

2020 Fundraising Benchmarks Report

Data Shows Donor Retention Key to Fundraising Success in 2020

Introduction

As the nonprofit community moves into the new year, we reflect upon the resilience of those who adapted their strategies to grow in the new normal because their success can help all of us grow even stronger in 2021.

This edition of the DonorPerfect Fundraising Benchmarks Report delves into the decline in fundraising over a tumultuous year. While 2020 debuted with strong giving, the start of the COVID-19 pandemic triggered a sharp decline in Q2. Fortunately, Q3 and Q4 showed a slow recovery that will hopefully continue as vaccine distribution broadens and we return to a more normal world.

While all nonprofits were affected by the pandemic, our analysis highlights that nonprofit performance varied by sector and size. Even within those segments, we found many organizations that outperformed. The DonorPerfect Team is actively engaged in additional data analysis and interviews to understand and share the strategies being used successfully by these organizations with a goal of expanding nonprofit success in the year ahead.

Report Highlights

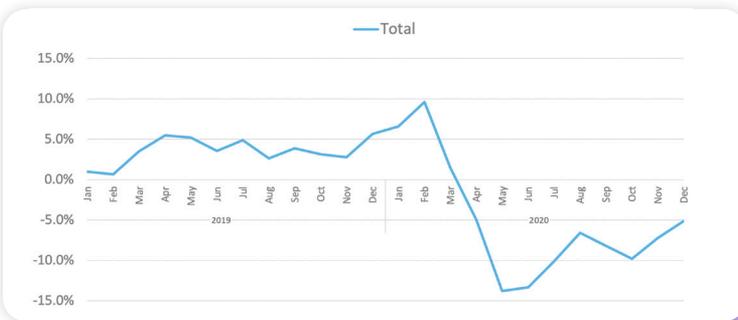
- The pandemic had a dramatic impact on giving with median giving down 5.2% in 2020. Giving levels have been slowly recovering since Q2 but still remain below 2019 levels with Q4 median giving down 5.1%
- Fundraising results varied dramatically by the type of nonprofit. The only sector to achieve positive giving growth, the Human Services sector ended the year up 1.6%. The weakest performing sectors included Arts, Culture & Humanities down 14.2% for the year and Education down 13.1%.
- Results varied by organization size, with smaller nonprofits suffering the largest declines during the pandemic at -7%, while medium-sized organizations experienced a decline of -5.5% and larger organizations fell to just -3.6%.
- The most significant driver of overall fundraising results was donor retention.

Year-Over-Year Giving

Overall Growth in Giving (US & Canada)

3 Month Growth in Giving

While 2020 started strong, giving growth took a steep drop with the start



of the COVID-19 pandemic. Giving levels stabilized through the summer and have been slowly improving through year-end but remain below the prior year.

For the full year, the median YOY change in Giving was -5.2%.



U.S. vs. Canada

Although this report combines U.S and Canadian organizations, Canadian nonprofits recorded a more significant decline with much of the difference driven by Q4 fundraising results (-10.9% for Canada vs. -4.5% for US).

| Country | Median YOY GIG Change |
|---------|-----------------------|
| U.S. | -4.7% |
| Canada | -12.1% |

This difference in performance warrants additional investigation that will be featured in a more segmented analysis by country in an upcoming report.

Growth in Giving By Organization Size

Segmenting organizations by size shows differences in fundraising success, with larger organizations outperforming smaller ones.

