
Donor Stewardship



Overview

HOW DOES THIS APPROACH WORK? WHAT IS THE THEORY BEHIND IT?

The idea behind donor stewardship is building a relationship with people who have already given to or through Charity Science. The theory is this will build trust and knowledge about evidence-based charity, which will lead to a longer-term and more generous dedication to giving effectively. Some examples of donor stewardship are sending thank you cards and newsletters, calling people to express our gratitude, sending reports on what their gift has accomplished, or throwing special donor-only events.

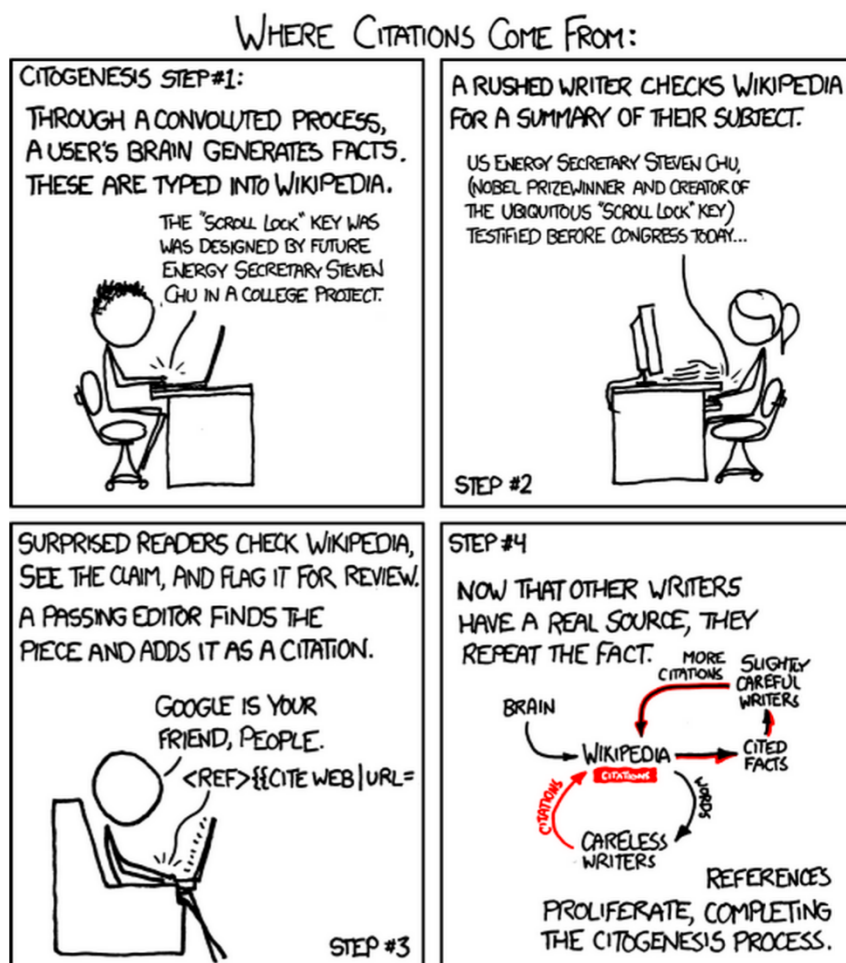
The reasoning goes that if somebody gives to your nonprofit for longer, that adds up over time, especially given that people who give for longer usually end up increasing their contributions, signing up for recurring donations, and even ultimately leaving your nonprofit in their wills.

Research

LIFE TIME VALUE

There is virtually no research on whether donor stewardship works or not. Most fundraisers seem to take it as a given that it works and that it is worth the costs. What follows is the best research I could find.

