

Increasing Donor Retention Through a *Monthly Donor Program*



NonprofitLibrary

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Inside Look...

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You've heard me talking about monthly recurring gift programs and their importance on the long-term retention of your donors. Not to mention how much money you'll raise!

Fundraisers are often blown away if I mention some numbers. Just 300 monthly donors can bring in almost \$100,000 a year for your organization. What's not to like about that?

So, if you are not already looking at implementing a program for your organization, **I would strongly advise you to truly make that one of your priorities this year.** You may already have a great major giving program in place and your appeals are working well. Adding monthly donors to your fundraising mix is truly the next step to take. How else can you convert a donor to go from \$35 once a year to \$25 a month (or \$300 a year!). And they'll still make a gift to your appeals, trust me!

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I recommend that you RUN, not walk, so you can reap the results sooner rather than later and really start building donor retention and long-term revenue for your organization.





01. The 3 Biggest Reasons To Jump On The Monthly Donor Bandwagon

I'm a total convert on the topic of monthly donors. I've seen its power and how it has kept an organization going after a major disaster. I've seen how it generates 50 percent of an organization's revenue. I've seen that even small tweaks to organizations' communications can make a difference.

The good news is that fundraisers' lives have become so much easier with new systems that support generating monthly, recurring donors and sustainers.

So, if you have a monthly donor program, congratulations! If you're just starting out, wonderful! Keep it growing! But, if you're still not convinced or if you need "ammunition" to spend a little bit more time and resources on your monthly donor program, here are some great reasons why you should jump on that monthly donor bandwagon today!

First, let me tell you about a small rescue organization. Their president contacted me a while back and told me: "We have 2,500 donors and about 300 of them are monthly donors. How can we grow it?"

Let me share this (mind-blowing) statistic with you:

Their 300 monthly donors generates almost \$90,000 a year!

The president was very eager to grow their program. He was a financial whiz and saw its tremendous power. He did not need any more convincing. Just think, what could you do with the funds raised if you could grow your monthly donors to that level or even higher? You can hire more staff. You can provide more services.

Here are the three major reasons why monthly donors are so powerful, even though these donors seem to be so small (at first):

- **Reason 1:** Monthly donors will give more money.
- **Reason 2:** Monthly donor retention rates are much higher.
- **Reason 3:** Generating monthly donors has become much easier than before.

There's research that shows monthly donors give three times more money than one-time donors. I've looked at the few studies that exist on monthly donors (or sustainers). The 2016 Target Analytics™ Sustainer Benchmarking Study is truly the most thorough study done in our industry on sustainers. It's important to note that organizations have to have at least 4,000 sustainers to be included. The 2016 results are based on 36 unique organizations, with a combined \$1.97 billion in revenue and 16.3 million donors in total.

TWO HIGHLIGHTS TO NOTE:

From the 36 organizations in the study, 15% of active donors were recurring, generating 19 percent of their annual revenue.

What's even more pertinent is to look at their 5-year median change in revenue from recurring donors—a 55.2% increase. Over the past year alone, the median change in number of recurring donors increased by 16 percent. The

number of one-time donors for these organizations has decreased in the past year, but the number of monthly donors has increased.

I looked at a second study from Third Space Studio— the Individual Benchmarking Report. This report was based on 199 organizations raising \$2 million a year or less and showed that smaller organizations with monthly donor programs see 14% of their income come in from recurring donations. No matter your organization's size, you'll be able to identify with them. So let's address these reasons one by one.

