# Sustainers in Focus

## Part 2 | Proven Practices for Success

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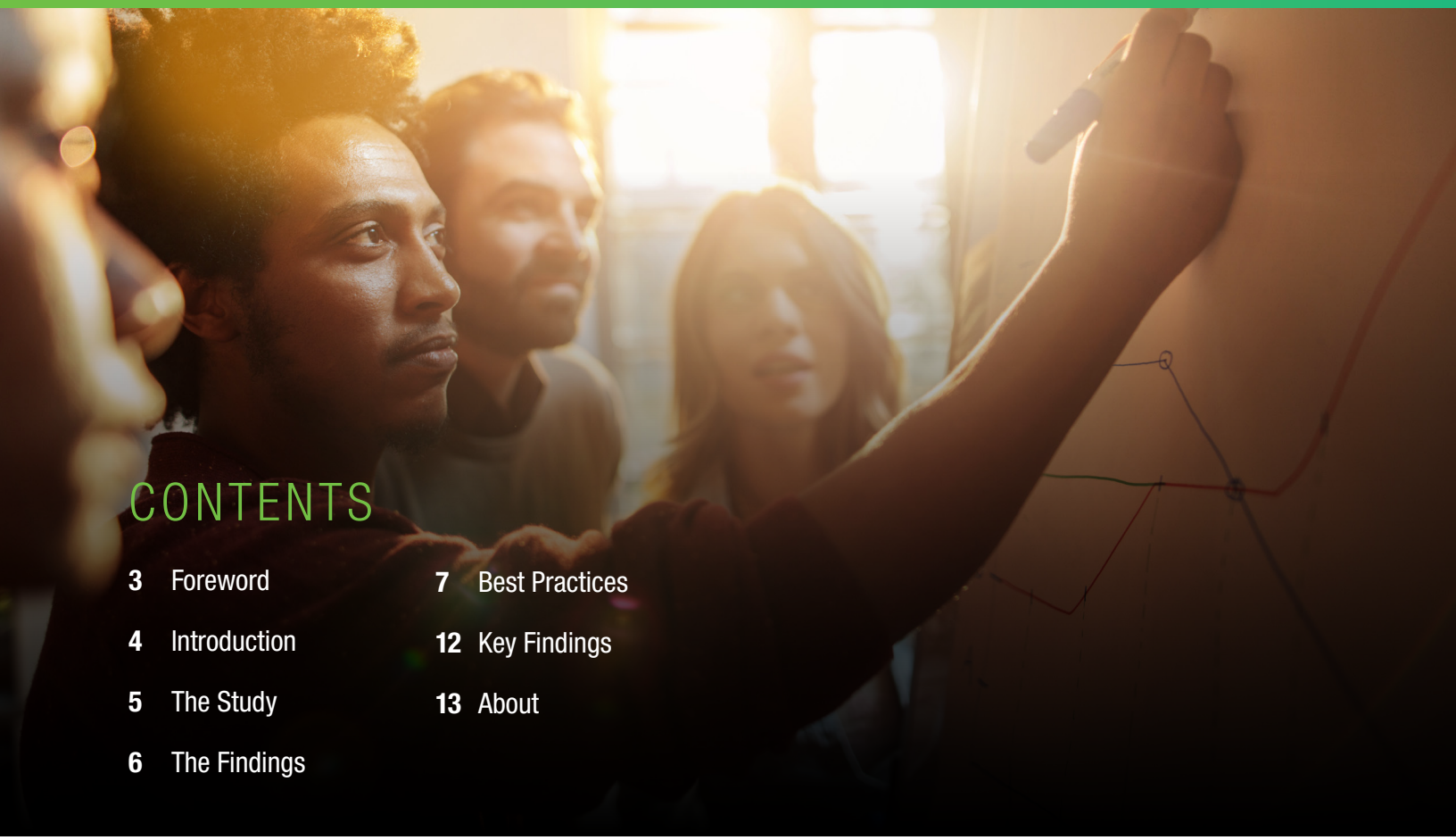

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# FOREWORD

Throughout my career of training nonprofit professionals, I've sought out ways that fundraisers can be more effective and efficient in their work. Monthly giving programs remain one of the best ways for nonprofits to dramatically increase the lifetime value of their average donor.