A number I have seen floating around everywhere is that a “10% increase in retention leads to a 200% increase in lifetime value”. Retention here refers to a donor giving again rather than giving elsewhere or not giving at all. Lifetime value (LTV) refers to the amount that a donor will give over their relationship with the charity. This number comes from the very official sounding citation “Sargeant, A. (2001) ‘Relationship Fundraising: How To Keep Donors Loyal,’ Nonprofit Management and Leadership, 12(2), 177-192.”. However, if you actually read this article, you will find absolutely nothing about this number. It seems like a good illustration of a phenomenon similar to the one that Randall Munroe so astutely commented on:



More research might show something similar, although not precisely what this number suggests. Some people recommend calculating the LTV by dividing the average yearly donation by the attrition rate. The attrition rate here means the reverse of the retention rate - the percentage of donors who don't give again. For example, if people each year donate \$100 on average, and the attrition rate is 20%, then the LTV of the donor is $\$100 / .2 = \500 . If you reduce the attrition rate by 10 percentage points, that would be \$1,000. This is a doubling of the LTV, which is a 100% increase.

However, I think this model of LTV is rather too simple and prefer the one this person came up with: <http://101fundraising.org/2011/11/the-almost-magic-formula-of-lifetime-value-estimation>. They have this spreadsheet incorporating their formula here: https://docs.google.com/spreadsheets/d/12W-02BKS7dt9yynG8ZMh9ZHm9axqNHjSz_GuL2O-IpY/edit#gid=433873160. I have not thoroughly vetted the formula, but it seems to capture more information than the simpler one above.

Below are listed the first year attrition rates and the LTV after five years according to this spreadsheet. It assumes the average yearly donation is \$100.

- ❖ 70% = \$139
- ❖ 60% = \$175
- ❖ 50% = \$210
- ❖ 40% = \$244
- ❖ 30% = \$277
- ❖ 20% = \$310

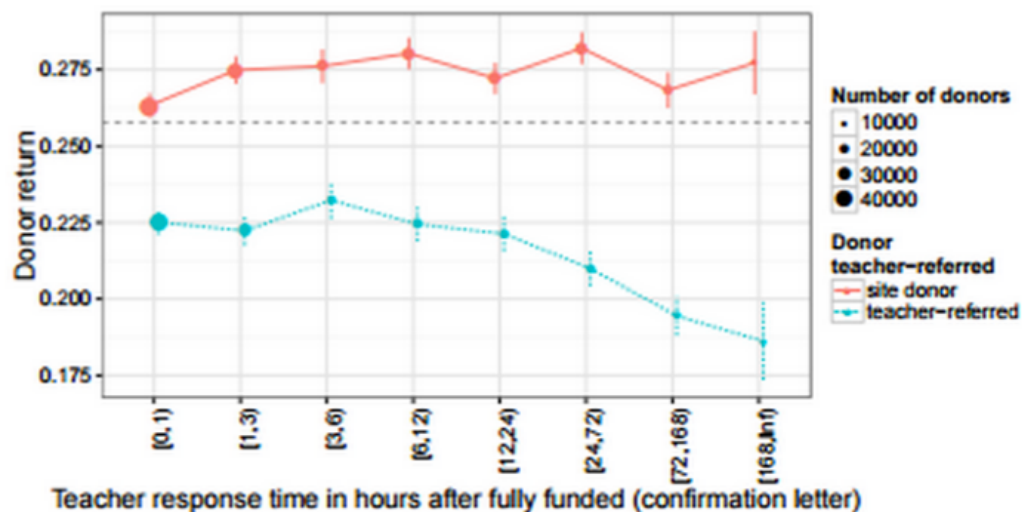
From this you can see that a reduction in attrition of 10 percentage points would lead to an increase in LTV of about \$30 per person. This is not an impressive gain unless you expect the cost of lowering the attrition rate is similarly low. Another way to look at it is 10 percentage points increase leads to a 25% increase in LTV. This sounds more impressive, but a percentage increase of a low absolute number does not translate into helping many more people.

