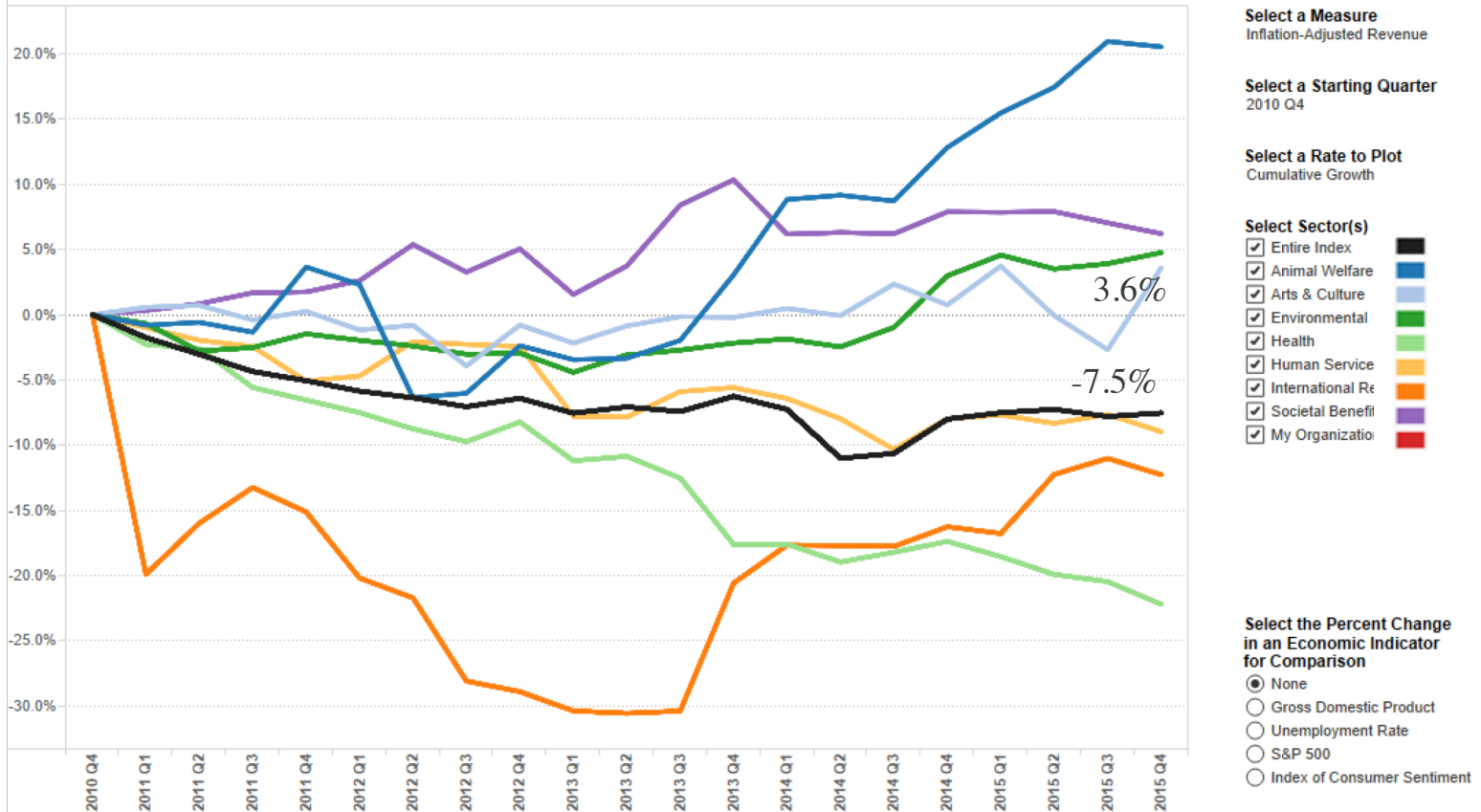
Each data point is the median change in donors for the 12 months ending in that quarter from the 12 months ending in Q4 2010.

SECTOR TRENDS

Long-Term Revenue and Donor Growth

Growth in Inflation-Adjusted Revenue for Sector Cohorts

Each data point shows the median percent change in 12-month inflation-adjusted revenue from Q4 2010.



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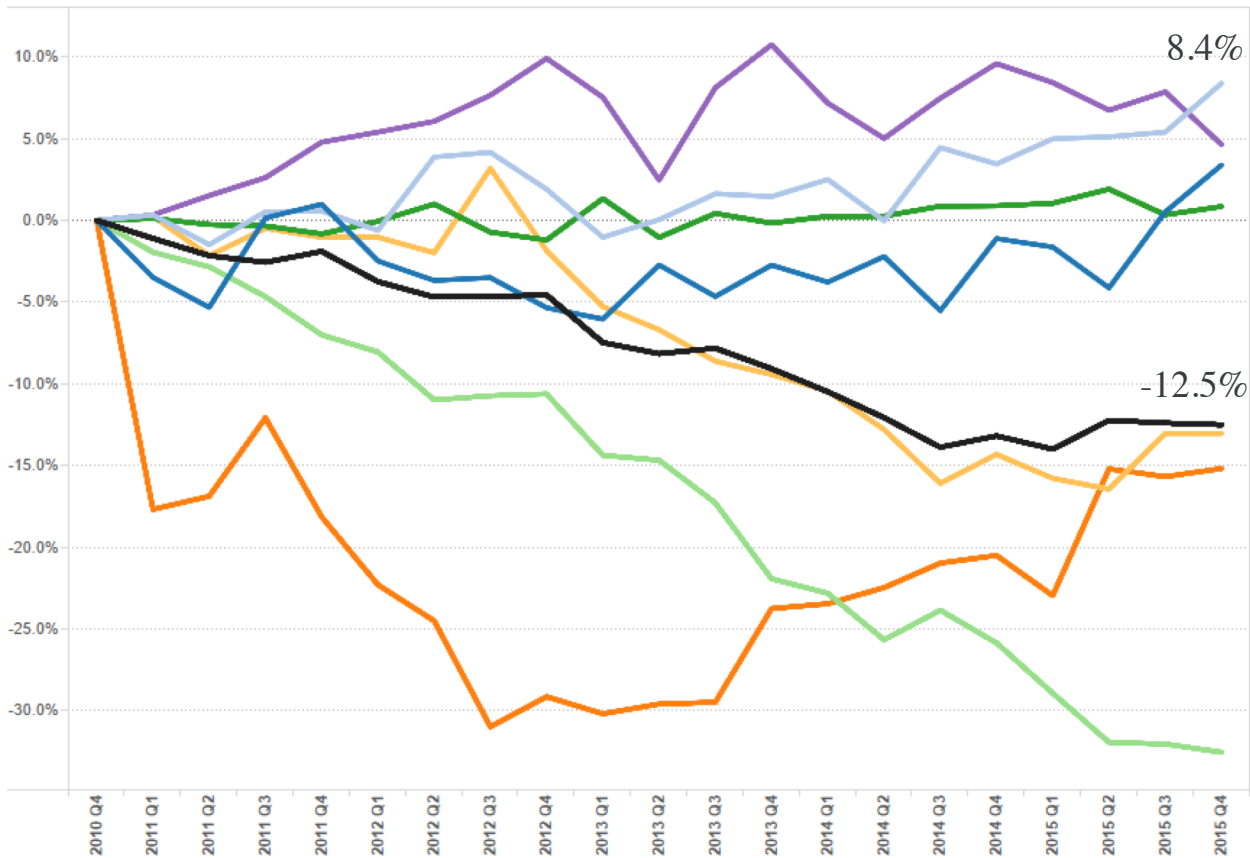
Gross Domestic Product: Seasonally adjusted quarter end indexed to 2000 dollars. U.S. Department of Commerce, Bureau of Economic Analysis. **Unemployment Rate:** Seasonally adjusted month-end. U.S. Department of Labor - Bureau of Labor Statistics. **Standard & Poor's 500 Index:** month-end close. Standard & Pooors, Inc. **Index of Consumer Sentiment:** All families, month-end. University of Michigan monthly Index of Consumer Sentiment. **Inflation:** Seasonally adjusted month-end Consumer Price Index. U.S. city average, all items. U.S. Department of Labor - Bureau of Labor Statistics.

