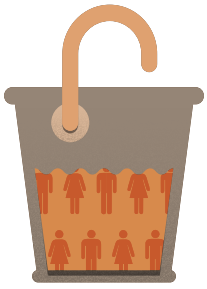




an Interactive
E-Workbook by

Leslie Allen
&
Ann Goldman



the LEAKY BUCKET

AS FUNDRAISERS, WE ALL WANT TO KEEP OUR EYES ON THE REVENUE.



If revenue is increasing we tend to breathe a sigh of satisfaction and relief then move on to next year. If it's decreasing, we work furiously to raise more money. But how many of us take a look at the movement of donors in and out of giving over the course of time?



Do you know how many new donors you acquire every year?



Do you know how many donors don't repeat their gifts in any one year?

If you don't, you might be missing a big opportunity that could affect the health of your organization in the future.



The purpose of this workbook is to provide you with a simple framework for analyzing the movement of your individual donors in and out of your active donor database, and to diagnose the challenges and opportunities you find. You will be able enter your own data right into this workbook to see what kind of Leaky Bucket you have and what you can do to improve it!



THE DONOR BUCKET

Think of your donor base as a bucket.

The concept behind this analogy is simple. New donors come into your bucket through acquisition efforts like direct mail, events, or board contacts. Some stay in the bucket and even upgrade their gifts over time. But all donor bases have attrition or donors that lapse or do not repeat their gifts. This attrition forms the leaks from the bottom of the donor bucket.

If your bucket has more leaks out the bottom than new donors coming into the bucket over the course of a year, your organization is in danger of wasting valuable time and money.



Why invest in new donors if you can't keep the ones you have?

If your bucket is nearly air-tight, you might not be investing enough in acquisition.

LET'S TAKE A LOOK:

- » **NEW DONORS** = the number of donors that you acquired over the course of the past year
- » **RETAINED DONORS** = the number of donors that repeated their gift from last year to this year
- » **LAPSED DONORS** = the number of donors that gave last year or in previous years, but did not give this year



THE DONOR BUCKET

The more donors you keep in the bucket through solid acquisition and retention efforts, the more money you will raise for your great cause.

WHY???

Keeping a donor is much less expensive than gaining a new one.

Depending on the organization's fundraising strategy, acquisition efforts can cost significantly more than the value of the first gift. Organizations make this investment knowing that if they can keep that donor for the longer term, their return on investment (ROI) can far outpace the initial acquisition investment.

Return on Investment or
ROI is defined as:
*funds raised as a percentage
of fundraising expenses.*

$$\text{RETURN ON INVESTMENT} = \frac{\text{FUNDRAISING REVENUE}}{\text{FUNDRAISING EXPENSES}}$$

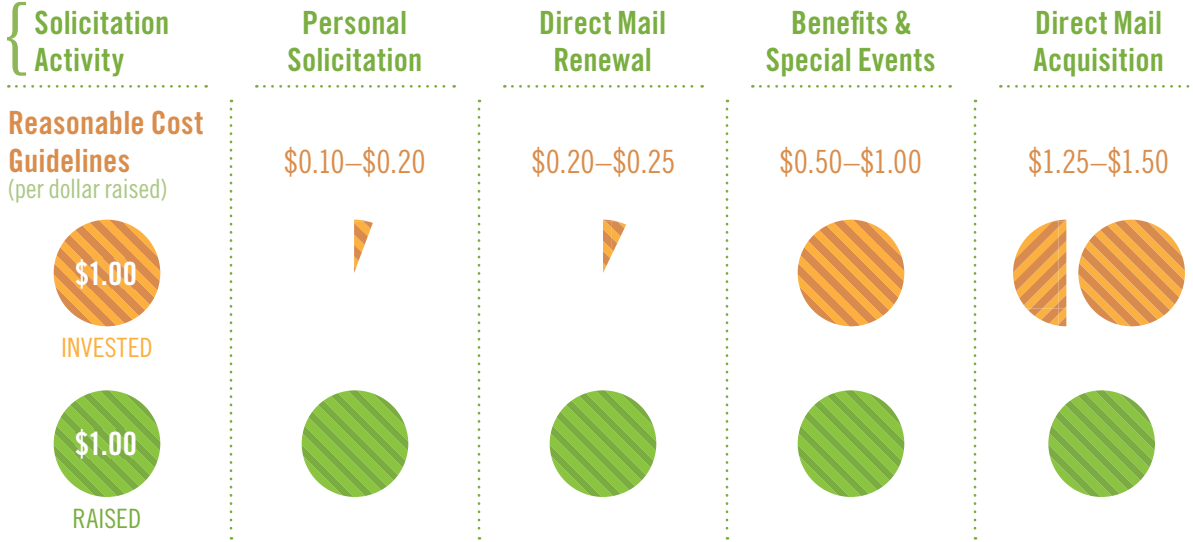




THE DONOR BUCKET

A new donor could eventually be a regular monthly donor, a major gift donor, or even a bequest donor, yielding many times more revenue than the amount that was invested to engage them as a donor.