SAYING THANK YOU

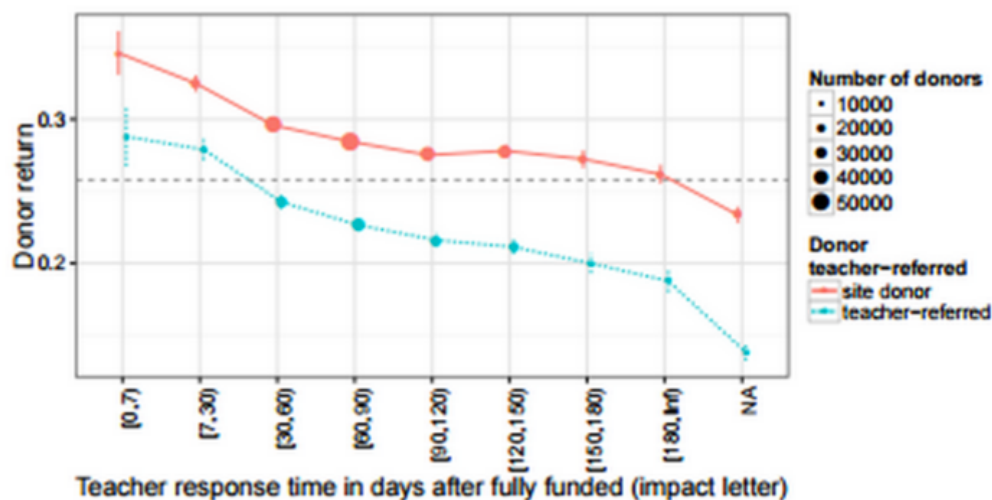
Some more substantiated claims come from a few other studies. One, Schwinn, 2008, found that donors who received a thank-you note and make another donation gave 21% more than their previous gift.

Another study found ambiguous results about whether the speed of sending a thank you note affected donors giving again. This study was done on a website where teachers made profile asking for teaching supplies. "Teacher-referred" means that a teacher directed

students' parents to their profile. "Site donor" means that the donor has no personal connection to the teacher; they simply browsed the profiles and found one that spoke to them.



What wasn't ambiguous was that the longer the teacher waited to send a letter explaining the impact of their donation, the less donors came back.



SELF-ASSESSED REASONS FOR DONOR ATTRITION

One survey asked lapsed donors why they had stopped. This was the breakdown:

- ❖ Could no longer afford to give - 54%
- ❖ Thinks others are more deserving - 36%
- ❖ Poor service or communication - 18%

- ❖ Never thanked for donating - 13%
- ❖ No memory of supporting - 9%
- ❖ No information on how the money was used - 8%
- ❖ Thought the charity did not need them - 5%

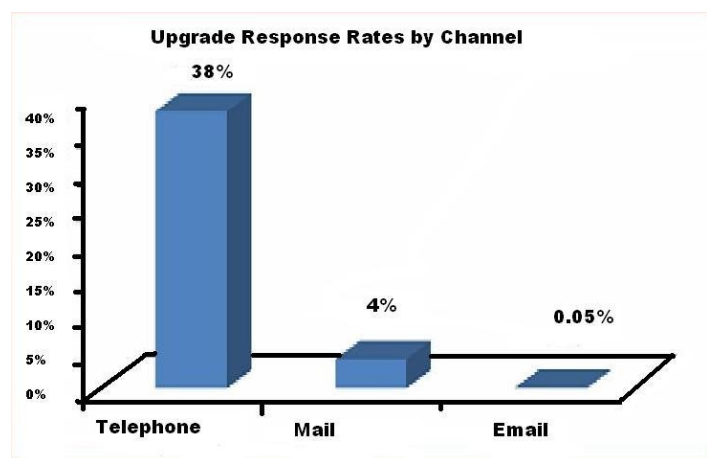
Of course there are many problems with a survey because of desirability bias. People might have only given because of social pressure in the first place and it's not very flattering to say that you stopped giving because the social pressure stopped. This does give some sort of information though. For example, while we cannot change people's incomes so that they can afford to continue giving, we can improve our communications and thank them for the generosity.

THE MAGIC OF THE TELEPHONE

One notable thing I came across during my research was not the magic of thanking people per se, but of that strange thing that people used to do with their phones before texting existed- calling people.

A simple welcome call after somebody donates increases retention by 30%. Now, according to the spreadsheet above, if you assume a 50% first year attrition rate and an average donation of \$100, that only adds up to \$42 per call. However, another study found that calling people increased donations 14 months later by 42%. That means that instead of adding \$42 over 5 years, it's adding \$42 over just one year. It's also probable that the effect continues, if not diminished, over the next five years.