SECTOR TRENDS

Long-Term Revenue and Donor Growth

Growth in Donors for Sector Cohorts

Each data point shows the median percent change in 12-month donors from Q4 2010.



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Gross Domestic Product: Seasonally adjusted quarter end indexed to 2000 dollars. U.S. Department of Commerce, Bureau of Economic Analysis. Unemployment Rate: Seasonally adjusted month-end. U.S. Department of Labor - Bureau of Labor Statistics. Standard & Poor's 500 Index: month-end close. Standard & Pools, Inc. Index of Consumer Sentiment: All families, month-end. University of Michigan monthly Index of Consumer Sentiment. Inflation: Seasonally adjusted month-end Consumer Price Index. U.S. city average, all items. U.S. Department of Labor - Bureau of Labor Statistics.

Select a Measure
Donors

Select a Starting Quarter
2010 Q4

Select a Rate to Plot
Cumulative Growth

Select Sector(s)

- Entire Index
- Animal Welfare
- Arts & Culture
- Environmental
- Health
- Human Services
- International Rel
- Societal Benefit
- My Organization

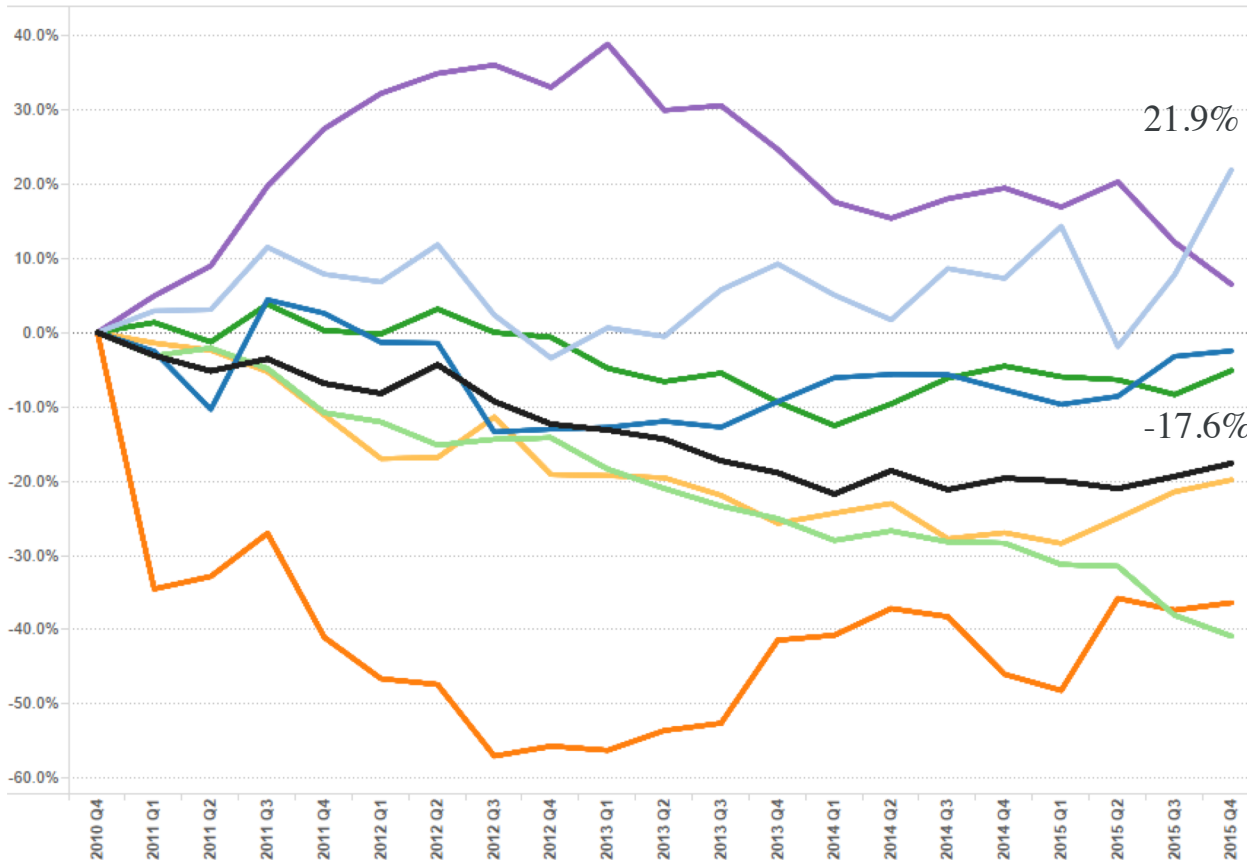
Select the Percent Change in an Economic Indicator for Comparison

- None
- Gross Domestic Product
- Unemployment Rate
- S&P 500
- Index of Consumer Sentiment

SECTOR TRENDS

Long-Term Revenue and Donor Growth

Growth in New Donors for Sector Cohorts
Each data point shows the median percent change in 12-month new donors from Q4 2010.