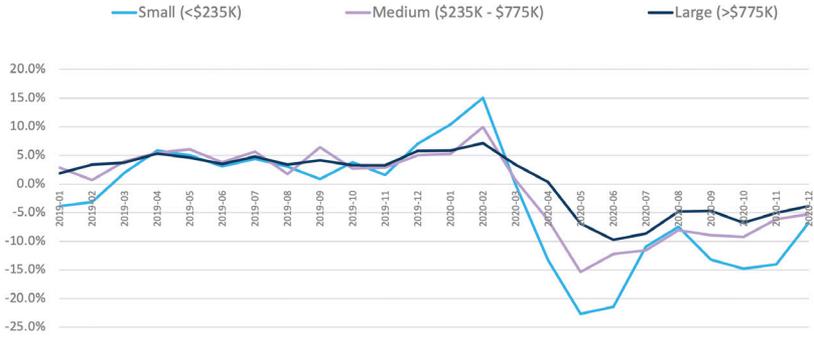
Growth in Giving by Organization Size YOY 19/20

| Small | Medium | Large |
|---|--|-----------------------------|
| less than \$235,000 in annual donations | between \$235,000 and \$775,000 in donations | over \$775,000 in donations |
| - 7% | - 5.5% | - 3.6% |

Quarterly Insights

The 3 month rolling average displayed below shows that the underperformance of smaller nonprofits (blue line) started with the pandemic in March. The performance gap has narrowed through the year with Q4 performance differences much less pronounced.

Rolling 3 Month Growth in Giving by Organization Size



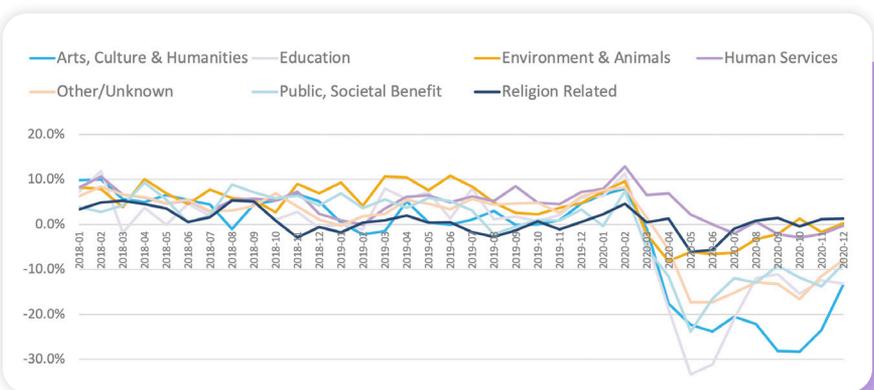
Growth in Giving by Organization Type

Fundraising success is even more divergent when segmenting organizations by sector. Unsurprisingly, human services organizations that supply food, medical services, job placement, housing, and other basic needs were the focal point of giving during the COVID-19 pandemic. Faith-based organizations also performed meaningfully better than other sectors, with just a small decline of 1.7%.

| Organization Sector | Growth in Giving (YOY) |
|---|------------------------|
| Arts + Culture (654 organizations) | - 15.1% |
| Education (1,054 organizations) | - 13.6% |
| Human Services (2,341 organizations) | 1.3% |
| Public + Societal Benefit (471 organizations) | - 7.1% |
| Faith Based (508 organizations) | - 0.7% |
| Environment + Animals (561 organizations) | - 3.4% |
| Unknown/Other (2,030 organizations) | - 7.9% |

When looking at rolling 3-month results, there is a similar but less pronounced narrowing of the performance difference in the latter part of the year.

Rolling 3 Month Growth in Giving by Sector





Drivers of Growth In Giving

Organizations can drive growth in giving by finding new donors and encouraging existing donors to give them more, but this analysis shows that the most important driver in 2020 was how well nonprofits retained their existing donors.

Donor retention is simply a measure of how many donors who gave to you previously give to you again. This report measures year over year retention, which is calculated as follows:

Donor retention = # of donors this year who also gave in prior year/ total # of prior year donors (e.g. 450/1000 = 45% annual retention rate)

2020 Donor Retention

Median Donor Retention = 40.9%

YOY Change in Donor Retention - 9.4%

Analyzing the relation of the median change in donor retention to overall performance by organization reveals a strong relationship.

