The Importance of Upgrading

By Kim Klein

ORGANIZATIONS THAT WANT TO GROW and thrive in this century need to be clear about three things:

1. **Givers give.** In the United States, 70 percent of the adult population makes regular donations to nonprofits. Many thousands more give money in much more informal ways such as helping homeless people asking for money on the street, buying raffle tickets and products from schoolchildren, and giving money to friends and relatives in need. More people give away money than vote, than volunteer, or than attend any house of worship. These people are going to give to your organization, or they will give to another one.
2. **Givers give when they are asked.** Our fantasy is that people who care about any given issue simply go on the internet to find great organizations who they decide to support with their donations—and there they find your organization! The fact is that people give when they are asked, and they don't when they are not.
3. **Givers give their favorite organizations the biggest gifts.** The real money in fundraising lies with donors who increase their giving. Encouraging a donor to go from $250 to $500 or $1,000 to $2,000 requires asking that person. It is rare that someone simply decides on their own to give more money every year.

Given these three premises, the primary question an organization needs to ask itself is: How can we encourage donors who clearly like our work and who are able to give larger donations to do so? This question leads to many related questions: How do we know someone can give more? How much more should we ask them for? How often can we ask for more?

Most organizations spend a lot of time trying to bring in new donors with events, social media, direct mail, and so on. They thank those new donors, and then they leave them alone and go looking for more new donors. Even if they do a good job asking people to give again and again, they rarely do a good job personally asking donors to increase their giving. So then, how can you focus on retaining and upgrading donors without losing sight of needing to acquire new donors?

Let's look at an example. A few years ago, a great organization asked me to evaluate their fundraising program. They had grown steadily for seven years, and their budget had increased from $200,000 to $550,000. Then they maintained that income for three years. However in the past three years, their income started to shrink and slipped to just under $525,000. There was no clear explanation for this: they had not lost any major grants nor had any of their major donors left. The development director claimed to be raising money the way she always had: using board and volunteers to put together a good combination of major gifts, special events, membership, and about 20 to 25 percent from grants. The executive director said, "We need to figure out why we

are not growing, and now we are slipping. I think it is because of rising inequality—it is much harder for donors to give now than it used to be."

While I agree that inequality is on par with climate change in how serious it is, I doubted that this was the root of their problem. I started by looking at their attrition rate, figuring that if they hadn't lost any major donors, perhaps they had lost a large number of smaller donors. Just a reminder: your attrition rate, or its sibling, your retention rate, is calculated by taking all the donors you had in the previous calendar year and comparing which of those donors gave in the most current complete calendar year. In other words, which of the people who gave in 2012 also gave in 2013? Expressing that number as a percentage of loss gives you your attrition rate; expressed as a percentage of renewal gives you your retention rate.

An acceptable attrition rate is about 35 percent. This means if you have 1,500 donors, you need to acquire 500 new donors every year just to stay the same size. Sure enough, this was part of the explanation for the organization I was studying. Their attrition rate had gone from 30 to 40 percent, and their rate of replacement was not keeping up. Since they had not been calculating their attrition rate, they hadn't noticed that their total number of donors was shrinking.

Three years ago this group had 3,000 donors, but was now at 2,700. However, this loss only accounted for about $7,500. So, I had to then look at why they were experiencing a larger than usual attrition rate. Had something else happened? Was there an issue or problem no one was talking about that was undermining confidence in the organization? Talking to board, staff, and some key donors privately revealed nothing along these lines. In fact, the organization was still very well respected.

After more searching for clues in all the wrong places, I started looking at donor records. Here I found the main problem. Not only was their attrition rate higher than is healthy, they were also experiencing a phenomenon among major donors I have come to call "donor slide."

About 250 people were giving $250 or more for a total of $300,000 in gifts ranging from $250 to $20,000. The handful of people at the top were holding steady, but more than half the donors in the $250 to $2,500 range were either giving every other year or, more important, had decreased their gift size. Of those who were giving regularly, about 100 had dropped their gifts from their all time highs. So people who had given $2,500 went down to $2,000, $1,500 to $1,200, and the like. Even the donors the organization was retaining were gradually shrinking their gifts.

Adding attrition and donor slide altogether accounted for the $25,000 shrinkage in income in the past three years and portended a steeper drop if something wasn't done soon. I asked the organization a series of questions that would be useful for any group with a donor program:

1. What kind of major gift campaign do you run each year with current major donors?

In this case, the development director said, "Someone from the board offers to meet the handful of really big donors we have. A lot of these donors are included in program activities, some are on the board, and others volunteer in other ways. The biggest donors have a great sense of involvement. As to the rest, board members are assigned names. We offer to visit anyone who has given more than $250. Anyone giving $50 to $249 is called on the phone, and all phone calls are preceded by a personal letter or email."

