

Donor Voice

The Experience and Relationship Company



Ask Different, Make More

Breaking the two-gift-per-year ceiling

The Problem

Nonprofits are asking more, getting less, and turning off their donors.

If this sounds like your experience, you can skip ahead to the solutions section. But if you – or perhaps your boss? - think the challenges we face as an industry are macroeconomic, will be fixed with a brand update/refresh, merely require more ‘donor-centric’ copy or ‘donor love’ ([#donorlove](#)), or face a boss that believes one of those things, please read on.

Nonprofits are asking more

Nonprofits used to be timid asking for money for their mission. Appeals were couched in apology: “if you wouldn’t mind sending a gift...”. Communications failed to focus on any one ask, listing all of the ways that one could get involved – please donate, volunteer, advocate, like us on Facebook, follow us on Twitter, smile at us on Emojinet, share your story, walk, run, bike, swim, golf, dance, buy this product, etc. – without making a case for any particular one. And groups were semi-randomly cordoned off from appeals with the thought that “they’ve already given so much.”

(Incidentally, if you are doing any of these things, please stop. Giving is one of the more noble things that someone can do. Giving makes a donor feel better and be a better person. Asking isn’t a necessary evil; it’s a necessary good. We can give people the opportunity to save a life or change a life; people want that opportunity. And we can thank them for their help and show them the good they’ve done. Done correctly, this is a virtuous circle.)

Most, however, have gotten over the asking reluctance. The pendulum has swung to the opposite side. In their 2016 benchmarking report, M+R reported that:

“Nonprofits sent more advocacy and fundraising emails in 2015 than they did in 2014. The average group sent 49 messages overall in 2015, including 19 fundraising appeals, 12 advocacy messages, and 9 newsletters.”¹

In volume terms, according to the Alliance of Nonprofit Mailers, nonprofit standard mail volume has dropped from 13.3 billion in 2010 to 12.6 billion in 2015 – a seven percent decrease.² However, over that same period, the number of donors has decreased over 14 percent.³ That means that each donor is getting more mail and email than ever before, usually asking for money. It is likely that online ads, telemarketing, face-to-face, peer-to-peer, and other forms of fundraising have increased over the same time.

So among all of these touchpoints, a donor likely receives 40-50 requests for money per year per nonprofit. And surveys indicate that the average donor gives to six different nonprofits⁴; thus, there are likely 250 missives to donate to the average donor through their phone, mailbox, inbox, TV, etc. Those are just from the nonprofits to which they donate – there are more nonprofits trying to be cause #7.

¹ <http://mrbenchmarks.com/>

² <http://www.nonprofitmailers.org/nonprofits-and-mail/>

³ Aggregation of Fundraising Effectiveness Survey Reports at <http://afpfep.org/reports/>.

⁴ https://secure3.2dialog.com/russreid/main.php/micro_sites/showpage/id/3/page_number/1

This is all justifiable if increased communications were substantially increasing the number of gifts per donor per year, increasing the retention rates of donors, and/or increasing donors' happiness with their donation experience. Unfortunately, none of these are true.

Increased volume of communications hasn't increased giving per year

Depending on what study you look at, the average number of gifts per year per donor is 1.7⁵, 1.6⁶⁷, 2.03⁸, or 1.3-1.4 for new and reactivated donors and 1.8-2.4 for multi-year donors⁹¹⁰. All of these hover in the 1.6-2 donation range.

The real question is whether these gift counts have increased in line with the substantial increase in asking frequency. In a word, no. A Blackbaud report on higher education found an increase in gifts per year of 1% per year over the past three years.¹¹ In other words, if you had 1.6 gifts per donor in 2013, today you would be doing well to have 1.65 gifts per donor. But chances are you've increased your number of asks far more than one percent per year to get these gifts as discussed above.

Why is this? Massively diminishing returns is a direct marketing reality as real and unavoidable as gravity. It's not just because the cost of each communication stays the same while the response rates drop. It's that much of the success of a mailing comes at the expense of other mailings. Research into Dutch charities found that of the additional revenues they got from an additional mailing, 63% were cannibalized from future mailings.¹² That is, only 37% of the "new" revenues were actually new revenues that the charity would not have received. While the study does not look at cannibalization from other channels, this is additionally likely.