Select a Measure
New Donors

Select a Starting Quarter
2010 Q4

Select a Rate to Plot
Cumulative Growth

Select Sector(s)

- Entire Index
- Animal Welfare
- Arts & Culture
- Environmental
- Health
- Human Services
- International Reli
- Societal Benefit
- My Organization

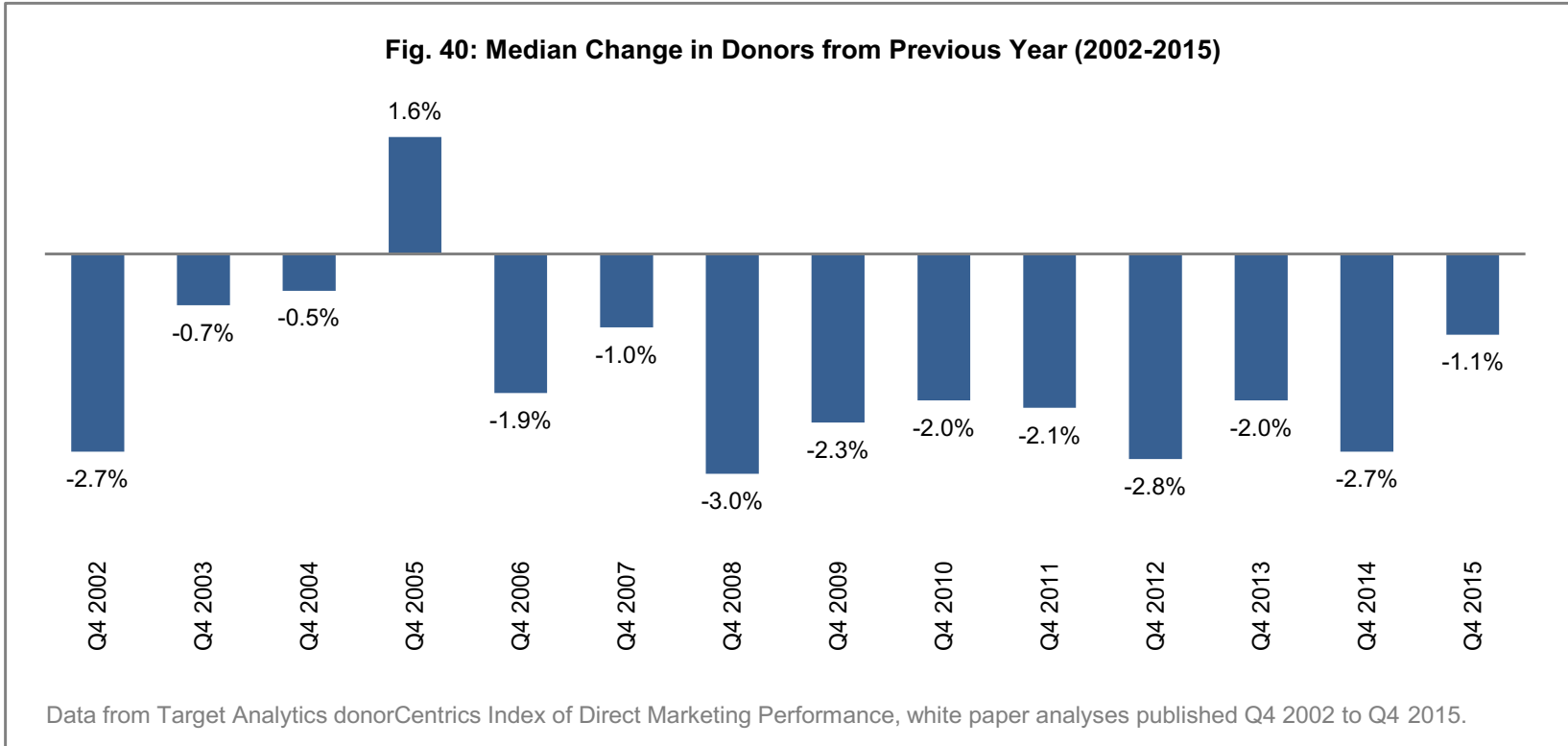
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- Index of Consumer Sentiment

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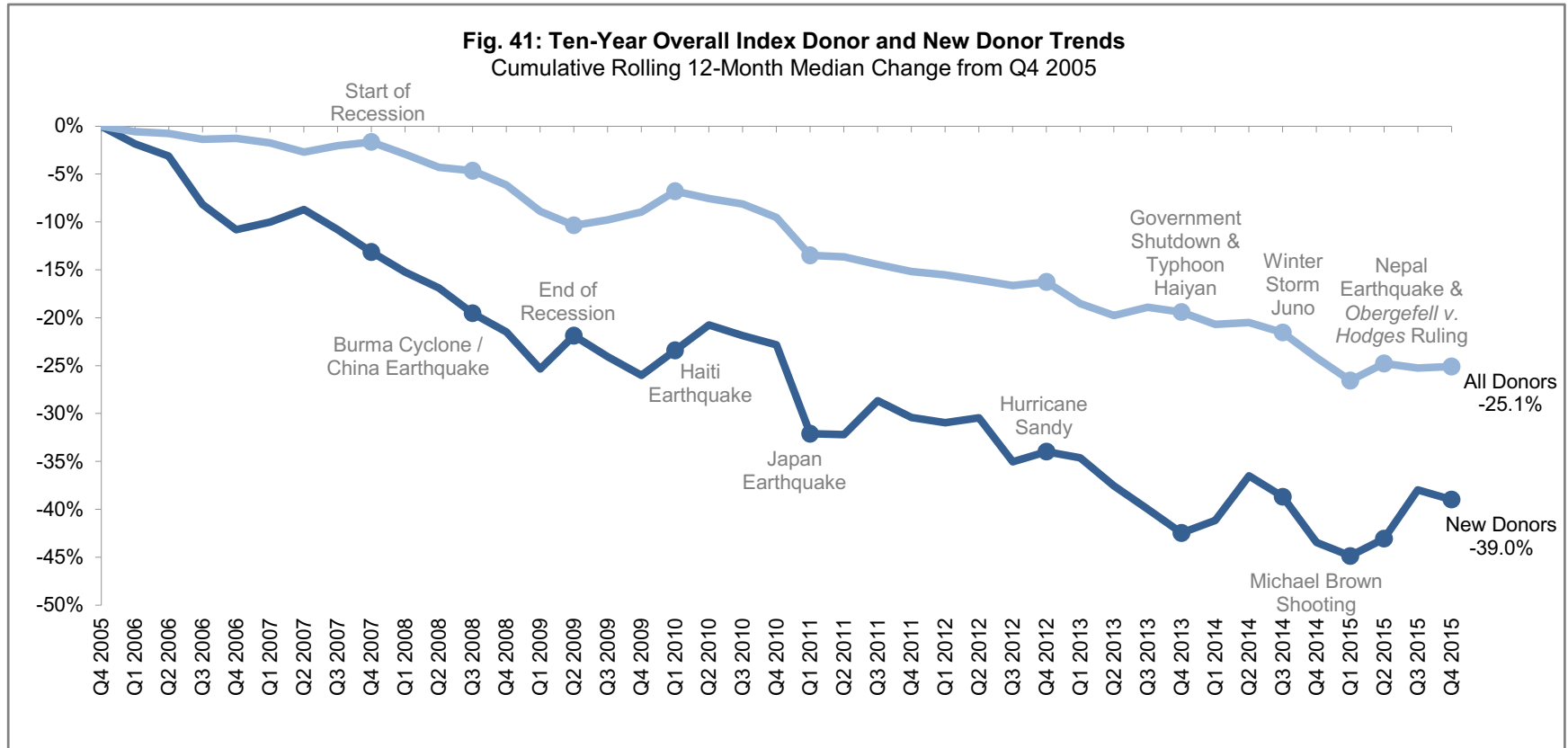
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► DONOR DECLINES



The only index-wide annual increase came in 2005, a year which included unusually large disaster-related fundraising following the Indian Ocean tsunami in January and U.S. Gulf Coast hurricanes Katrina, Wilma, and Rita in the fall.