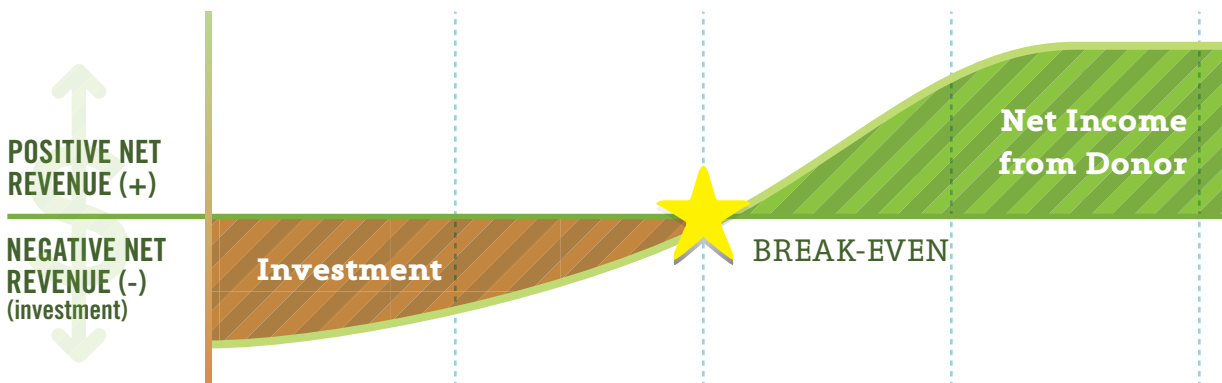
COST OF FUNDRAISING



Source: Greenfield, James. "Accountability and Budgeting, Assessing Costs, Results and Outcomes."

If you can keep your donors in the bucket, the cost of fundraising should drop dramatically for each subsequent gift.

FUNDRAISING INVESTMENT





NOT ALL BUCKETS LOOK ALIKE

While the size of the donor bucket can vary for organizations of different sizes, there are three types of donor buckets we typically see in nonprofit fundraising operations:

THE CLASSIC LEAKY BUCKET

There are proactive efforts to bring new donors into the organization, but very little is done to keep existing donors.

AN EXAMPLE:

A small food pantry recruits 500 new donors per year through a combination of direct mail and house parties. The organization is **investing** to get each of these donors because the cost of acquiring them is more than their first gift. However, they continue to invest because they know that new donors are essential to growth.

While some new donors are moving on to give second and even third gifts, this organization is losing as many existing ones every year as they are recruiting new donors.

WHAT'S GOING ON?

This organization needs to build stronger relationships with its existing donors before it continues to invest in acquisition. What is the use of continued investment in new donors if they can't keep the ones they have?



This organization has a huge opportunity. By investing in retention strategies, it could significantly reduce the leaks in its bucket and increase overall revenue.



NOT ALL BUCKETS LOOK ALIKE

THE SECOND GIFT LEAK

The organization recruits donors, but those same donors are not making onors, but those *same donors* are not making a second gift and are immediately leaking out the bottom of the bucket.

An Example:

An international advocacy organization recruits 1,000 donors per year through a combination of web marketing and direct mail. However, these same donors are not giving a second gift. Half are leaking out of the bottom of the bucket.

WHAT'S GOING ON?

This organization needs to take a hard look at how it is recruiting donors and soliciting a second gift.



Know what channels of communication work with your audience.



While some messages and techniques may work to get a first gift, there has to be consistency and effort in securing a second.



NOT ALL BUCKETS LOOK ALIKE

THE OPTIMAL BUCKET

The organization proactively works to bring in new donors while using robust retention strategies to minimize donor attrition.



An Example:

In one year, a youth services organization recruited 1,500 new donors in one year using e-communications, direct mail, and house parties. It also has retained 65% of its existing 2,000 donors and has converted 60% of its new donors to give another gift.

WHAT'S GOING ON?