I have been building monthly giving programs for more than 35 years. When I wrote *Hidden Gold*, the first book on the subject, relatively few groups had embraced this new source of easy money. That's finally starting to change. In fact, two years ago I was visiting a US nonprofit that followed my strategies. Beautifully, I might add. They are now raising more than $125 million annually from monthly donors, and the program is growing.

The good news for all charities is that sustained giving is popular. It appeals to both younger doors who find it simple and older donors who are more likely to budget their charitable gifts. Yet in the almost 20 years since I wrote the book, I've encountered many organizations that remain skeptical about the true value of a sustained giving program.

The single largest obstacle to a successful monthly giving program is buy-in, which is precisely why the nonprofit sector needs work like the *Sustainers in Focus* series. In order to increase acceptance of a long-term sustainer strategy, we need to prove their value. *Sustainers in Focus Part 1* does that by revealing the revenue you lose when you neglect to promote a recurring giving program.

In *Sustainers in Focus Part 2: Proven Practices for Success*, you'll see the practical strategies that can actually lead organizations to build a thriving monthly donor program. In this report, the Blackbaud Institute offers you some of the best practices for marketing, promoting, soliciting, and fulfilling a sustainer program. Its research-backed findings provide a proven recipe for success, and that may be all you need to encourage your boss to start or expand your program. You will also find details on the administrative practices any organization can and should adopt to ensure success.

If you, like me, are always searching for the most effective and efficient fundraising strategies, you'll find *Sustainers in Focus Parts 1 and 2* are invaluable companions.

**Harvey McKinnon,**
President,
Harvey McKinnon Associates

# INTRODUCTION

In Part 1 of our report, Sustainers in Focus: Uncovering the Value of Retained Revenue, we concentrated on showing the financial justification for sustainer giving as a strategic approach to building donor base stability and maximizing value. We calculated value, both near- and long-term, through measures of retained revenue. Retained revenue is the revenue from a fixed group of donors over time.

Our initial analyses examined multiple donor files across most nonprofit sub-sectors[1] and compared the retained revenue of new donors—those who first gave a sustainer gift and those who later converted to sustainer giving—against donors who never gave a sustained gift. We showed overwhelmingly that revenue per donor had increased in the two years preceding to the two years following their commitment to sustainer giving. Giving increased from 50% to 300%—with even the low end far exceeding the typical return for non-sustaining donors. In other words, Part 1 evaluated sustainer giving as a strategy choice and clearly demonstrated the substantial value of sustainer fundraising—even in the face of increasing competition for donors in an ever-expanding nonprofit sector. It documented what the value of sustainer giving programs can be, but did not address the best practices to maximize sustainer value.

That brings us to this installment. Part 2 documents the best practices in marketing, promotion, solicitation, and fulfillment of sustainer programs. Here, we focus on how productive sustainer programs are planned and managed; specifically what practices in planning, management, and administration produce best results across all types of organizations.

[1] We did not have sufficient data to examine sustainer giving in the religion sub-sector. It is worth noting, however, that sustained giving has been a longstanding practice among oranizations of faith as supporters elect to pledge weekly or monthly gifts.

# THE STUDY

The goal of Blackbaud's fundraising research is to find and document the best practices that can be broadly applied and repeated to increase financial performance across the nonprofit sector.

The initial phase of our study of sustainer giving examined donor base data of a multitude of organizations with established and marketed sustainer giving programs. In this phase, we set out to explore variances in sustainer program returns across sub-sectors and to find evidence that implied changes in practices. We sent questionnaires to the organizations that collaborated with our study and, in most cases, followed up via phone to document details of their practices.

We selected sustainer programs to study based on measures of program performance, including proportion of sustainer donors, growth of their numbers, retention, and average giving.

Sustained Gift: A set donation amount that a donor agrees to regularly contribute

Retention: The measure of how many donors continue to donate over time

Retained Revenue: Revenue from a fixed group of donors over time

These collections of data and information comprise the foundation of our analyses and help us show the consequences of changing practices when, as it often is, alternate practices have not been validated. They also help us identify when external events other than fundraising practices, such as an organization getting extraordinary public attention, affect donor behavior.

# THE FINDINGS

## Planning and Management

Information gathered through questionnaires and interviews with fundraising managers at organizations with high-performance sustainer programs cite the importance of entrepreneurial and collaborative senior management to the success of their sustainer programs. They point out that this is principally because productive sustainer programs emerge from close collaboration of those who oversee finance, marketing, and fundraising.