► DONOR DECLINES



From the twelve months ending Q4 2005 to the twelve months ending Q4 2015, new donor acquisition has declined a median 39.0%. This is an effective average annual decline of 4.7% per year.

➤ **TARGET ANALYTICS SUSTAINER SUMMIT**

➤ **March 2016**

➤ **Meeting structure**

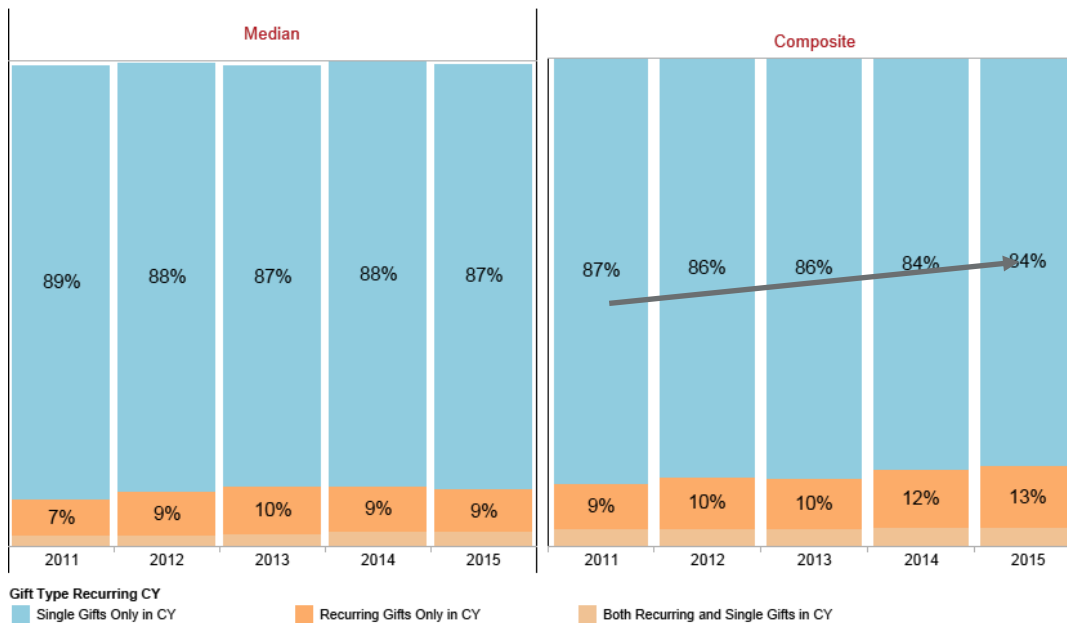
- Breakout meetings for highly interactive and confidential group discussions
- Combined sessions to share trends and best practices across larger group of industry leaders

➤ **Wealth of data**

- 37 unique organizations
- Over 19 million donors and \$2 billion in revenue combined

► TRENDS IN ACTIVE DONOR GIVING BY GIFT TYPE

Trends in Donors by Gift Type as a Percent of Total Donors

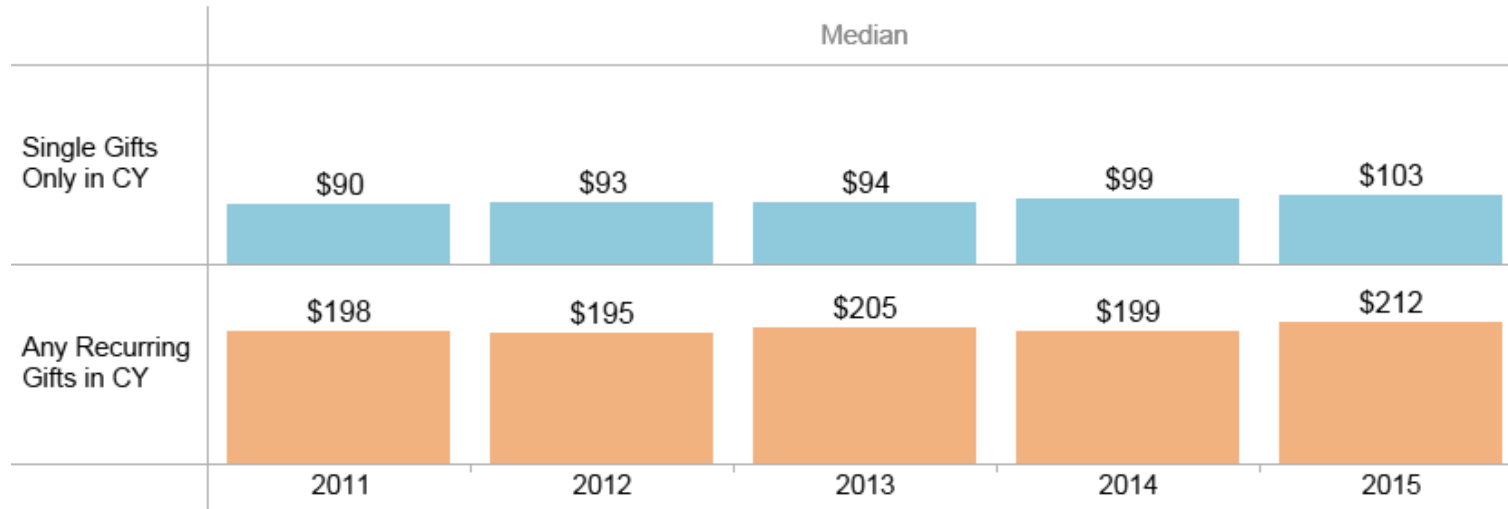


The percentage of recurring donors grew steadily over the past five years (composite).

► TRENDS IN ACTIVE DONOR GIVING BY GIFT TYPE

Revenue per donor grew among both single gift only donors and recurring donors in 2015 compared to 2014.