Performance by Organization Size

| | Small | Medium | Large |
|--|-------------|-----------------------|-------------|
| Annual Donation Amount | < \$235,000 | \$235,000 - \$775,000 | > \$775,000 |
| Median Change in Growth in Giving (YOY) | - 7% | - 5.5% | - 3.6% |
| Median Change in Donor Retention | - 12.5% | - 10.1% | - 6.8% |

When looking at change in donor retention by sector, a similar relationship appears with some notable exceptions like the Human Services sector, which overcame a 9.4% decline in donor retention to achieve their 1.3% growth level.

| Organization Sector | Growth in Giving (YOY) | Change in Donor Retention |
|--------------------------------------|-------------------------------|----------------------------------|
| Arts + Culture (654 orgs) | - 15.1% | - 13.6% |
| Education (1,054 orgs) | - 13.6% | - 13.4% |
| Human Services (2,341 orgs) | 1.3% | - 9.4% |
| Public + Societal Benefit (471 orgs) | - 7.1% | - 10.1*% |
| Faith Based (508 orgs) | - 0.7% | - 1.5% |
| Environment + Animals (561 orgs) | - 3.4% | - 3.4% |
| Unknown/Other (2,030 orgs) | - 7.9% | - 11% |

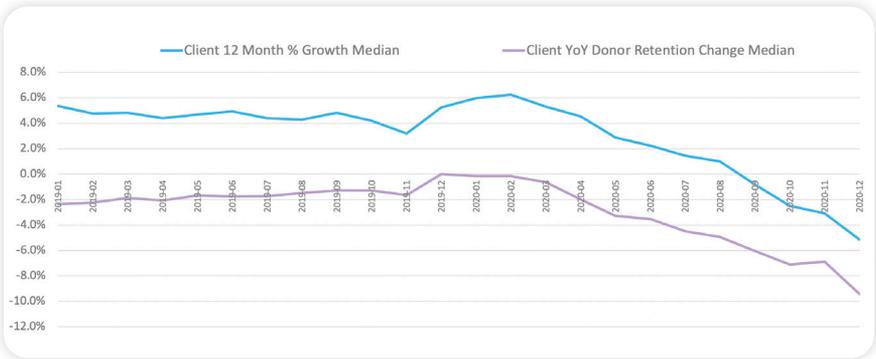
Understanding the correlation between donor retention and growth in giving proved difficult when looking at the individual organization level due to the extremely high variability of individual organization data during the pandemic.

There is, however, a very high correlation (.93) when segmenting organizations into donor retention deciles. The chart below shows the donor retention rate range and median for each decile, along with the growth in giving percentage.

Donor Retention Rates

| Decile | Lower Limit | Upper Limit | Median | Median GIG |
|---------|-------------|-------------|--------|------------|
| 0-10% | 0% | 16% | 8% | - 60% |
| 10-20% | 16% | 25% | 21% | - 26% |
| 20-30% | 25% | 31% | 28% | - 16% |
| 30-40% | 31% | 36% | 34% | - 9% |
| 40-50% | 36% | 41% | 38% | - 5% |
| 50-60% | 41% | 46% | 44% | - 2% |
| 60-70% | 46% | 51% | 48% | - 1% |
| 70-80% | 51% | 57% | 54% | 4% |
| 80-90% | 57% | 64% | 60% | 9% |
| 90-100% | 64% | 100% | 69% | 13% |

Correlation Between 12 Month GIG and YoY Change in Donor Retention



Note: The correlation isn't necessarily the same as causation, but it does suggest why organizations should focus on retaining donors and improving their donor retention.



Improving Donor Retention

While donor retention is easy to measure, it isn't necessarily easy to improve. But even though developing and executing donor retention strategies requires time and resources, this analysis shows why the effort is absolutely worthwhile.

Factors that can influence Donor Retention

Methods of Donor Acquisition

How you acquire new donors can have a significant impact on your donor retention rate. For instance, while peer-to-peer fundraising can be a great way to generate new donors, these donors typically give because of their relationship with the person soliciting the donation and less because of a strong affinity for your organization. As a result, they may be much less likely to give again compared to a donor that gives because they discover your organization through their own research or they've engaged with your organization more directly, such as by volunteering.