## Financial Planning

While we have demonstrated the opportunity for lucrative returns-on-investment, sustainer fundraising requires changes to how we anticipate our cash flow from donor income as well as new expenses, for example:

- Prospecting for new sustainers relatively early in the fiscal year can reduce impact on the flow of new donor income
- Converting retained single gift donors in the months after they have made their gifts can help reduce the initial impact of downgraded cash flow of sustainer gifts in the current fiscal year
- New expenses associated with sustainer programs are, in part, offset by savings in the administration of single gift fundraising. Sustainer fundraising expenses can also be reduced through smart choices in how new sustainers are recruited, how their gifts are fulfilled (e.g., electronic funds transfers versus credit card or mail), and how constituent relationships are managed through a CRM system.

## Marketing and Fundraising Planning

Through focus groups, in-depth interviews, and survey research, we find two immediate motivations are most often cited by those who have decided to become sustaining donors: budget management and convenience. Additionally, many sustaining donors cite a deepened commitment to the organizations they are supporting as monthly donors.

No doubt, habit and inertia play roles in sustainer giving, but marketing and fundraising that adds value for the donor and deepens their commitment is still wise strategy. Tactics that improve sustained giving program success include:

- Reminding sustaining donors of the special role they play in sustaining both organization stability and increasing financial capacity for its mission
- Crafting annual communications plans tailored to sustained, monthly giving
- Providing a concierge (a contact person specially assigned to sustaining donors)
- Being aggressive about following up on missed payments, not only to collect funds but also to show care and respect
- Engaging donors, those who are active and those who have lapsed, in sharing their opinions through one-on-one interviews, focus groups, and surveys

# Best Practices

## Proven Practice 1

### Ask new donors to give on a monthly basis.

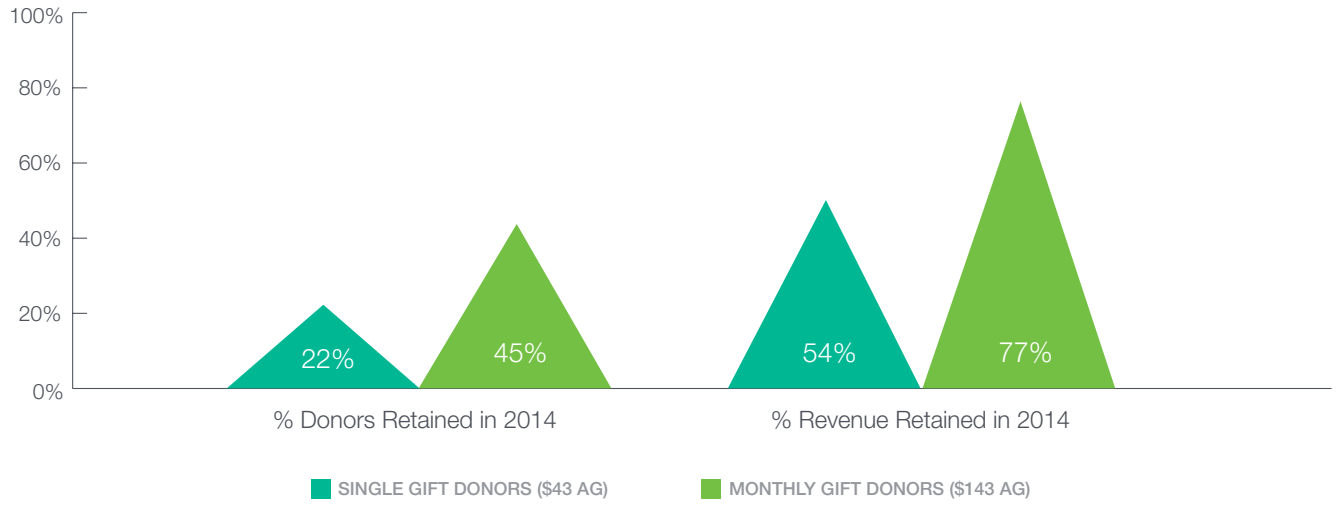
The graph below shows that the 22% rate of retention of single gift donors was in keeping with the industry average range of new donor retention—a rate that has declined substantially over the past few decades and paralleled the decline in returns on new donor investments. On the other hand, the 45% retention rate of sustaining donors in this sampling from 10 national organizations was more than double the rate of single gift donor retention. While that increase would naturally produce higher retained revenue in subsequent years, the annual giving of the average sustaining donor was $143, or three times the average of single gift donors.

