

Donor Acquisition: Go Boom or Go Bust

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Why is it that some not-for-profits are successful at acquiring new donors and others struggle endlessly to grow their base of supporters?

Firstly, what are the benefits of acquiring more donors? Increasing the size of your donor pool means:

1. Increased annual untied profitable funding through cash renewal appeals;
2. Increased bequest potential;
3. Increased monthly pledge potential; and
4. Increased major gift potential.

Other benefits include:

- Increased organisational awareness;
- Increased number of people approaching you to run third-party events; and
- Increased knowledge about your cause.

There are countless good reasons to acquire new donors, so why don't charities do it and why do a lot have a go and then abandon it?

Why is it that most organisations fail in the area of donor acquisition?

I have some theories. A key one is what I call "Stop Start Syndrome" and it happens like this. The fundraiser within the charity convinces the board and CEO to invest in acquiring new donors. The appeal goes out and two months later the CEO or board look at the results and conclude that it was very costly and that right now they can't afford to continue doing it. The fundraiser knows the value of acquiring donors and the following year asks for another acquisition budget. The same thing happens: a handful of new donors are acquired and the fundraiser never succeeds in rolling out a larger scale acquisition programme.

The charities that succeed with donor acquisition on a scale that makes a significant difference to income and profit are the ones that are committed to on-going programmes to acquire new donors. The difference between going boom or bust with donor acquisition is as simple as being committed to it each year, every year and for a lifetime. It is similar to dieting, you either diet spontaneously or you choose to adopt better eating habits for your lifetime.

Apart from the obvious reasons to acquire donors, there is also the need to acquire donors simply to maintain the status quo of your donor database. All donor databases suffer from attrition, no matter how good you are at retaining donors. It is only natural that 'Mrs Smith's' circumstances change or she decides that there is another cause more appealing than yours. So whether your acquisition programme is just about maintenance or building growth in donor numbers, the key is to establish how many new donors you need each year and then commit to the plan to get those new supporters.

Is the market saturated?

I haven't seen an oversaturation of the market yet. I work with charities in Australia and New Zealand who run successful acquisition programmes. Even during the toughest of economic times, the response rates never declined to a point where charities should stop acquiring.

The starting point for success, and what makes the difference between the charities that are getting bigger and those charities that are getting smaller, is having a plan and commitment that either maintains the size of the donor database or one that achieves growth.

Data is the next key to your acquisition programme.

Knowing who to target and understanding who gives is also central to your success in acquiring new donors. Generally, it is an older demographic who give to your cause, regardless of the type of cause. There are many avenues to acquiring new donors, from cold list rental to data pooling and direct swapping. A solid donor acquisition programme should embrace all avenues of data acquisition.

However, understanding who gives also serves to get your organisation past the "Stop Start Syndrome" and make the difference between boom and bust.

What about premiums? Do they really work?

Premiums are vital to many direct mail donor-acquisition programmes. In some cases, a set of address labels alone is not serving to achieve the best response rates. Increasing the value of the premium increases the cost of your acquisition pack ---but it can also increase the response rate and the return on investment (ROI) to acquire the new donor.

We love to hate them, but the fact is premiums comprise a majority of not-for-profit acquisition mail, and their use is widely spread. Subsequently, for many charities today, there is increased competitive pressure to stand out in the mailbox. Many charities have come to rely on the response rates that premium packages bring, so sadly the days of not including premiums are over.

A new era of donor acquisition has been in play for some years, one that requires a ROI

calculation and analysis for each prospect group and premium type. Understanding the lifetime value of the donor is vital to overcoming the argument around premium use.

Premiums are a valuable tool for getting donors to raise their hands to a relationship with your organisation (i.e., raising response rates). Ideally we want to have prospects beating down our doors to donate. For the foreseeable future, it's likely that we will continue to need premiums as a foot in the door so that we engage them instantly and can begin to tell our organisation's story. The keys are doing it appropriately and cost effectively, being well informed about the acquisition landscape and being diligent about tracking the long-term/lifetime value of donors.

Should all organisations attempt a donor acquisition programme?

If you have managed to convince your board to commit to the long term, then there are some other factors to consider and plan for.

The response rate to your acquisition programme will underpin the success of your programme. If your cause and appeal message is not able to achieve a response rate above 1.5 per cent, then you will have a higher cost to acquire and hence require a larger investment than when compared to a charity that has a 2.5 per cent response rate. Your response rate is determined by a number of factors such as: cause type; type of data used; pack format; premium type; and cost of acquiring — just to name a few.

Finally, and most importantly, you need to understand your capacity to be able to follow up the new donor. Can you respond in 24 hours to their first donation? Can you call him or her and personally thank each donor? How well placed are you to nurture the donor and put your organisation on the best possible footing for the second and subsequent donations?

The failure to immediately obtain second gifts from new donors is a grave error. In fact, many new-donor acquisition efforts fail because of the lack of effort in welcoming and continuing to ask for a second gift. Many charities seem to forget how the donor may be feeling once they have decided to give their first donation. Donors remain largely faceless to us, particularly in the case of direct mail donors. Getting another donation requires efforts into building a relationship with the donor whereby you can know each of them and understand their motivations to have supported you in the first place.

Donor acquisition can change an organisation dramatically.

Rapid and massive donor acquisition will change an organisation dramatically. I've seen charities make astounding leaps in acquisition; one organisation in New Zealand grew from 3,000 donors to over 65,000 donors in only five years. This type of growth brings challenges, but also significant rewards in the resourced ability to make a significant impact in the community.

If you can commit to donor acquisition for the long haul and you find the right format to achieve the optimum response rates, there is no reason why your organisation can't achieve growth in donor numbers and go BOOM!

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