Since the start of the pandemic, many nonprofit organizations have shifted the majority of their donor acquisition strategy to online fundraising. By staying active on social media, sending emails, and hosting virtual events, fundraisers have kept engaging their donor community even in the age of social distancing.

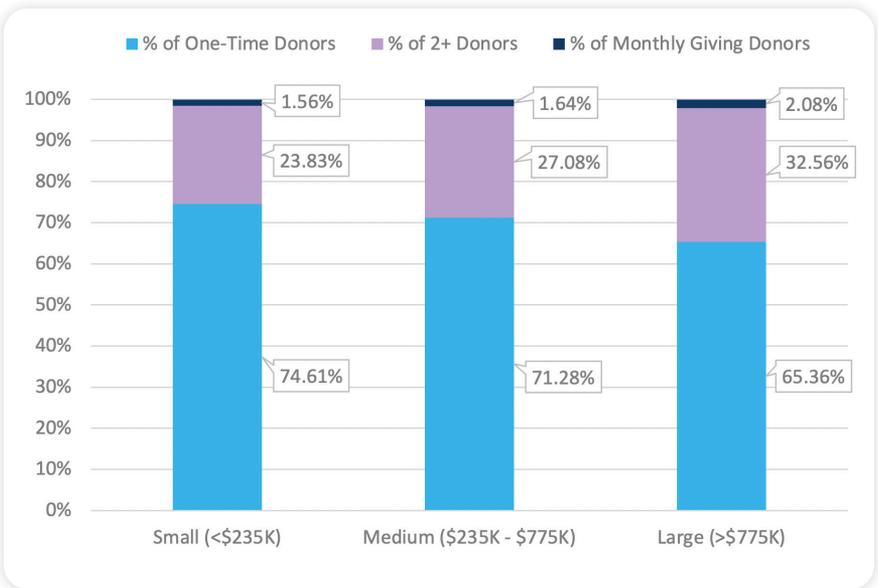


Frequency of Donations (Solicitations)

Donor retention measures the percentage of donors that gave at least one gift in the prior and current years, but many donors make multiple donations in the same year.

The analysis below shows that larger organizations have significantly more donors that give two or more donations within a 12-month period and also have more donors participating in monthly giving programs. These differences are likely factors in the higher donor retention rate achieved by organizations of this size.

Type of Donors as % of Total



Most nonprofits solicit donations from past donors multiple times each year. It is difficult to accurately analyze solicitation efforts because donor outreach can take on many forms. That considered, differences in frequency of solicitation likely contributed to the weaker donor retention and growth in giving for smaller organizations, which may have hesitated to ask for support at a time when their constituents were also struggling.

Conclusion

Although this report highlights the pandemic-induced challenges that nonprofits, particularly smaller ones, experienced in 2020, it also provides some actionable insights that nonprofits can use to achieve outstanding fundraising success in 2021.

Nonprofit organizations of every size should:

- Establish plans for consistent donor outreach and solicitation
- Focus on donor retention by establishing and expanding monthly giving programs
- Evaluate donor acquisition strategies through the lens of donor retention and donor lifetime value

These are certainly not the only strategies worth pursuing. We are currently conducting a series of interviews with high-performing nonprofits and our data analysis team is busy with additional analysis to identify and quantify the strategies used by organizations with higher growth in giving and retention rates.

Take Action Today

2020 taught us that no challenge can shake the dedication of the nonprofit community. We've learned a lot in the past year, including just how crucial of a role that existing donors play in sustaining critical missions throughout trying times. As your organization shifts its focus to donor retention, lean on this free resource designed to help nonprofits transform one-time donors into lifetime advocates.

Your Donor Retention Toolkit

[DOWNLOAD FREE KIT](#)

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About the Author



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Mr. Schoenberg is Co-Founder and CEO of SofterWare. He serves on several nonprofit boards and has presented workshops and written numerous articles on the use of technology for nonprofits and educational institutions. Mr. Schoenberg is passionate about innovation and the critical role it can play in helping nonprofit organizations become more successful.