Then there's this graph which came from a charity keeping track of its response rates for an upgrade campaign. If this is representative, that would mean that we would have to have 2,000 people on our email newsletter before a single person gave. This fits with our personal experience with newsletter response rates to calls-to-action as well as previous research which found response rates at 0.03-0.12%. After 2 years in operation, our newsletter has roughly 350 subscribers. While we have not put much focus on acquiring email addresses, this this does cast some doubt on whether this is a promising route. The physical mail figure doesn't quite match up with other research, however. Other sources say between 5% and 35% renewal rate.



Of course, phone calls also have higher costs. To call somebody takes both more money for the physical call than an email and more money for the staff cost. (See a rough calculation on costs below). It looks likely, though that this is more than made up for in the fact that people respond to hearing a living person's voice and actually interacting with them, rather than the impersonal, one-way nature of mass-emails.

SHOULD WE CONSIDER SENDING CARDS RATHER THAN EMAILS? WHAT ABOUT PHONE CALLS?

The considerations to keep in mind are:

- ❖ The relative **effects on donor retention**
- ❖ The relative **effects on amount given**
- ❖ **The time costs.**
 - ❖ It takes 30 seconds on average per card. That's $(0.5/60)*\$12/\text{hr} = \text{\$0.10 per card}$.
 - ❖ For a call it would roughly take 30 seconds waiting to pick up, 50% of people wouldn't pick up, for 25% of people it wouldn't be a good time (so 30 seconds), 23% of people would take 5 minutes, and 2% it would take 10 minutes. So that's $50*0+25*0.5+23*5+2*10 = 147$ minutes for 100 calls, so ~1.50 minutes per call on average. and $(1.5/60)*\$12/\text{hr} = \text{\$0.30 per call}$.
 - ❖ The time costs of email are negligible. Approximately 2 hours for as many emails as you'd like to send out. If you send out 1000 thank yous, that is $120/1000 = 0.12$ minutes per call, which is $(0.12/60)*12/\text{hr} = \text{\$0.02 per email}$
- ❖ **The monetary costs.** The average cost of sending a card is \$0.33 for the card, and \$1.20 for the stamp, so **\$1.50 per card**. The average cost is **\$0.03 per email**.
- ❖ **Total rough cost**
 - ❖ Card \$1.60.
 - ❖ Call \$0.33.
 - ❖ Email \$0.05.

These are very rough calculations. I have not included them in the estimations below as this report is already rather long. It is something to investigate in the future if we decide to prioritize this.

What are some relevant comparisons to similar fundraising approaches? How do they work?

Non-ask events was a relevant comparison. The person who did this report found no solid information on whether they worked. Probably because it is a subsection of donor stewardship, which had virtually no research on itself as a whole.

What types/sizes of organizations is this type of fundraising best for?

This type of fundraising might suit our type of organization because:

- ❖ We are small, which is really good because we can give more attention to our supporters.
- ❖ One of our missions is to make giving to evidence-based charities easier and more accessible. Better stewardship fits this mission very well. Of course, our ultimate mission is for evidence-based charities to be able to help more people, and this could very well be best served by focusing on outreach rather than stewardship.

This type of fundraising might not suit our type of organization because:

- ❖ We don't run the direct programs which makes it harder for us to report to donors about what their donations accomplished.
- ❖ It might not be relevant for us currently because most of our donors donate because of GiveWell, because in a peer-to-peer event a friend asked them to give (so they are dedicated to the friend, not us), or are EA fundraisers who are also dedicated to and inspired by GiveWell. We don't have many people who are just passionate about Charity Science who would benefit from our stewardship efforts.

How common is this type of fundraising?

Donor stewardship is ridiculously common. Virtually all charities do it.

How would one run a minimum cost experiment in this area?

Different ways to run an experiment

APPROACH 1 - THANK YOU CARDS

We could randomly send out thank you letters to some fundraisers / donors, then make an ask later. For the purposes of the rest of this document, an ask includes an ask for a gift that could be asking them to a) sign up for monthly donations, b) upgrade their monthly giving, c) run another fundraiser, or d) donate as a one-off thing.