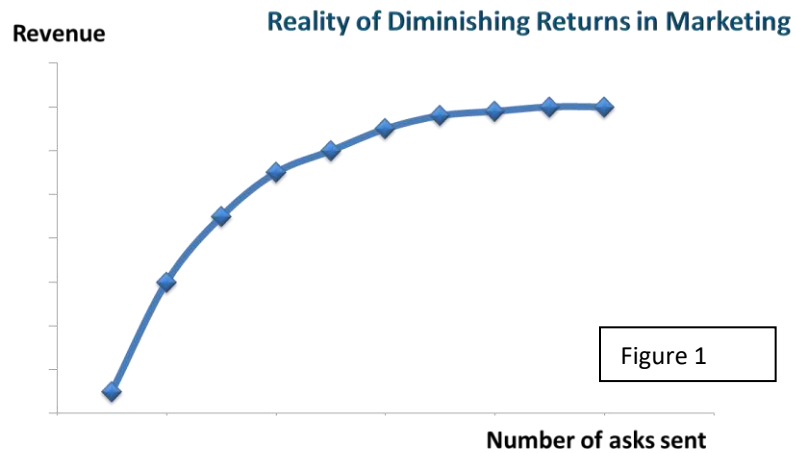


Figure 1

Would that mail piece have added net revenues if it got credit for only 37% of the revenues attributed to it? Most often, no.

The volume arms race either has you on the plateau or on your way there and getting there is not worth the journey - for your organization or your donors.

The sad thing is that the diminishing returns graph at right is not just real – it's a best case scenario. Not only are appeals getting to the point that they are adding little net revenue overall; sometimes, they are adding negative net revenue to an organization.

⁵ Blackbaud data.
⁶ <http://royjonesreports.com/do-you-have-a-preauthorized-gift-program-why-not/>
⁷ https://www.blackbaud.com/files/resources/downloads/Research_RecurringGivingSummary_March2010.pdf
⁸ <http://www.andrewolsen.net/wp-content/uploads/2010/12/Maximize-Your-Monthly-Committed-Giving1.pdf>
⁹ http://cdn2.hubspot.net/hub/240144/file-24569941-pdf/white_paper_increasing_value_long_final.pdf
¹⁰ <http://docplayer.net/18107567-Using-analytics-to-grow-your-fundraising-program.html>
¹¹ <https://www.blackbaud.com/files/2015-donorcentrics-annual-report.pdf>
¹² <http://repub.eur.nl/pub/19423/ERS-2010-015-MKT.pdf>

If giving were increasing as communications increased, we would presumably see the proportion of giving versus other purchases increase. Instead, charitable giving has been stuck at approximately two percent of GDP in the United States as long as there has been data.

Increased volume of communications hasn't increased retention rates

As discussed above, the nonprofit sector as a whole is bleeding donors. With the exception of 2015 with a modest 2% increase in donors, the past years have seen decreases of seven, five, two, and three percent in the number of donors. As a result, the overall donor pool is shrinking.

One could presume from this that only the best donors would be remaining, increasing retention rates over time. One would be mistaken. 2015 had a nice increase in retention rate to 46%. The median retention rate one decade earlier? 46%.¹³ At best as an industry, we have been able to recover what we had before the Great Recession – no more.

So increased volume of communication isn't increasing gifts per year and it isn't increasing retention. And costs per communication aren't going down either – quite the contrary. But that isn't the worst part.