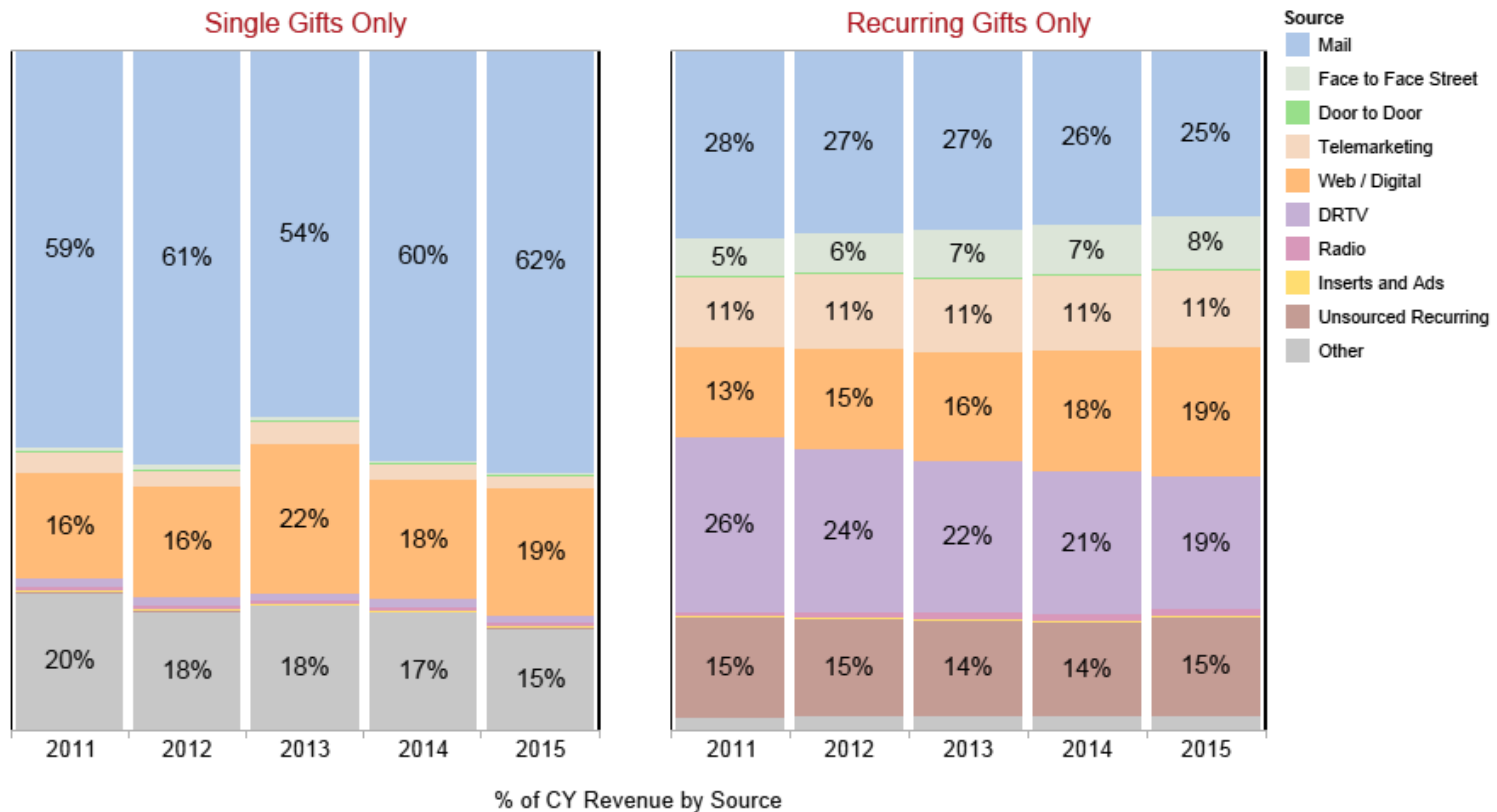
Revenue per Donor Trends by Gift Type



► SOURCE TRENDS

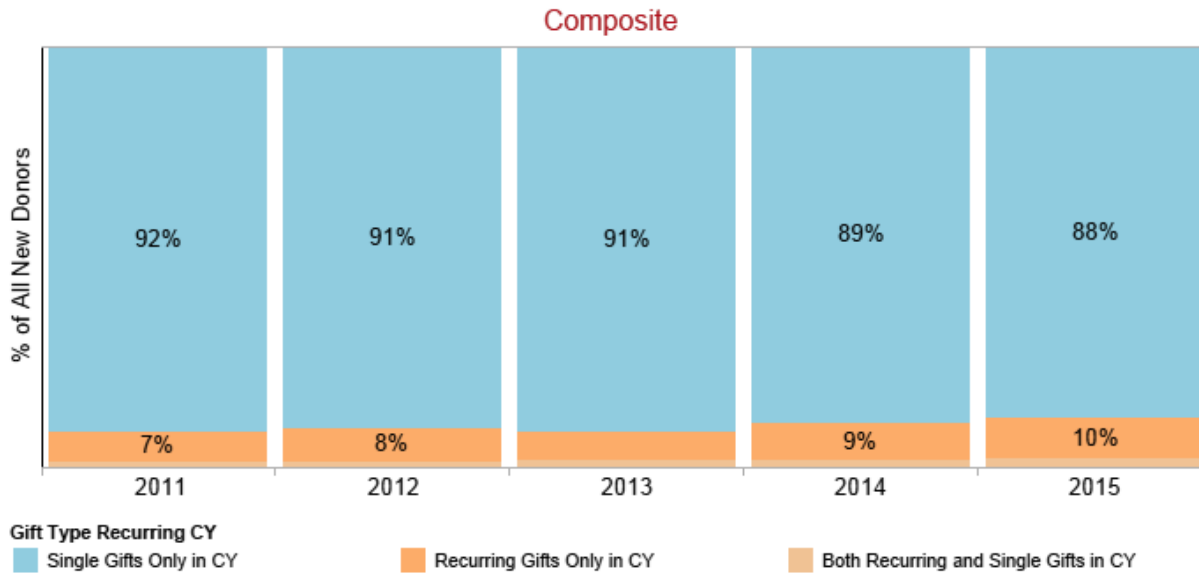
Web / Digital and Face to Face sources grew steadily since 2011 as a percentage of recurring revenue.

