

## Focus on Donor Retention, Not Acquisition

(Apr. 23, 2007) A new AFP-sponsored study shows that while charities are effective in attracting new donors, improvements in donor retention could affect their fundraising revenue dramatically.

The Fundraising Effectiveness Project (FEP), a collaboration between AFP and the Urban Institute's Center on Nonprofits and Philanthropy, examines giving by measuring increases and decreases in new, upgraded, recaptured, downgraded and lapsed donors. Cosponsoring organizations include the Council for Advancement and Support of Education (CASE), the Council for Resource Development (CRD), the Center on Philanthropy at Indiana University and the National Committee on Planned Giving (NCPG).

According to the study, fundraising revenue increased in 2005 by 10.5 percent, led by a 62.4 percent increase in revenue from new, recaptured and upgraded donors. However, the overall figure could have been much higher, but charities also suffered a 51.9 percent loss in donor revenue due to downgraded and lapsed donors.

Similarly, the FEP found that for every six donors whom charities are attracting, five other donors stop supporting the organizations. In 2005, the donor population increased by a total of 13.1 percent. New and recaptured donors increased by 60.4 percent, but this gain was offset by a loss of 47.4 percent of the donor population from 2004.

Of the 47.4 percent of donors who stopped giving in 2005, an equal number were new and repeat donors.

"While charities have learned the mantra of cultivating new donors, these results point to the importance of proper donor stewardship and retaining past supporters," said Paulette V. Maehara, CFRE, CAE, president and CEO of AFP. "While reducing loss doesn't sound as exciting or optimistic a strategy as reaching out to new donors, it's clear that charities need to emphasize this critical but overlooked aspect of fundraising."

### Overall Donor Levels Down?

Another survey, the *Target Analysis Group Quarterly Index of National Fundraising Performance*, points to similar concerns.

According to the index, the average number of donors fell by 2.8 percent from 2004 to 2006. Over the past five years, donor numbers are down 1.4 percent. Much of this decline can be traced back to decreases in new donor acquisition, which has fallen 6.7 percent since 2005. However, the data also show that first-year and multiyear retention rates have decreased as well.

The complete summary of the index findings can be found on the [Target Analysis website](#) (individuals must provide name and email to access the file).