Because the primary cause of dramatic increases in sustainer giving over single gift giving is increased donor retention, and because lowest rates of donor retention occur with new donors, it makes good sense to encourage new donors to give on a monthly basis.

New donor retention has been on a declining trend for a long time, undeniably due in part to the unbridled growth of the nonprofit sector. Not long ago, a 35% retention rate for single gift new donors was the norm. The data shown here illustrates why a sustainer offer is such a strong antidote to donor market competition.

> "Sustaining gifts can lead to higher new donor retention rates as well as higher levels of annual financial support. Presenting them as the first – or even default – option can help lead to improved returns on acquisition investment."
>
> — **Mae Parker**, Grinnell College

RETENTION OF NEW DONORS TO 10 NATIONAL NONPROFITS (2012-2014)



## Proven Practice 2

### Convert multi-year, single gift donors to sustainers.

Single gift donors who have been retained in active support two or more years have proven even more valuable as converts to sustainer giving than new sustaining donors. It makes sense: these donors have become increasingly engaged in the mission and goals of the organization. In the example below, 640 new donors gave single gifts in 2006 and then became sustaining donors in 2008. Also in 2006, 8,286 new donors gave single gifts and were still single gift donors in 2008. But by 2015, 29% of those 2008 sustainer converts remained active, while only 14% of the 2008 single gift donors who first gave in 2006 were still active supporters.

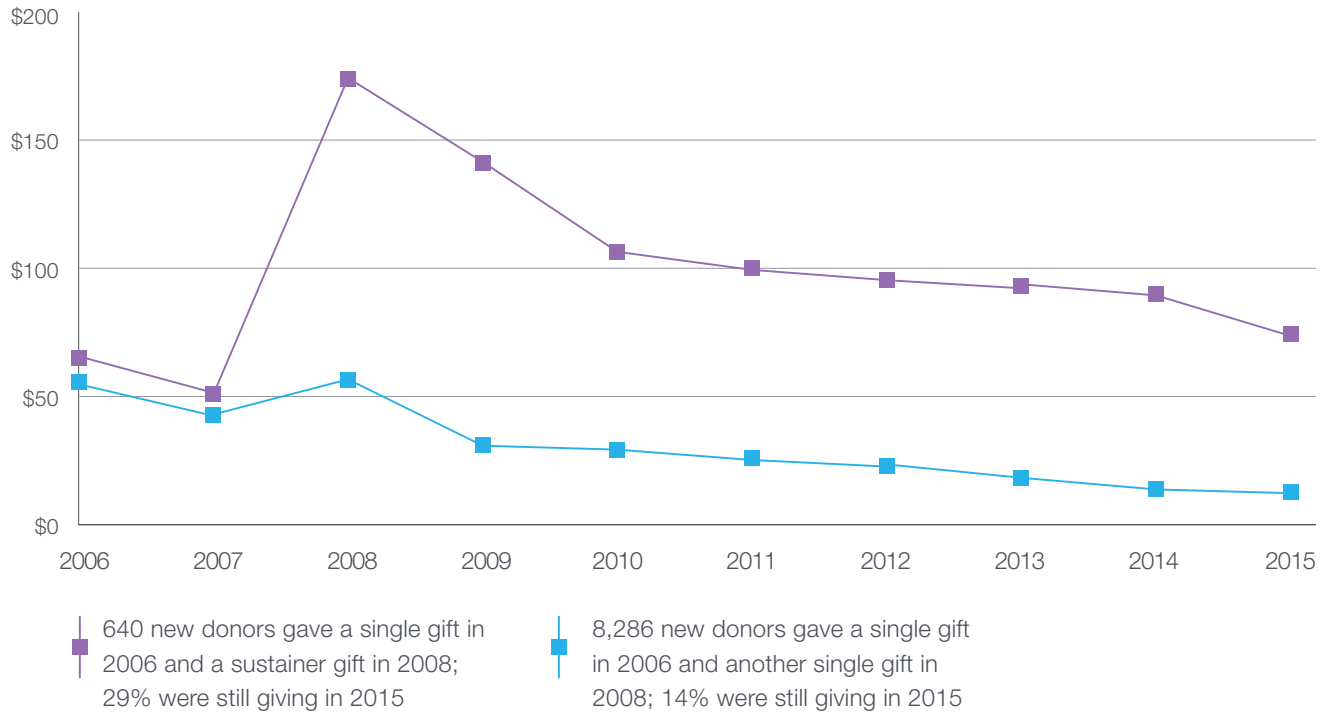
Our study has observed that the very best performing sustainer programs are at those organizations that never stop offering their donors the option of sustaining support. By doing so, their sustainer programs deliver as much as 100% to 200% more retained revenue than those that do not.