Composite Trend in Percent of Revenue by Gift Type and Source



► GROWING SUSTAINER POPULATIONS

Percent of All New Donors by Gift Type

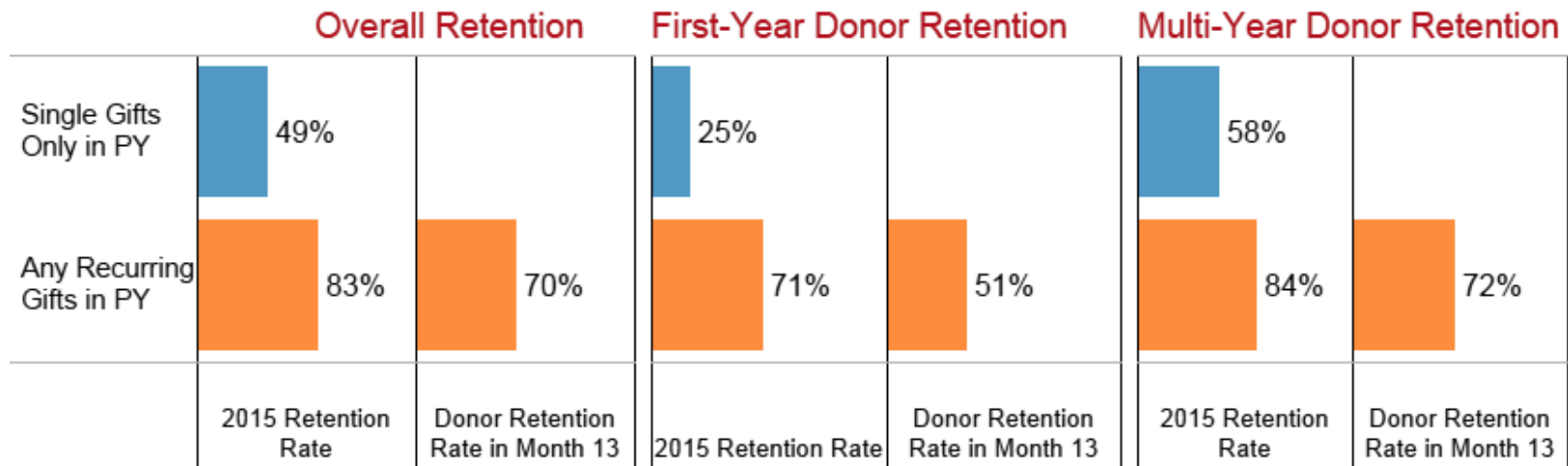


The percentage of **new donors who were recurring** was 12% in 2015. Note that the percentages ranged from less than 1% to a high of 86%.

► RETENTION BY GIFT TYPE

- Annual retention rates for **recurring donors** were about 69% higher than retention rates for single gift donors.
- After 13 months, 70% of **recurring donors** were still giving.

Retention Overview by Prior Year Gift Type (2015)



Median

▶ LONG-TERM RETENTION TREND – MONTHLY RECURRING ACQUIRED

Month-to-Month Retention by Acquisition Year - Donors Acquired as Monthly Recurring Donors 2011-2013

Shows the percentage of donors still giving, month by month, for monthly recurring donors acquired between 2011 and 2013.

Origin Year	Original Donors	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 12	Month 13	Month 24	Month 25	Month 36	Month 37	Month 48	Month 49
2011	1,806	100%	87%	82%	77%	72%	67%	51%	49%	33%	33%	25%	24%	18%	18%
2012	1,857	100%	87%	82%	76%	72%	68%	51%	51%	35%	35%	26%	25%		
2013	2,124	100%	86%	81%	75%	73%	69%	52%	50%	36%	35%				

Median

Original Donors = the number of donors acquired as recurring donors in the specified month and year. Includes all giving from donors who were acquired between 2011 and 2013 and whose first gift of record was a recurring gift. Includes only donors who were assumed to be monthly recurring donors in their acquisition year; excludes recurring donors whose second gift of record was 3, 6, or 12 months after their first gift.

► BENEFITS OF BENCHMARKING

Benchmarking helps institutions:

- Identify strengths and weaknesses
- Consider new methods, ideas and tools to improve effectiveness
- Crack through resistance to change
- Set higher standards
- Accelerate learning
- Make better decisions
- Improve allocation of scarce resources
- Justify fundraising investments
- Demonstrate efficiency to stakeholders/donors
- Preserve institutional memory through staff transitions
- ***And, take home actionable ideas***

American Museum of Natural History

- Founded in 1869 in New York City
- 5 Million visits per year
- 50,000 member households
 - (\$60 - \$1,200)
- 10 categories in three tracts
 - (Adult, Family, Digital)
- Membership and Annual Fund Appeals



Benchmarking and KPI's

- Comparing processes and best practices
 - Can be done by survey or by data collection
- Performance Metrics and Indicators (KPI's)
 - Can be whatever you want - campaign performance, donor behavior, market trends.
 - Identifies like orgs and compares the results and processes of those studied (the "targets") to one's own results and processes.
 - learn how well the targets perform and, more importantly, the business processes that explain why they are successful.
 - If you can't measure it, you can't manage it.

Why? Strategic Management

- Changing from ad-hoc **decision making**, or no decision making (“we’ve always done it this way”) to data-driven decision making
- Evaluate in relation to best practice - within a **peer group** defined for the purposes of comparison
- **develop plans** on how to make improvements or adapt specific best practices, usually with the aim of increasing some aspect of performance.
- may be a one-off event, but is often treated as a **continuous process** in which organizations continually seek to improve their practices.



Who to measure against?

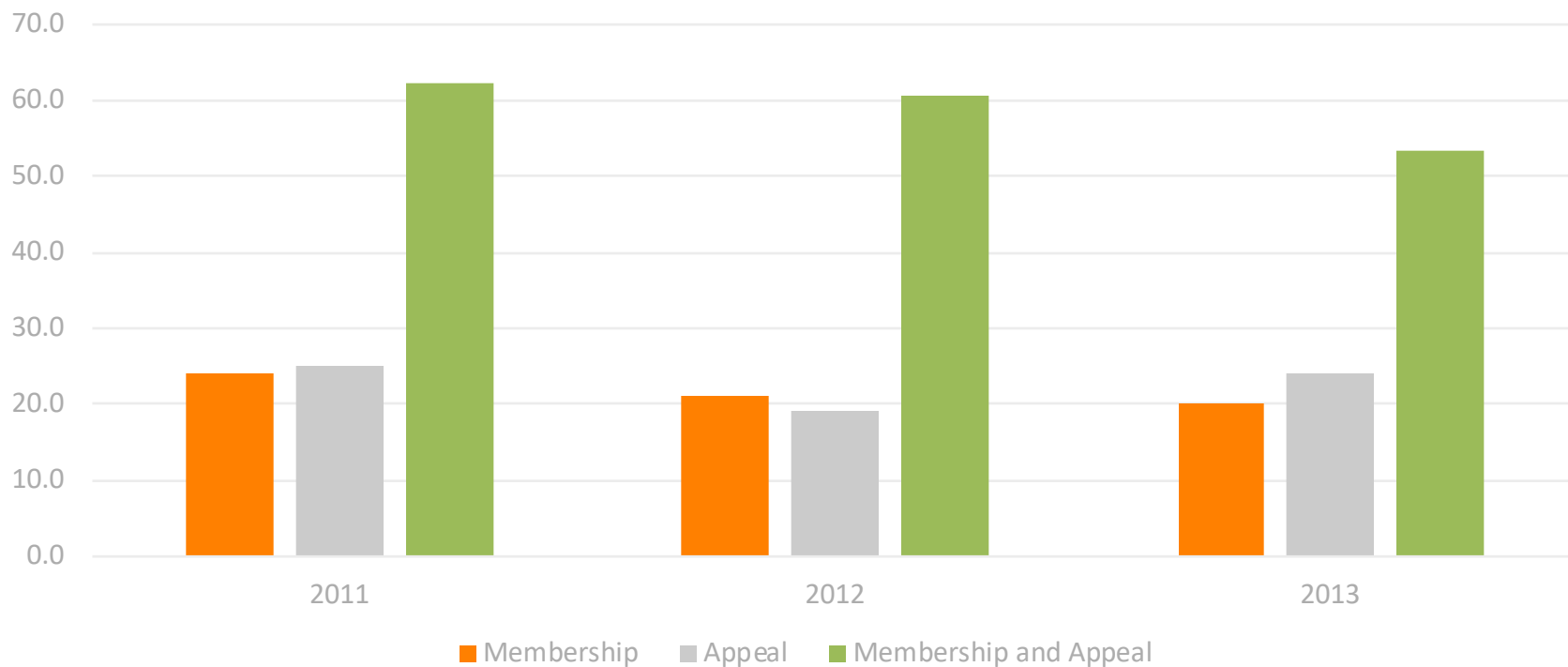
- NYC Museums, National Science Museums, NYC Attractions, Higher Ed, Hospitals
 - It depends on what you want to measure
- “Visitor Servicing Organizations” in 2013 and 2015
 - American Museum of Natural History (NY)
 - The Field Museum (IL)
 - The Franklin Institute (PA)
 - Monterey Bay Aquarium (CA)
 - The National Aquarium (MD)
 - Smithsonian Institute (DC)
- VSO but only M+D data ‘flattened out’ in program reports and overlaid