This organization has a proactive acquisition plan that is working to bring in donors. At the same time, it has put in place retention and conversion strategies to proactively keep the donors it recruits.



*The most important thing is to **know** what your bucket looks like.*



1500
New Donors

60%
of New Donors Give Again



2000
Existing Donors

65%
of Existing Donors Retained



2200
Retained Donors

10%
Increase in Total Donors



Even those with good acquisition and retention strategies in place could be missing opportunities by not knowing about their donor movements.





HOW LEAKY IS YOUR BUCKET?

So, let's see what your organization's fundraising bucket looks like on a yearly basis.



Use your database to fill in the components of your bucket. *You'll need at least two years of data to complete this exercise.* You can choose your time period based on your fiscal year or calendar year. Please fill in the time period you are using for this exercise:

FROM ____ (mm) ____ (yy) TO ____ (mm) ____ (yy) = YEAR ONE

FROM ____ (mm) ____ (yy) TO ____ (mm) ____ (yy) = YEAR TWO

There are two steps to this exercise:

STEP #1. Fill in the following numbers from your data:

A. New Donors: Number of donors who gave their first gift in Year One
= _____

A. New Donors = _____

B. Existing Donors: Number of donors who made their first gift previous to Year One and who also gave a gift in Year One and Year Two
= _____

B. Existing Donors = _____

C. Donor Attrition: Number of donors who made their first gift previous to Year One, made a gift in Year One, and who did not give a gift in Year Two
= _____

C. Donor Attrition = _____



*Is your bucket **Leaking (C)** more donors than you **Recruit (A)**?*

If your organization loses as many existing donors or more every year as you recruit new donors, you have a Classic Leaky Bucket.

See page 11 to seal up your bucket and retain more of the donors you recruit.



HOW LEAKY IS YOUR BUCKET?

EXERCISE CONTINUED STEP #2



STEP #2. Fill in the following numbers from your data:

A. **New Donors:** Number of donors who gave their first gift in Year One
= _____

B. **Retained Donors:** Number of new donors who gave their first gift in Year One and who also gave a gift in Year Two
= _____

C. **New Donor Attrition:** Number of donors who gave their first gift in Year One and who did not give another gift in Year Two
= _____

A. **New Donors** = _____

B. **Retained Donors** = _____

C. **New Donor Attrition** = _____

D. **Percentage of Attrition** = _____



Are your new donors repeating their gift or are they leaking out the bottom of the bucket?



If more than half of the donors your organization recruited last year are not repeating with a second gift within 24 months after their first gift, you have a Second Gift Leak. See page 12 for recommendations and tips.

If you are retaining your new and repeat donors, congratulations! You have the Optimal Bucket. Keep up the good work!





WHAT TO DO WITH YOUR LEAKY BUCKET

Which bucket does your fundraising operation most resemble?

IF YOU HAVE A CLASSIC LEAKY BUCKET:

You lose as many existing donors or more every year as you recruit new donors.



What Is The Challenge?

Even with a robust acquisition strategy in place, your organization's fundraising revenue will flatten or decrease over time because you will have to invest more and more in acquisition to keep the bucket full and fundraising revenue stable. In response, the net revenue of your organization raises will decrease.

What Do You Do About It?

Give your donors a reason to give again:

In order to increase net fundraising revenue, your organization should invest in activities that keep donors giving. The actual activities could vary widely depending on your audience, but work to engage the donors in a closer and closer relationship with your organization so that they are inspired to give again. Most donors want to know, *"What have you done with my money, and how have I made a difference?"*



Be smart about how you ask your donors to give again:

- » Create an automatic giving program, where donors can give monthly or at intervals that work for them without being prompted by appeals.
- » Ask donors (particularly middle and major donors) at the time of year that they normally give.
- » Try to discern why donors are interested in your program and tailor custom messages to meet those interests.
- » Don't just ask. Send periodic updates to your donors to let them know about your work.
- » Create a robust acknowledgement system that offers donors ways to stay involved and informed.

CONSIDER WELCOME STRATEGIES THAT BUILD STRONG RELATIONSHIPS WITH YOUR NEW DONORS:

- » Personalized thank you letters that connect the donor's gift to the work of your organization.
- » Thank you calls from board members to answer questions about your work and efforts.
- » Special events for newly recruited donors.



WHAT TO DO WITH YOUR LEAKY BUCKET

IF YOU HAVE A SECOND GIFT LEAK:

More than half of the donors your organization recruited last year are not repeating with a second gift within 24 months after their first gift.