*By 2015, 29% of those 2008 sustainer converts remained active, while only 14% of the 2008 single gift donors who first gave in 2006 were still active supporters.*

While it is important to honor loyal donors who prefer to give single gifts, especially those who do so more than once each year, it is still important to continue to remind them of the monthly giving option and its benefits to donors – principally convenience – and to the organization – financial stability. These efforts can be enhanced in multiple ways:

- Giving the sustaining program its own identity, as The Humane Society of the United States does with their Humane Heroes, or Human Rights Campaign does with their HRC Partners
- Giving the sustainer program a special role in the annual financing of the organization's mission by having it fund one important program or aspect of annual operations
- Providing special access or concierge service for these sustaining donors, just as one does other high-value donors

### AVERAGE ANNUAL RETAINED REVENUE FOR DONORS ACQUIRED IN 2006 AND GIVING IN 2008



> "Converting single gift retained donors to sustaining donors, especially in their early years of support, yields even more than new sustaining donors because they are already committed to the organization. The option of sustained giving underscores that commitment with more valuable annual support."
>
> — **Joanne Wilson**, The Humane Society of the United States

## Proven Practice 3

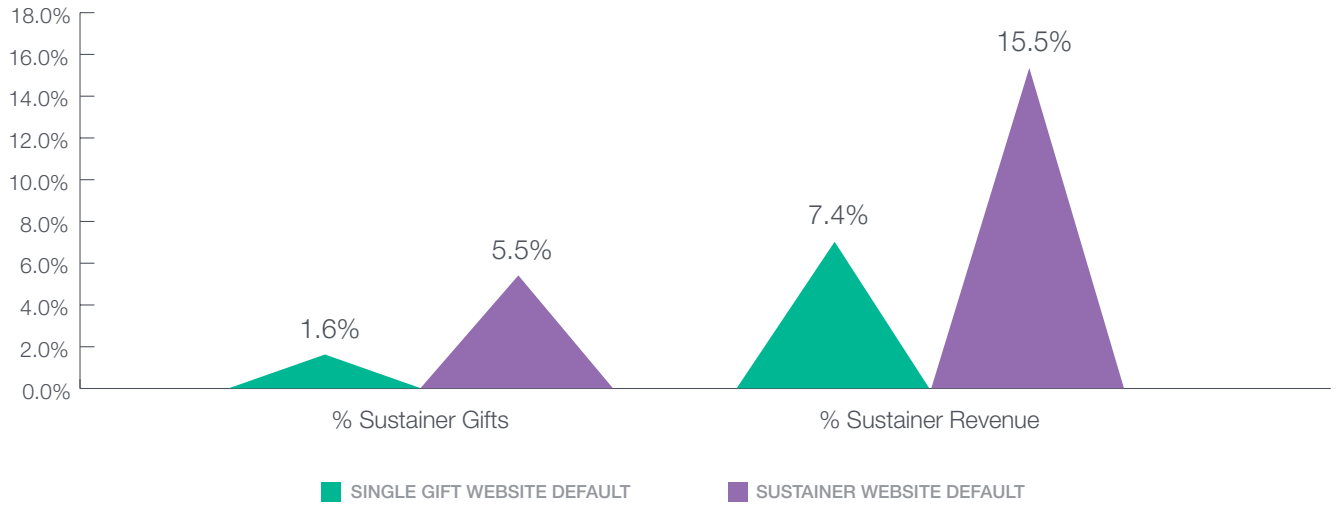
### Make monthly giving the website default.

The most appropriate and effective way to encourage sustainer giving for new or retained donors is making it the default donation option on the website.

As demonstrated earlier, encouraging sustainer giving as the default speaks for itself in terms of both long-term donor retention and retained revenue. The organization whose data is shown here is committed to the saying, "What gets measured gets done." They carefully tracked the impact of making sustainer giving the default choice on their website and found that, in one year, their number of sustainer gifts improved from 1.6% to 5.5%—almost 3.5 times—while their sustainer revenue doubled. These one-year improvements will be compounded by enhanced revenue retention well into the future.