This level of attention helped explain why they still had a strong fundraising program. They were doing a very good job maintaining relationships with their donors. In many organizations, we see that the biggest donors get the kind of attention they would imagine they should get relative to their gifts. Donors at the other end of the spectrum don't expect a lot of personal attention and don't get much. So the biggest and the smallest donors are generally satisfied by how they are treated by the organization. If, however, someone gives $500, and that is a lot of money to that person, they will often receive not much more attention than someone giving $50. In many organizations, it is in the mid-range donors that we see a lot of attrition and shrinking gifts.

2. Do you call donors to ask why they have decreased their donation?

The immediate response was, "No, of course not, that is not our business, how awful…" But why not? Think of it from the donor's point of view. If you are not in touch with your donors at all, then calling to find out why they have lowered their gift would be rude. But if you call to thank your donors and are in touch with them from time to time otherwise, then asking them about their gift will not be rude. Do it this way: "Thank you so much for your gift of $1,200. It means a lot that you continue to give. Last year you gave $1,500, and I just want to make sure that this decrease doesn't have anything to do with us." People will generally be happy to tell you why they had to give less this year. They will be happy you noticed.

3. How often do you ask your donors to increase their gift?

The development director replied, "We haven't done that in a long time because everyone is giving so generously. We felt that we didn't want to bug them."

But from the donor's point of view, why agree to meet in order to be asked to do what you did before? Where is the excitement in that? From time to time (every two or three years at least),

A Story of Two Donors

MARIA HAS BEEN GIVING to a local wildlife rescue program for seven years. Her first gift was $200, then $200 twice in one year, then $500, then $400, then $200, then $100, and finally $35. Maria says that when she makes a gift, she gets a lovely personal thank you note from the director or a board member. She reads the newsletter and she is invited to open houses and other events. No one has ever called her, offered to visit, or personally invited her to see the rescue program. She says she loves the organization's work. When asked why she had decreased her giving from her top gifts of $500 and $35, she said, "It has nothing to do with the group, but $500 is a lot of money for me. For them, it is probably not that much. I could tell that my giving wasn't that important because whatever I sent, I got a lovely note. I will always support them, but I prefer to make my biggest gift to an organization that really needs that kind of money and doesn't have many other donors."

Ironically, Maria's gift of $500 put her in the top 20 donors for this group, a fact that she had no way of knowing. Unfortunately, the organization feels it is intrusive to ask to meet someone who has given a big gift and rude to ask someone why their gift has decreased. Without communication between them, the group's assumptions and Maria's interpretation that nothing she gives matters that much will leave both of them in the dark.

CLAUDIA BECAME A MEMBER of a community organization with dues of $35. The following year, she saw that for a $50 membership donation, she would get a free T-shirt. So, she sent $50. Later a board member approached her for $100 for a special project, and she gave that amount. Each year she was a member, she got three appeals and four newsletters. She was often invited to local events. She occasionally responded to the extra appeals. One time, after she received a raise, she gave $500. After that, she stopped receiving the extra appeals. She got another T-shirt and an annual report, but no more invitations to actions or events. As she described it, "The more I gave, the less attention I got. So, I decided to go back to just giving my dues. I liked the extra appeals — they told me what was happening, and, if I had extra money, I could share that. I liked being called to go to things, but once they thought I was a 'major donor,' they stopped treating me like a regular person."

Even though Maria and Claudia had very different experiences of being major donors, neither organizational strategy was productive. Donors need to be treated like friends, not put on a pedestal or a shelf.

you need to ask for enough money that the donors will have some questions before they can make their decision. These questions will most appropriately be answered in a meeting, but few people will agree to a meeting unless there is something more at stake than just thanking them for what they do already.

Anyone who has ever been to a fundraising workshop has heard the adage, "Fundraising is about building relationships, not about raising money." This means that you treat your donors the way you would treat a friend or a neighbor. If a neighbor who is normally out and about suddenly isn't around for a few days, you call to see if he or she is okay. If a donor who gives several years in a row doesn't give this year, you call to see what is happening. Our desire not to "bug" or "pester" people comes from some deep insecurity about our work. Can you imagine saying to a friend, "I promise to only ask you to do something with me once a year," or "I haven't heard from you but figured that was none of my business, so I didn't call"?

The simple fact is that organizations that don't ask their donors for more money from time to time give the impression that not much is happening. We are all eager to avoid looking greedy, but our efforts "not to be like those groups" give us little room to figure out who we want to be. What programs do we need to have? How much will it cost this year to make the changes we want to make? Donors will be excited about new programs and new directions. They will be concerned and want to help if you lose government funding or have a huge influx of people who need your services. They care about the organization, and you need to show that you care about them by being in touch and asking them to help.

Social change isn't cheap, and the price is going up. Your donors know that—and they want to know that you know it too. ■

Kim Klein is co-founder of the *Grassroots Fundraising Journal*.

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Common Mistakes in Building Relationships with Donors (and How to Avoid Them) by Stephanie Roth

Keeping Donors in the Know by Kristin Cashmore

Committed for the Long Haul: Tips on Successfully Stewarding Your Mid-Level Donors by Will Cordery