What Are The Pitfalls?

Dollars and hard work that are going to support your acquisition efforts are wasted when the donors recruited do not give again.

What Do You Do About It?

Ensure that your acquisition efforts are “true” to your organization: While some acquisition methods may yield impressive results by offering tote bags, using celebrity endorsements, or having a flashy event, the acquisition piece has to ultimately reflect the ideals of your organization and the work it does. If it doesn't, donors will simply not give again. So be sure that you are inspiring people by your mission and work, and test acquisition methods and messages to try to find strategies that encourage a longer term relationship.



PUT SPECIAL EFFORT INTO “CONVERTING” FIRST-TIME DONORS TO GIVE AGAIN:

- » Engage new donors through special efforts like welcome packets, welcome calls, and new donor meet-and-greet events.
- » Tailor special communications about the organization and what it does to the new donor audience.
- » Try to use the same channel of solicitation (mail, e-mail, face-to-face, etc) that you used to recruit the donor. Chances are that they will respond best to this channel.



COMMUNICATE WITH YOUR DONORS REGULARLY WITHOUT ASKING FOR MONEY. SOME IDEAS:

- » Send recent photographs that really illustrate what your organization does.
- » Write a personalized letter to long-term donors thanking them for their continued support
- » Create a survey asking donors what they want to hear about (and pay attention to it!)
- » Ask for donor involvement other than money to engage them in your work; volunteer, sign a petition, write an op-ed, or send needed supplies.



WHAT TO DO WITH YOUR LEAKY BUCKET

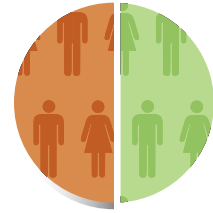
IF YOU HAVE AN OPTIMAL BUCKET:

Congratulations! Your organization has an acquisition plan in place and no more than 50% of the donors you recruit (new donors) are leaking out the bottom of the bucket. You also have a retention plan in place and are losing no more than 50% of your existing donors.

What Do You Do About It?

The challenge here is to make sure that you are investing enough in acquisition to grow, while at the same time keeping an eye on conversion and retention. Believe it or not, there is a point where your retention rate can be too high!

50% or Less of New Donors Leaked



50% or More of Existing Donors Retained



If you are seeing retention rates of **75%** or more, you may want to consider more aggressive acquisition strategies.

Increasing Revenue



WATCH OUT FOR THE SLOW LEAK BUCKET!



If your organization isn't investing in getting new donors, your donor file will shrink over time, even if strong retention efforts are in place. Donors "naturally" leak out of the bucket when they die, move, or lose interest. No organization can retain 100% of its donors! If your organization is recruiting less than 2%–5% of its overall donor file per year, you need to invest in a proactive acquisition strategy to attract new donors.



VARIATIONS ON A BUCKET

No matter what your bucket looks like, you can take steps to improve it.

Other Ways To Use The Bucket:

Use the bucket to diagnose challenges with various segments of your donor file. For example, your lower dollar file will most likely have a lower rate of retention than your major gift file. Analyze the two separately and see if there are any opportunities for targeted improvement.

You can also use the bucket to analyze donor movements by channel. Your retention rate will be different for direct mail donors than e-donors. It's also useful to look at the bucket for your events program. Are you able to convert those first time event donors into "regular" givers.

And, finally, you can use the bucket analysis to show donor file development over time. As your fundraising strategy changes, your bucket will also change. Do those changes reflect the growth and donor file that your organization is hoping for?

The most important thing?



Take your bucket by the handle and find out what your database really looks like. Even if you have to approximate some of the data, this is an important exercise. Fill up the bucket for your great cause!



Our vision is that every nonprofit fundraiser has the tools and confidence they need to raise money for their great cause.

.....

We empower staff, volunteers, and board members to:

- » Create messages that inspire action.
- » Develop strategy that speaks to the dreams of the donor.
- » Implement plans that are full of action and accountability.

Leslie Allen and Ann Goldman are seasoned and compassionate professionals who have served as front-line staff fundraisers, board members, and consultants to organizations of all sizes.

We know what you're going through because we've been there!

Ideas and services to fit your needs:

- » Consulting and coaching for best results.
- » Trainings to build your skills and boost your confidence.
- » Customized retreats that go right to the heart of your issue.
- » Blog updated weekly on fundraising, communications, and organizational effectiveness.
- » A toolbox of free resources for all fundraising levels.

For more information, please contact us at www.frontrangesource.com. We'd love to hear from you.

.....