Increased volume of communications increases donor irritation

Researchers looked at five of the largest charities in the Netherlands to see what happens as the number of mailings go up. Unsurprisingly, they found that as the number of mailings went up, so did irritation with the nonprofits.¹⁴ While revenues did not go down as a result of the irritation in the same year, they did find that increased mailings in one year reduced donations in future years. As they put it:

“[W]e now find evidence for decreasing marginal revenues, as receiving experimental mailings reduces future donation behavior. These mailings cannibalize future revenues. The same holds for the number of mailings received and the number of donations made.”¹⁵

Does this irritation lead to decreased retention? The intuitive answer is of course – when you irritate someone, they are generally less likely to do business with you. This intuition is backed up by research. Researchers found that looking over 5.5 years of data that donors who have increased frequency to direct mail have increased irritation, decreased goodwill, and that **decreases likelihood of giving**.¹⁶

“You’ve got too much to do and not enough time to get it done. You’re being accosted by strangers constantly. Every day you’re exposed to more than four hours of media. Most of it is optimized to interrupt what you’re doing. And it’s getting increasingly harder and harder to find a little peace and quiet.

The ironic thing is that marketers have responded to this problem with the single worst cure possible. To deal with the clutter and the diminished effectiveness of Interruption Marketing, they’re interrupting us even more!”

Seth Godin, Permission Marketing

¹³ Aggregation of Fundraising Effectiveness Survey Reports at <http://afpfep.org/reports/>.

¹⁴ <http://repub.eur.nl/pub/12704/ERS-2008-036-MKT.pdf>

¹⁵ <http://repub.eur.nl/pub/12704/ERS-2008-036-MKT.pdf>

¹⁶ <http://repub.eur.nl/pub/571/feweco20020501140152.pdf>

It's worth repeating in the authors' own words: "[donors] who donate frequently are *less* likely to donate in the near future. These findings are not only stable over time, but also replicate across two large data sets."¹⁷

These results are actually consistent with what for-profit companies see as well.¹⁸

So, in summary, we have tried to throw additional communications and additional channels of communication at donors to try to increase their retention and their giving per year. At best, these have had little effect.

At worst, they have hurt long-term retention numbers by increasing donor irritation and justifying all this with the robbing Peter to pay Paul approach to fundraising – shifting dollars from one fiscal year to another ("let's cram in one more appeal in November to hit budget...") or one channel to another ("our online revenue is up but our total revenue is flat").

It's time for a new strategy. How about an approach that asks differently (and less often) to make more, reduce donor irritation, spend less, make more per donor per year and increase the retention of those donors?

Impossible, you say. It isn't. Getting there requires understanding why donors (read: human beings) do what they do and want what they want.

¹⁷ <http://repub.eur.nl/pub/571/feweco20020501140152.pdf>

¹⁸ http://ebusiness.mit.edu/research/papers/222_Brynjolfsson_Advertising_Future_Sales.pdf

A Solution

The seemingly obvious solution to the problem of spending more and more to get less and less would be to spend less, communicate less, and ask less. Unfortunately, that fails too. Nonprofits have added these communications because they seem to add net revenue in the near term. The answer to adding communications blindly isn't subtracting communications blindly. Or, rather, it's not the only solution.

Nonprofits need a solution that increases the value of both communications and, more importantly, donors. We often think of this as "upgrading" a donor by increasing their gift amount. Here, we are suggesting upgrading a donor by increasing their gifts per year.

Such a solution needs three things:

1. To increase the value of the nonprofit to the donor. If someone gives a nonprofit \$50 per year every year, the most reasonable explanation is that the nonprofit is worth \$50 per year to that person. To change this assessment of your value by your donor you must reduce their irritation and increase their satisfaction.
2. To create a multi-donation program that's worthwhile and easy to join. Monthly giving programs are wonderful things, but the psychological leap from giving once per year on my terms to 12 times per year for the foreseeable future on the charity's terms is not for all donors. These programs are also difficult to administer through the mail. Thus, a good multi-gift program will need to have more perception of control and a lower threshold for entry than a monthly giving program.
3. To market the program in a way that makes it the most attractive for donors. Fortunately, behavioral science has come a long way in determining ways to nudge donors toward solutions that benefit both donor and nonprofit.

Increasing value of the nonprofit to the donor

Why do people give to charity?

The question has puzzled traditional economists for decades – if you view the world as people who are all working to maximize their own utility, giving of your own utility (read: donating money) to increase someone else's utility who you may never meet (read: to save and/or change lives) doesn't make sense.

Neither, increasingly, does traditional economics. Research shows that we humans are, to steal a phrase from a great book on the topic, predictably irrational.