Case Study #1 - Retention

- Membership and Annual Fund at AMNH
 - Quid pro quo admission benefits versus direct response GOS fundraising appeals
 - Managed out of different departments for over a decade
 - A cultural of competition, you could only be a member or a donor not both.
 - Membership's higher revenue goal drove decision making
 - Deep dive analysis showed members that were giving to both Membership and Appeals have higher retention rates within Membership and higher propensity give

Case Study #1 - Retention

First Year Retention by Gift Designation

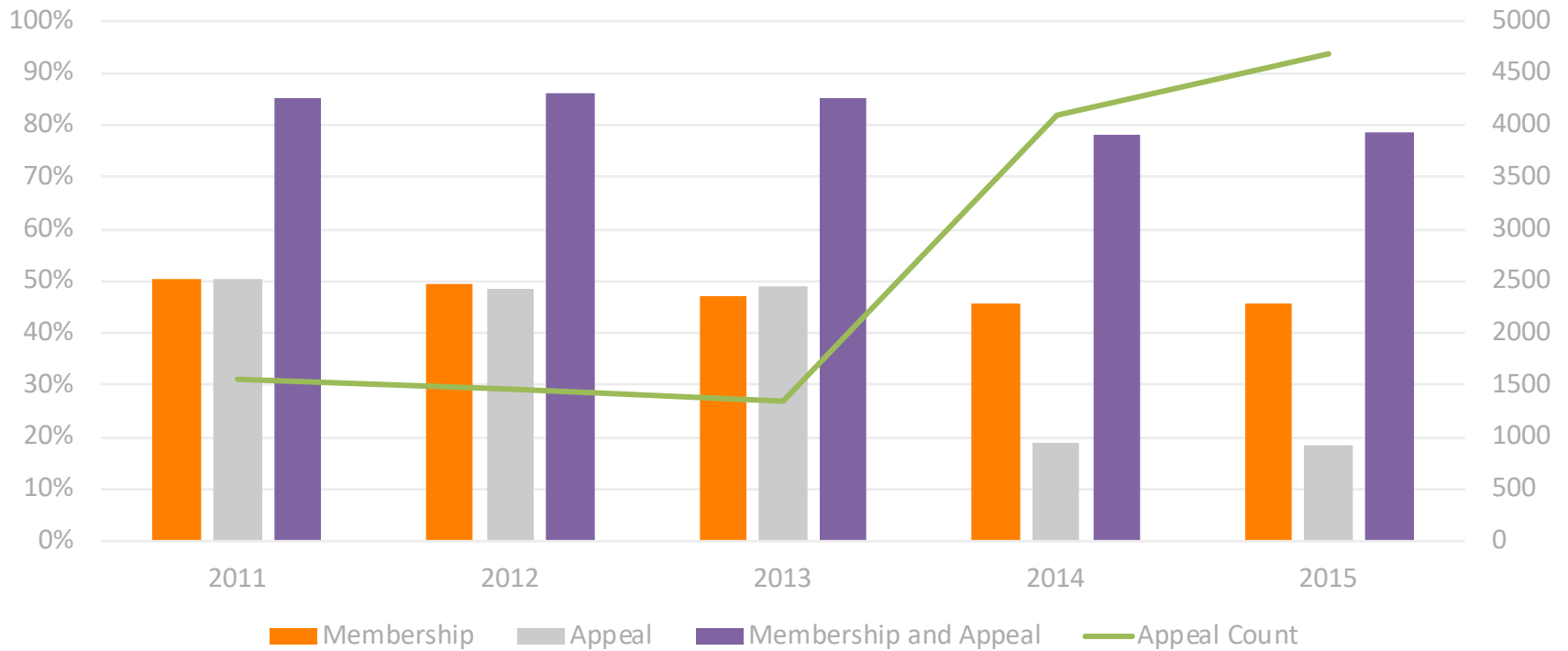


Case Study #1 - Retention

- Membership and Annual Fund at AMNH
 - Now, stronger emphasis on Annual Fund giving institutionally
 - Direct Response channels
 - Annual Fund appeals
 - Membership Renewal additional donations
 - Web “tipping” during check out
 - Giving Tuesday campaigns