A problem with this is that currently our only way to contact people is through email, which has abysmal response rates (0.05%), so we would have to acquire thousands of new donors before we could get useful information. This could be remedied by switching to a more phone based system which has a higher response rate.

APPROACH 2 - CONFERENCE CALL

We could randomly invite people to a conference call where people hear about the latest projects and give them a chance to ask questions. We can then follow up and make an ask and see how many more give compared to the control group. This would again require phone numbers for both groups.

APPROACH 2 - GRADUALLY ROLL-OUT

We could gradually roll out stewardship experiments and see how it goes each time. We could start this process in a year or so from now so that we've done more outreach first.

APPROACH 4 - NEWSLETTER RANDOMIZATION

We could experiment with sending out the newsletter to half of people. Unfortunately, this is harder to experiment with because we'd need a much larger list to see any differences between the groups. The same goes for randomly sending a report to half of people, or any other sort of email based stewardship.

APPROACH 5 - THANK, REPORT, ASK PHONING

Collect people's phone numbers when they sign up for or donate to a peer-to-peer event. Then do some phone-based stewardship, calling them to say thank you, then following up, explaining what their gift accomplished. The third call could be making an ask. We could randomly sort people into the groups who get the stewardship calls or the group who just received a call making an ask, then compare outcomes.

APPROACH 6 - GIVE OPTIONS THEN STEWARD

Give people the options on Causevox as to whether they would like be thanked in a card, over email, or over the phone. This has the benefit of giving people the option and are less likely to be irritated. It would also mean that we would have to get far more donors before we could get meaningful information. It would also remove the ability to test the effects of calling because there would be a selection effect.

APPROACH 7 - STEWARD THEN GIVE OPTIONS

Randomly call half of people to say thank you. Email them a couple of days later, asking them in a one question, multiple choice questionnaire what sort of communications they would like to receive. That way we can still randomize the calls much sooner, not irritate

people, and find out whether people give more based on receiving phone calls compared to cards and emails.

Best suggested way to run an experiment

I'd recommend doing a minimal newsletter (around 4-8 a year), trying to make it based on material we would have had to write anyway. This is mostly because virtually all fundraising experts recommend it, and even though we have not seen any benefits, we are not sufficiently confident in this to stop.

We could then do approach 7, where we call them initially to say thank you, then find out whether that affects later giving.

Should we continue sending newsletters, and if so, at what frequency?

CONSIDERATION 1

The benefit of making asks through newsletters seems pretty low given the industry's average response rate of 0.05%-0.12%.

CONSIDERATION 2

Newsletters could still be useful for keeping people aware of us, informed about the issues, and making it less likely that they'll forget us.

Should we start calling donors and thanking them?

CONSIDERATION 1

This experiment doesn't have to wait until after we have acquired donors. It can be done in tandem.

CONSIDERATION 2

It costs less than cards, which we already do.

CONSIDERATION 3

If we get really good at donor acquisition but are not sufficiently good at donor stewardship, we may lose all of our new donors right away.

CONSIDERATION 4

Phone calls are more intrusive than cards and are more likely to annoy people.

CONSIDERATION 5

Cards provoke less irritation, but they also result in less attachment to the charity compared to phone calls.

The least we should do is start collecting phone numbers so that we have the option of experimenting with it or not in the future.

Estimated Potential

CONFERENCE CALLS

Costs

- ❖ Time
 - ❖ 2-10 hours picking conference calling software. Best guess 3 hours.
 - ❖ 2-10 hours emailing people inviting them to call. Best guess 6 hours
 - ❖ 1-2 hours on the call. Best guess 1.5 hours
 - ❖ Average staff pay of \$12/hour
 - ❖ **Optimistic = 5 hours * 12 = \$60**
 - ❖ **Pessimistic = 22 hours * 12 = \$264**
 - ❖ **Best Guess = 10.5 hours * 12 = \$126**
- ❖ Money
 - ❖ None. There is conference calls software which is free.