But part of giving is rational in that our brain rewards us for making gifts. The "warm glow" of giving means that people enjoy the act of giving itself. This is because giving causes the release of dopamine, a chemical in the brain that helps trigger our internal sense of "reward" or feel good. The reason some drugs are addictive is because they too release dopamine and an internal "feel good".

In fact, there are case studies of people who are literally addicted to giving because of the dopamine and feel good effects.

Part of why dopamine – from giving or drugs - is addictive is that the brain tends to anticipate it. Thus, you want to make sure the person gets that hit of dopamine for their good deeds.

Yet that's not what happens when a donor gets another solicitation instead of gratitude. When someone donates once per year in December and has for years, and they are sent ten asks between April and September, the reverse internal, reaction occurs; they feel irritated and it creates negative reinforcement. Instead of cementing the reward feeling and pathway in the brain, nonprofits are barring the gate.

The volume model further undermines donor needs by reducing the likelihood the donor feels like their donation is making a difference. No warm glow, no sense of impact, no next donation.

It is certainly possible, even probable, the next solicitation (and the next and the next...) include copy that talks about the difference their donation made but it also sends a subliminal and more powerful message; their money is being spent to re-solicit them.

This is the only definition of 'overhead' the donor cares about; a feeling that their specific donation was put to good use. As noted behavioral scientists Gneezy et al discovered in their experiments on overhead, donors do not care if the charity is spending 50% of funds (vs. 5%) on admin & fundraising costs as long as they were told their donation would not go to overhead.

Overhead ratios and operating efficiencies and 3rd party ratings are a red herring. If you understand what donors actually care about you can render them (i.e. ratios and rating) irrelevant.

The way that donors form a judgment about the only form of "overhead" they care about is with a judgment about what they see in their mailbox often expressed with quotes along the lines of, "I get too many expensive mailings and it is a waste of money".

What other factors can contribute to increasing the value charities provide to donors?

One of the more important factors in whether someone is satisfied with an experience is whether their expectations were met or exceeded.¹⁹ For example, you can be satisfied with fast food in a fast food restaurant and fine dining in a fine dining restaurant. However, you will not be satisfied with fast food in a fine dining restaurant, as your expectations were not met.

Often, donors are viewed as the mere recipients of communications rather than a participant in them. Nonprofits rarely tell donors "if you give to this mail piece, you will get 10 (or 15 or 20) more like it this year asking for more money." Thus, when the gates open, it is a surprise to the donor and, as we saw from the irritation study, a negative surprise. So setting expectations up front is a good thing.

What is even better is letting the donor be in control of their own desired communications. That's part of creating a more robust relationship that ends with more value for the donor and for the nonprofit.

¹⁹ Erevelles, S. & Leavitt, C. "A Comparison of Current Models of Consumer Satisfaction/Dissatisfaction." Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, 5, 194-114, 1992.

Creating a simple, worthwhile multi-donation program

Now that you have made your constituents happier with their giving experience to you, you can work to advance your relationship to a multi-donation program. This is the step between the 1-2 gifts per year frequency you have with the majority of your donors and the 12-gift-per-year frequency needed for a monthly giving program.

The ask is the donor making a commitment to giving 3-4 times per year at strategic points in the year. If you can get them to do this via credit card or EFT, so much the better, but offline can also work with a strong commitment up front (especially among older audiences, where commitment and consistency are valued even more strongly²⁰).

A multi-donation program will have benefits for you and the donor:

Donor benefits:

- Reduce irritation
- Set expectations
- Increase satisfaction
- Increase warm glow
- Increase sense of their donation making a difference

Charity Benefits:

- Increase retention
- Increase gift frequency (i.e. value per donor in any given period)
- Lower your costs to get your gifts

There are three key tenets to accomplish this.

The program should create mutual benefit for the donor and the organization

Yes, you are looking to increase your number of gifts per year. But this can come out of a benefit to the donor as well – a greater sense of control over their own giving and their own communications from the organization.