Case Study #1 - Retention

Overall Retention by Gift Designation

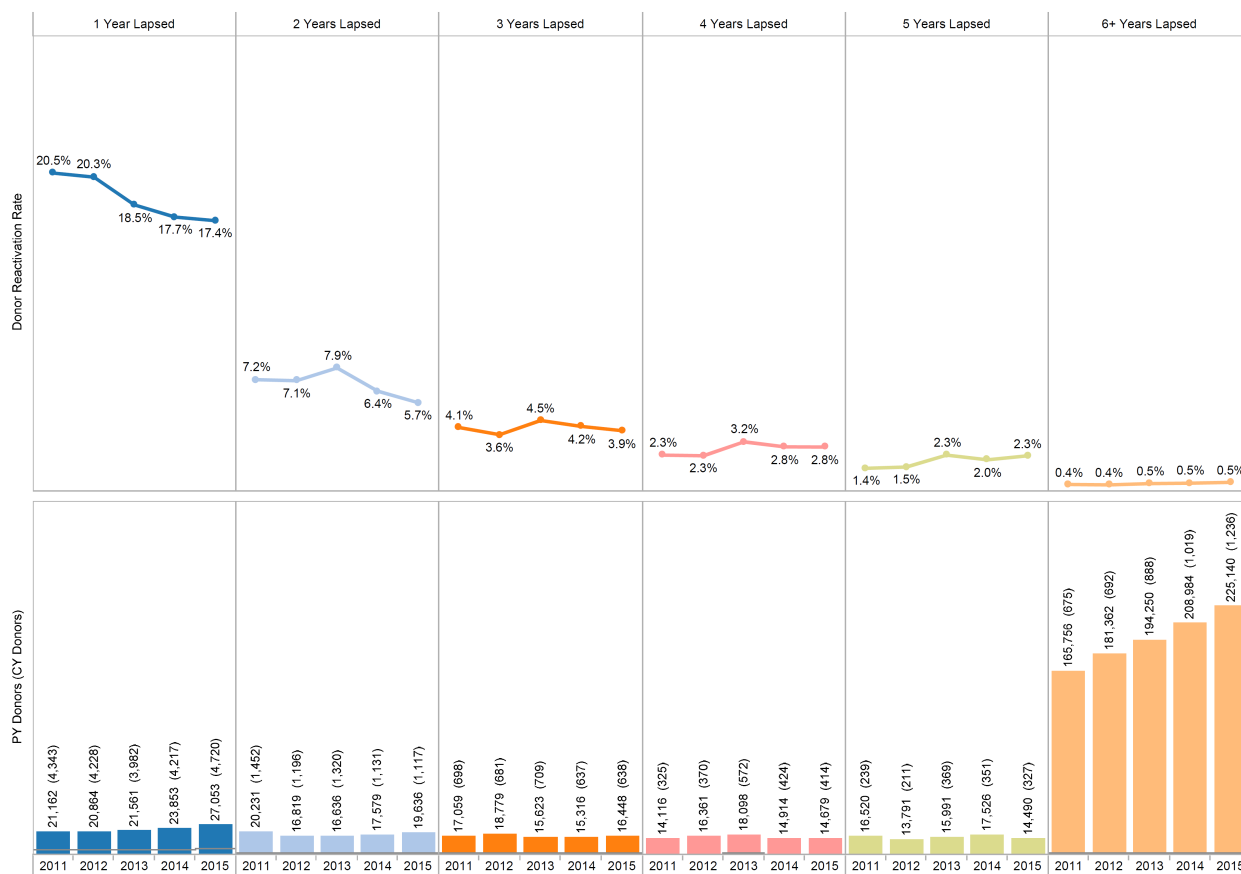


Case Study #2 – Reactivation and Loyalty

- Strong onsite acquisition program with low first year retention rate builds an ever-increasing lapsed file.
- Common wisdom has been Recency, Frequency and Money algorithms drive segmentation decisions
- Never mailed deeper than 3 or 4 years to all lapsed members once or twice a year
- Prior year lapsed file has the highest recapture rate on direct mail, but what if you segment deeper within tenure and recency?

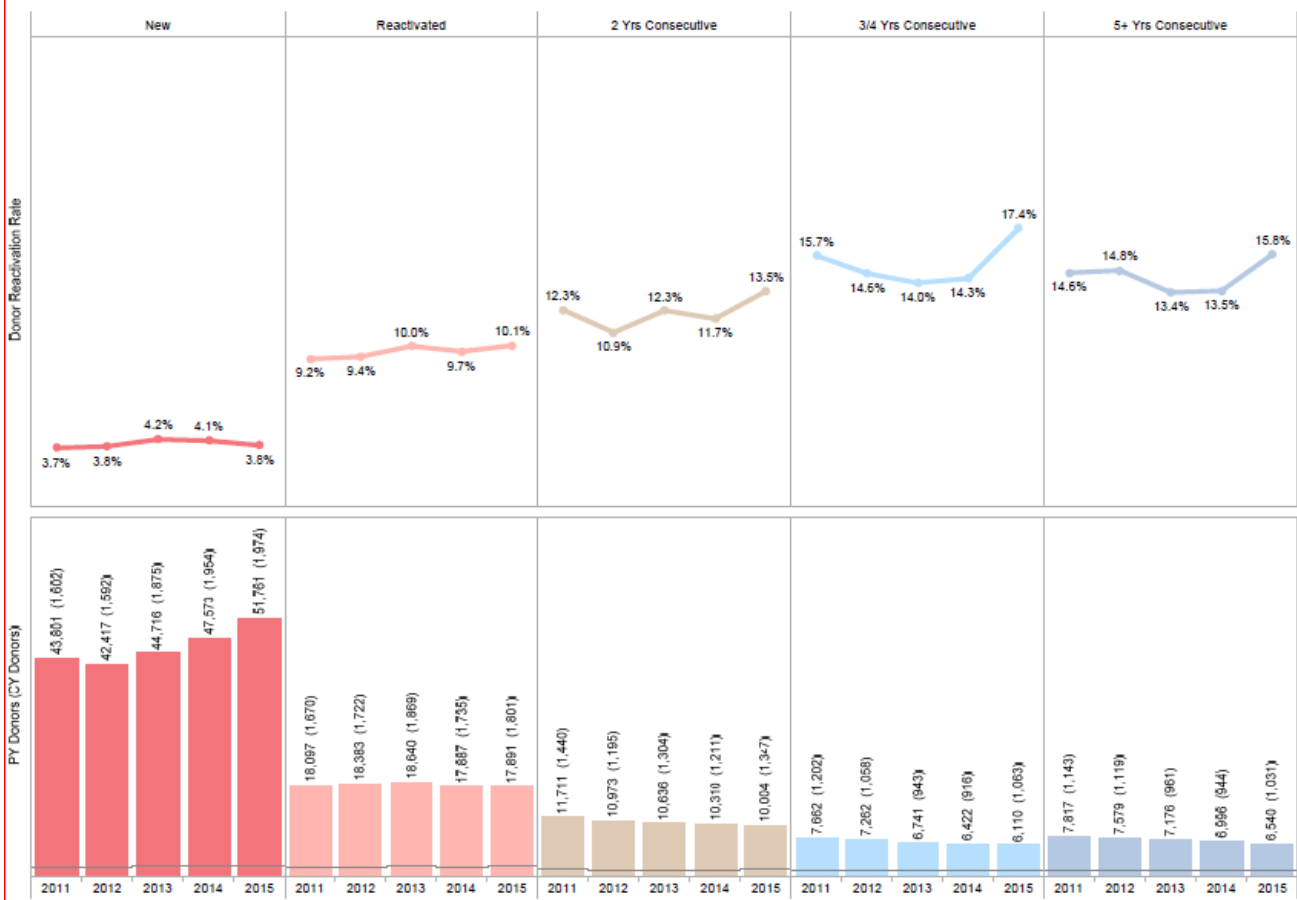
Case Study #2 – Reactivation and Loyalty

Reactivation Rate Trends by Number of Years Lapsed



Case Study #2 – Reactivation and Loyalty

Reactivation Rate Trends by Donor Loyalty in the Last Year of Giving (1-5 Years Lapsed)



Case Study #2 – Reactivation and Loyalty

- Following our peers, segmenting mail to include length on file has allowed us to mail deeper into our lapsed file to find a. the members most likely to be reactivated and b. most likely to be retain once reactivated
- What's the difference between a member who has given you \$1,000 once versus a member who has given you \$100 ten times? Who has more value, who has more potential? Consider length on file as loyalty, not necessarily stagnation. Reward loyalty through stewardship, recognition, engagement and surprise and delight.

Questions?

Carol Rhine

Principal Fundraising Analyst
413-296-4047
carol.rhine@blackbaud.com



Michael J Smith

Senior Associate Director of Membership
212-769-5013
msmith1@amnh.org