Outcomes

- ❖ Increase in giving: 10%-50%. Best guess 42%
- ❖ Increase in retention: 10%-40%. Best guess 30%
- ❖ Use this spreadsheet to figure out LTV over 5 years.
- ❖ 42% increase in given and 30% increase in retention, which leads to about a 20% increase in LTV.
- ❖ Roughly \$6k through our website that wasn't P2P or GiveWell-inspired. The average gift size was about \$100, so about 60 non-P2P or GiveWell donors.
- ❖ Number of people who come to or are influenced by their invite to the conference call: 5-100. Best guess 30.
- ❖ Number of people who gave through P2P: 1103 for Experience Poverty. So 1000-2000. Best guess 1400.

- ❖ Percentage of people who gave through P2P who are influenced by the stewardship. 0.1%-5%. Best guess 1%.
- ❖ Increase in retention for P2P donors. From initial attrition rate of 99% to 98%-50% attrition rate. Best guess 95%. Average donation is \$46. LTV- \$5 → \$8-\$80. Best guess - \$14.
- ❖ Increase in giving from P2P donors: 10%-50%. Best guess 42%
- ❖ Number of P2P donors who are affected by stewardship: 1%-49%. Best guess 4%
- ❖ Amount given by P2P donors: \$78,000.
- ❖ Optimistic. LTV \$175 → \$245. So $6000*0.5 + 100*(245-175) + 78,000*0.5*0.49 + 2000*(80-5) = \$179,110$
- ❖ **Pessimistic** LTV \$175 → \$189. So $6000*0.1 + 5*(189-175) + 78,000*0.1*0.01 + 1000*(8-5) = \$3,748$
- ❖ **Best guess** - LTV \$175 → \$217. So $6,000*.4 + 30*(217-175) + 78,000*0.42*0.04 + 1400*(14-5) = \$17,570$

Net Outcomes

Optimistic: $\$179,110 - \$60 = \$179,050$

Pessimistic: $\$3,748 - \$264 = \$3,484$

Best guess: $\$17,570 - \$126 = \underline{\$17,444}$

Ratios

Optimistic: $179,110 / 60 = 2985:1$

Pessimistic: $3,748 / 264 = 14:1$

Best guess: $17,570 / 126 = \underline{139:1}$

CALL TO SAY THANK YOU, THEN TO ASK

Costs

- ❖ Thank yous
 - ❖ Time
 - ❖ Average call duration - 1-10 minutes. Best guess 1.5 minutes
 - ❖ Cost
- ❖ Average call cost per minute - \$0.01-\$0.50. Best guess \$0.02 per minute
 - ❖ Number of calls
- ❖ 1000-2000. Best guess 1400.
 - ❖ Calculation
 - ❖ $(\text{call duration})(\text{cost per minute})(\text{number of calls}) + (\text{minutes} / 60 \text{ minutes})(\$12 / \text{hour staff time})(\text{number of calls})$
 - ❖ **Pessimistic:** $10*0.5*1000 + (10 / 60)*12*1000 = \$7,000$
 - ❖ **Optimistic:** $1*0.01*2000 + (1 / 60)*12*2000 = \420

- ❖ **Best guess:** $1.5 \times 0.02 \times 1400 + (1.5 / 60) \times 12 \times 1400 = \462
- ❖ Asks
 - ❖ Time
 - ❖ Average call duration - 1-20 minutes. Best guess 5 minutes.
 - ❖ Cost
 - ❖ Average call cost per minute - \$0.01-\$0.50. Best guess \$0.02 per minute
 - ❖ Number of asks
 - ❖ 500-2000. Best guess 1400.
- ❖ **Pessimistic:** $20 \times 0.5 \times 1000 + (20 / 60) \times 12 \times 1000 = \$14,000$
- ❖ **Optimistic:** $1 \times 0.01 \times 2000 + (1 / 60) \times 12 \times 2000 = \420
- ❖ **Best guess** $5 \times 0.02 \times 1400 + (5 / 60) \times 12 \times 1400 = \$1,540$
- ❖ Total
 - ❖ **Pessimistic:** \$21,000
 - ❖ **Optimistic:** \$840
 - ❖ **Best guess:** \$2,002