What this looks like in practice is inclusion of recognition levels that make sense for them. For example, your multi-giving club has recognition levels at \$100, \$200, \$500, \$1000, \$2000, \$5000, and \$10,000 (all per year). If someone gave one gift of \$150 last year, you can talk to this person about their giving, letting them know that they can make this easier on their wallet by breaking that into four gifts of \$50 each. Or, if they wanted to increase their giving slightly, they could get the benefits of a \$250 per year member (or more for the \$500 tier). This plays into the psychology of people tending to pick the option in the middle when in doubt.²¹ Additionally, this gives the donor four hits of dopamine from giving multiple times rather than just one from the large gift. This helps build a giving habit.

²⁰ <http://www.sciencedirect.com/science/article/pii/S0092656604000716>

²¹ <http://onlinelibrary.wiley.com/doi/10.1002/acp.1812/abstract>

Your goal is to get into your donor's mental accounting. People generally think of expenses in buckets²² – housing, transportation, entertainment, etc. – and charitable donations are no exceptions.²³ There are two ways to deal with this. One is framing your donation as an exceptional, one-time expense to get someone to dip into their miscellaneous or rainy-day fund. This works²⁴, but one wonders how many times an organization can go to that well and still be believed. The other is to frame giving in a way that fits with mental accounting as in multi-giving spread throughout the year. That's what we are recommending here.

The program should have a simplified, customized communications stream.

The communications should be set largely by your donor in both frequency and channel. If they are on an auto-debit (credit card or EFT), you will want to know if they want an acknowledgment every time a gift is given or a yearly report and in what channel. For offline donors, you will want to alter their normal communications stream to focus on:

1. We received your gift.
2. You are already doing good work in the way you intended – here's an example...
3. It is time for the next gift you wanted to give – thank you again for your support.

This takes them out of the normal communications stream. That's a good thing.

The program should be multichannel

Email is your best friend in this regard if the donor wants it, as it keeps your costs of reminding people for their gifts to a minimum. Even better if the multiple gifts can be given automatically online. Similarly, telemarketing can be good to help remind donors who have not fulfilled a pledged payment.

But it's more important that donor preferences propagate – it does no good to promise not to ask in the mail program, then have ten year-end giving asks in emails. It's also important that a person can initiate multi-giving from any channel.

Using behavior science to nudge people to the program

Once you have created the value for a program and the program itself, you will want to use your direct marketing arsenal to attract and retain multi-gift donors. Many good nudges in this regard come from the realm of behavior science. We talked about ones to get people to overcome their overhead aversion and pick the middle option already; here are a few more:

Delay the pain of giving up money

Humans like to get rewards immediately and to delay pay. This is called hyperbolic discounting. You can take advantage of this tendency by not asking for a multi-gift pledge and the first check (donation) up front, but rather just asking for the commitment. A Swedish charity Diakonia worked to upgrade their monthly donors and found that revenue went up 32% when the members were asked to increase their donation in two months, rather than immediately.²⁵ A multi-gift program can do likewise, asking in January to begin donations in March.

²² <https://faculty.chicagobooth.edu/Richard.Thaler/research/pdf/MentalAccounting.pdf>

²³ LaBarge, M. and Stinson, J. L. (2013) 'The Role of Mental Budgeting in Philanthropic Decision-Making', Nonprofit and Voluntary Sector Quarterly Online, July 8.

²⁴ http://faculty.tuck.dartmouth.edu/images/uploads/faculty/eesha-sharma/sussman_sharma_alter_2015.pdf

²⁵ <https://www.gate.cnrs.fr/afse-je/Papiers/218.pdf>

Use set completion, goal proximity, and exclusivity

Humans like to complete sets of tasks – think of the satisfaction you have of crossing something off of your to-do list. One test of this gave participants a puzzle to solve, then interrupted them in the process of solving it. Despite being told the study was over, 86% of people who didn’t know they would be paid for their time went back to finish the puzzle.²⁶ The desire to complete is strong.

We also think in sets of things. One study asked control donors to give \$5 for one textbook, \$10 for two, up to \$25 for 5 textbooks. Test donors were asked to help reach one set of five textbooks: \$5 would provide 20% of one set, \$10 would provide 40% up to one full set of textbooks for \$25.