Making sustaining support the default choice on the website is basic if sustaining support is the organization's priority. Beyond that, the most valuable enhancement we have seen is providing a branded sustainer microsite where the case for sustainer giving can be made and illustrated; where donors can manage their own giving by, for example, updating their credit cards or bank information; and where they can be encouraged to increase their monthly commitments.

EFFECT OF WEBSITE DEFAULT ON SUSTAINER GIVING



## Proven Practice 4

### Use a credit card updater service and update invalid credit card data.

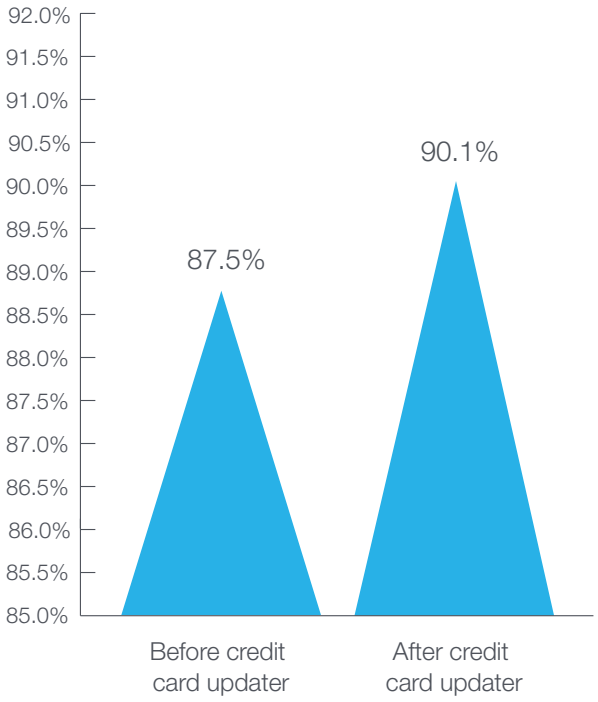
The data here represents the careful attention of a regional organization to credit card updating. Tracking down donors and manually updating credit card data requires significant staff time and expense, and failing to do so results in significant lost revenue. For one regional organization, using the more automated credit card updater allowed them to fix 11,000 credit card transactions and recover $200,000 in revenue at a cost of only $7,000, while at the same time increasing their retention of credit card sustainers from 87.5% to 90.1%.

> *The more automated credit card updater... recovered some $200,000 in revenue at a cost of only $7,000.*

In addition to using a credit card updater, we recommend putting in place the means for donors to manage their sustaining accounts online. This offers the additional benefits of nudging donors to upgrade their monthly commitments and engaging them by asking them for comments and opinions.

> "Using a credit card updating service not only ensures continuing support of sustaining donors and prevents lapsing but also saves a great deal of staff time and administrative expense."
>
> — **Michal Heiplik,** WGBH

### INCREASED RETENTION OF SUSTAINERS WITH CREDIT CARD UPDATER




## Proven Practice 5

### Encourage donors to use electronic funds transfer.

Increasing retention, even for highly retained sustainers, maximizes donor value and return on program investment. Across the organizations we have evaluated in our study, electronic funds transfer (EFT) increased donor retention by approximately 13% and revenue retention by approximately 6%. Typically, organizations had credit card sustainer retention ranging from 69% to 84% and EFT retention ranging from 88% to 94%.

EFT fulfillment also reduces the number of rejected transactions. One organization in our study that documented this aspect of sustainer administration carefully found that its conversion to EFT reduced transaction rejections 92%, from 6.3% for credit cards to 0.5% for EFT.

The second benefit of encouraging EFT gift fulfillment is transaction cost savings. A community organization in our study, whose volume of transactions accorded significantly lesser scale than a typical national organization, reduced average gift transaction costs 79% by converting credit card fulfillment to EFT.

## Proven Practice 6

### Steward your sustainers.

Notwithstanding the substantial opportunity sustainer programs hold for enhancing financial stability through high donor (and therefore revenue) retention, there are two aspects of sustainer giving that can limit its potential for even greater value. One is the arm's length nature of automatic credit card or monthly EFT giving, and the other is the "set-it-and-forget-it" implication of making the initial monthly commitment. The combined impact of these factors and their implication that the sustainer program is a sort of annuity can lead to taking the program and its donors for granted.