Outcomes

- ❖ Increase in giving: 10%-50%. Best guess 42%
- ❖ Increase in retention: 10%-40%. Best guess 30%
- ❖ Use this spreadsheet to figure out LTV over 5 years.
- ❖ Percentage of people who we manage to get a hold of. 50-80%. Best guess 60%
- ❖ Number of people called: 1000-2000. Best guess 1400.
- ❖ Average gift size: 40-70. Best guess 50.
- ❖ (Number of people called)(Average gift size)(Percentage get a hold of)(Increase in giving) + (Number of people called)(Percentage get a hold of)(LTV with 50% retention - LTV with new retention)
- ❖ **Optimistic.** So $2000 \times 70 \times 0.80 \times 0.50 + 2000 \times 0.8 \times (162 - 122) = \$120,000$
- ❖ **Pessimistic.** So $1000 \times 40 \times 0.5 \times 0.1 + 1000 \times 0.5 \times (76 - 70) = \$5,000$
- ❖ **Best guess.** So $1400 \times 50 \times 0.6 \times 0.42 + 1400 \times 0.6 \times (109 - 87) = \$36,000$

Net Outcomes

Pessimistic: $5000 - 21000 = \text{negative } \$16,000$ (of note, you tell in advance whether this will be negative based on the cost of calls)

Optimistic: $120000 - 840 = \$119,160$

Best guess: $36,000 - 2,002 = \underline{\$33,998}$

Ratios

Pessimistic: $5000 / 21000: 0.2:1$

Optimistic: $120000 / 840: 142:1$

Best guess: $36000 / 2002 = 18:1$

What do we not know?

We don't really know how cost effective or worthwhile donor stewardship. It is unlikely to be negative, but it could very well be negligibly positive and not worth our time at the moment.

We do not know the relative cost-effectiveness of different sorts of stewardship, ranging from the least resource-intensive (email), to the most resource-intensive (cards and phone calls). I simply did a calculation for the cost-effectiveness of two different approaches to stewardship.

How much more research might it take, if any, to feel confident?

I don't think that you could do much more research on the internet. I suspect that the only way to move forward would be to experiment with it ourselves.

Subjective Sense

What are the predominant considerations against doing this sort of experiment?

CONSIDERATION 1

Acquisition first - we should acquire more donors before putting too much time into this. We don't have a strong acquisition strategy currently, and if we steward our donors brilliantly, but have only a few, it does not help that many poor people.

CONSIDERATION 2

\$100k bar - only in the most optimistic scenario would this raise more than \$100,000.

What are the predominant considerations for doing this sort of experiment?

CONSIDERATION 1

Similar time investment to status quo - it would not take that much time depending on our approach. For example, acquiring phone numbers during our experiments then doing a conference call would take very little effort.

CONSIDERATION 2

Stepping stone - virtually all of the biggest types of fundraising (high net worths, legacy, corporate) require long-term donors, which would be aided by donor stewardship. You're less likely to get a long term supporter if you don't nourish the relationship.

CONSIDERATION 3

Leaky bucket - if we do well at acquisition without being good at retention, our acquisition becomes a lot less valuable. Take for example our p2p donors who, because we acquired in such a way that retention is unlikely, lose huge amounts of their value.

How does it seem from the reading you have done, past experience and people you have talked to?

It's hard to say before reading all of the other contenders, but I would put it as something that we should definitely do at some point, though I'm not sure if it's currently a high priority.

References

1. <https://xkcd.com/978/>
2. <http://101fundraising.org/2011/11/the-almost-magic-formula-of-lifetime-value-estimation/>
3. https://docs.google.com/spreadsheets/d/12W-02BKS7dt9yynG8ZMh9ZHm9axqNHjSz_GuL2O-IpY/edit#gid=433873160
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5. <http://fundraisingcoach.com/2013/04/15/guest-post-why-donors-stop-giving/>
6. <http://www.gailperry.com/2014/10/phone-calls-donors-can-highly-profitable/>
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8. <https://pellandbales.wordpress.com/2012/12/17/telephone-fundraising-part-1-how-the-phone-delivers-response-rates-at-least-10x-higher-than-other-channels/>
9. https://www.blackbaud.com/files/resources/downloads/nonprofit_online_marketing_benchmark_study.pdf
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11. <http://www.gailperry.com/2014/10/phone-calls-donors-can-highly-profitable/>