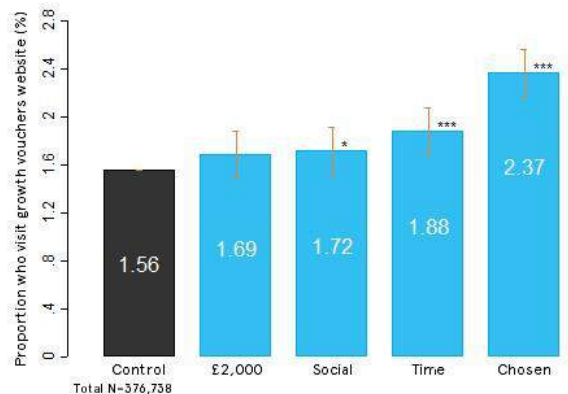
The set worked. Thirty-eight percent of the test group donated the maximum \$25 amount, compared to only 22% of the control group.

This is part of why a multi-gift program works. Once you have someone committed to multiple gifts, there is a strong desire to complete them. We also see this manifested in the famous thermometer for fundraising – the closer you are to your fundraising goal, the most you are going to do to achieve it.²⁷

The set starts with tiered benefits like you would with a monthly or major giving society. From there, you can publicize to someone the tier they would be in if they gave a slightly higher level as well as the two levels above without listing every possible level.

The club should be framed as an exclusive opportunity to a special donor to increase the scarcity (and thus the influence) of the offer, as words like “You have been chosen to” increase response rates significantly.” In fact, this phrases, as you can see at right, trumps appeals to money, social proof, and urgency.²⁸

In this case, the commitment to multiple gifts creates the set – the nonprofit then helps keep track of progress toward goal and how close you are to completing the set.



Diminish social distance

Societal problems are harder to ignore when they hit close to home. This is called social distance – how much one perceives someone to be similar or less similar to them (and thus how much they would relate socially). The closer you can draw that circle to the person with whom you are communicating, the more likely they are to respond. Researchers have even seen a significant difference between asking for money to support charity drive in their city versus in their state (more than 25% more responses, in fact).²⁹

²⁶ <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6494.1982.tb00745.x/abstract;jsessionid=F55CACFE26453C6266237D592EE67B02.f02t01>

²⁷ <https://www.cmu.edu/dietrich/sds/docs/loewenstein/GoalGradient.pdf>

²⁸ <http://www.behaviouralinsights.co.uk/trial-results/you-have-been-selected-driving-uptake-of-government-schemes/>

²⁹ https://site.stanford.edu/sites/default/files/kesslermilkman_identityincharitablegiving.pdf

This is sometimes very hard, given that many nonprofits work to prevent societal ills in places very distant both geographically and locally. However, using stories from volunteers from their local area can make a big difference, as can social norming that lets people know that people like them – ideally from their close social group – are supporting this case. Additionally, letters and other social interactions from the people being helped can diminish social distance by breaking down some of the perceived distance in the helper-helped relationship.

Putting it all together

An organization has worked to create a four-gift giving club for qualified donors. They have added specific dates of significance attached to each gift. Club members are promised regular updates on the impact of their giving, but not dopamine-draining appeals. After the first gift date passed, they remarketed the program for the remaining three gifts in the year. Likewise for the third mailing.

Response rates have been very strong with donors upgrading at **three times the normal rate**:

- Mailing one had a seven percent response rate into the program and \$40 average gift. Over half of all people who opted into the program honored their commitment to make the second gift. In other words, if the average donor makes 1.7 gifts in a year, this group did it in three months.
- Mailing two had a seven percent response rate into the program and \$77 average gift.
- Mailing three had slightly under a nine percent response rate and a \$56 average gift.

Not everyone will achieve these results and a multi-gift program will never attract all of your donors. Many are content to give one-time per year as their preferred mode. However, the problems of increasing communications to get illusory gains in response rate and gift frequency is a real and costly one. By bringing these tools to bear on a multi-gift program based on understanding a donor's identity and intent, you can get donors to want a deeper relationship with your organization and the means to accomplish it.

DonorVoice

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