Our study of sustaining donor programs therefore also focused on the value of practices that counter the inclination to take sustaining donors for granted. These include the marketing practices mentioned at the beginning of this report, including branding, providing concierge service, and conducting opinion research.

Refining all these in ways that distinguish mid-range or middle-donor programs from broad-base general support are the basic practices of upgrading. Practices that characterize closer collaboration and engagement can make those basic practices even more effective: personal contact by senior management, special events for high-dollar donors, and ad hoc reports of the significant role sustaining donors play in the annual financial support of the organization.

> "If you are not just a willing participant, but truly committed to upgrading donors – even when they migrate to other programs – and you are measuring and communicating your success – you will be a hero to your colleagues and know that you are maximizing every donor's giving potential."
>
> — **Susan Paine,** Human Rights Campaign

Human Rights Campaign has achieved stand-out performance in these sustaining donor upgrading practices. Their sustaining donors – called HRC Partners – who upgraded in 2015 to the organization's $1,000+ Federal Club increased their annual support of Human Rights Campaign 92%.

# KEY FINDINGS

In summary, our process of documenting the practices that lead to tangible financial gain in sustainer fundraising uncovered six key strategies that all organizations can implement. They are:

**1** The 45% retention rate of new sustaining donors in our sample was more than double the rate of new single gift donor retention. The primary cause of dramatic increases in sustainer giving over single gift giving is increased donor retention, and because the lowest rates of donor retention occur with new donors, it makes good sense to encourage new donors to give on a monthly basis.

**2** Organizations that continually offer their donors the option of sustaining support deliver as much as 100% to 200% more retained revenue than those that do not. Always focus on converting your loyal multi-year, single-gift donors—who have already proven their commitment to your mission—into sustainers to yield even better results.

**3** An organization that made sustainer giving the default choice on their website found that, in one year, its percentage of sustainer gifts improved from 1.6% to 5.5%—almost 3.5 times—while their sustainer revenue doubled. A microsite where sustainers can update their credit card information and increase their commitment can also be a valuable enhancement.

**4** When a regional organization focused on updating credit card information, it was able to recover some $200,000 in revenue at a cost of just $7,000. Maximize your efforts in this area by employing a credit card updater service, which can also save valuable staff time that would otherwise be spent tracking down donors with expired cards.

**5** Across the organizations we have evaluated in our study, electronic funds transfer (EFT) increased donor retention by approximately 13% and revenue retention by approximately 6%. Because EFT fulfillment also reduces the number of rejected transactions and overall transaction fees, encouraging donors to implement EFT for their sustained gifts is an easy way to enhance the value of your program.

**6** Organizations that do not take their sustainers for granted but rather continue to focus marketing and engagement efforts on upgrading their sustainers experienced even greater results with their sustained giving programs. Consider unique branding, concierge services, and opinion research to keep your sustainers highly engaged with your organization's mission.

**Successful implementation of these strategies relies on close collaboration across the organization**, particularly among the finance, fundraising, and marketing teams. Let this report serve as a roadmap to guide you as you implement or reinvigorate your sustainer program to make it as productive and successful as possible. While it is true that multiple variables affect the performance of a sustainer program, remember that these six practices have been proven to result in success for other organizations across subsectors. With collaboration and proper care, your organization can yield the same positive results.

## About the Blackbaud Institute for Philanthropic Impact

The Blackbaud Institute drives research and insight to accelerate the impact of the social good community. It convenes expert partners from across the philanthropic sector to foster diverse perspectives, collective thinking, and collaborative solutions to the world's greatest challenges. Using the most comprehensive data set in the social good community, the Blackbaud Institute and its partners conduct research, uncover strategic insight, and share results broadly, all in order to drive effective philanthropy at every stage, from fundraising to outcomes. Knowledge is powering the future of social good, and the Blackbaud Institute is an engine of that progress. Learn more, sign up for updates, and check out our latest resources at www.blackbaudinstitute.com.

## About Blackbaud

Blackbaud (NASDAQ: BLKB) is the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, foundations, corporations, education institutions, and individual change agents—Blackbaud connects and empowers organizations to increase their impact through software, services, expertise, and data intelligence. The Blackbaud portfolio is tailored to the unique needs of vertical markets, with solutions for fundraising and relationship management, digital marketing, advocacy, accounting, payments, analytics, school management, grant management, corporate social responsibility, and volunteerism. Serving the industry for more than three decades, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, Ireland, and the United Kingdom. For more information, visit www.blackbaud.com.

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