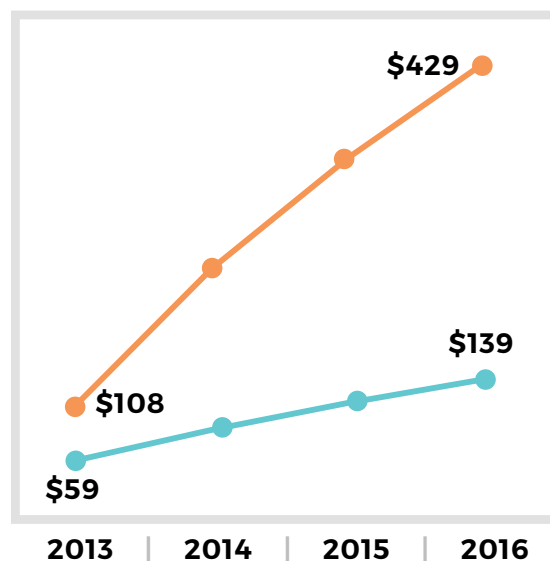
MONTHLY DONORS WILL GIVE MORE THAN ONE-TIME DONORS

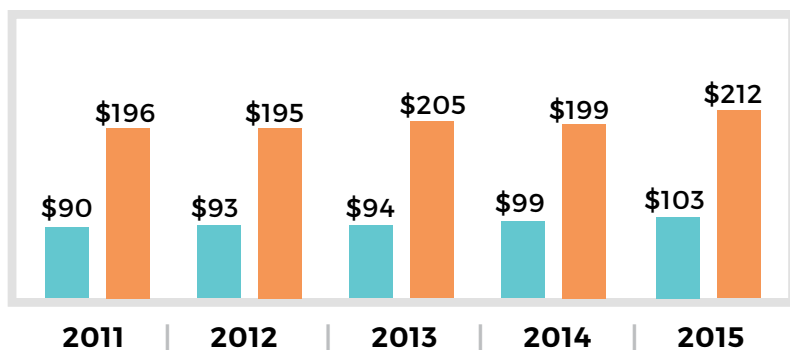
You can see that those donors who were acquired in 2013, as single-gift donors, generated \$139 after 4 years. Those that were acquired as monthly donors right away generated \$429, so three times more than one-time donors.

REMEMBER!

Some of the big organizations with a focus on monthly donors bring in a substantial number of new recurring donors right away because of the sources used to acquire them. Most other organizations will see that it's a mix of new recurring donors right away versus converting one-time donors to recurring later.

An earlier study looked at those donors who gave one-time gifts in the year and how much they generated once they became recurring. We saw that they generated twice as much per year.





This earlier study also looked at those donors who gave one-time gifts in the year and how much they generated once they became recurring. Again, we see that they generated twice as much money compared to those one-time donors.

This trend still holds true 2 years later. The average gift is \$23 per month or \$276 per year, which is so much higher than any one-time donation. Web/digital donations generate the highest monthly gifts.

From Third Space Studio's report, we learn that those organizations with recurring donors generate an average of \$754 annually compared to one-time donor's average of \$208, so again, you'll raise more money.

Monthly donors generate two to three times more revenue than one-time donors.

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MONTHLY DONORS RETAIN AT MUCH HIGHER LEVELS

It's all about donor retention. How can you get donors to retain at higher levels than what we're seeing now, which is 46 percent overall (via 2016 Fundraising Effectiveness Project)?

If you convert your donors to give monthly, your donor retention rate improves!

GENERATING NEW MONTHLY DONORS HAS BECOME MUCH EASIER THAN BEFORE

Many years ago, when I started generating monthly donors, online barely existed. Systems were complicated. Boy, that sure has changed. Now, you can direct donors to donate monthly with a simple click!

Monthly donation payments are often handled automatically without ever having to do manual entry. There is no excuse not to offer monthly giving through your website. There's no easier way to direct donors to give monthly than by email and other social media platforms. A link can direct donors to the monthly giving page.

Now, direct mail, telemarketing and web/digital platforms are still favorites in generating new monthly donors. Bigger organizations can afford to invest money in other channels—direct-response television, face-to-face fundraising and door-to-door fundraising—as ways to generate monthly donors.

But from Third Space Studio's report, we see that \$1 in every \$5 comes in online. So, as long as you have your monthly donor donation page organized—and there are now many options to do this affordably and easily—**you have the tools to start generating monthly donors, regardless of your organization's size.**

You can start growing monthly donors using web/ digital and expand to other channels later.

* * *

I hope these reasons help change you or your boss's mind about how small donors can become so tremendously powerful once you convert them to give monthly. So, what are you waiting for?

02 • 4 Ways to Improve Donor Retention & Recruit Sustainers

Monthly giving almost sounds too good to be true, doesn't it? Why on earth would a donor who has no relationship with you trust your organization enough to give you their credit card number or bank account information?

The answer is really short and simple: ***because you asked them!***

As we all know, the key with improving donor retention rates is to get that important second gift as soon as possible, preferably within the first 3 months. That means you have to ask for money as soon as possible. Why not build in a monthly giving ask at the same time?

There are different ways you can do this, and I'll describe the four ways here. You'll have to see what works best for your organization, fits into your communication schedule, and test what generates the highest number of new sustainers (and thus improves your donor retention rate right away).

1. INCLUDE AN ASK IN YOUR THANK YOU LETTER

If your organization already sends a thank you letter, a reply form and reply envelope right after the donor's first donation, include an invitation right there to join as a sustainer (you're special and you'll join a very special group of supporters named xyz).

I realize that this is always one of the most controversial options and we can write multiple blogs about this with differing opinions, but it works!

It's important to mention that this approach is used for those donors who give less than \$100.

One of the organizations I work with mails 15 times a year and they have a new donor welcome package with sustainer invitation (3 of the 4 pages of the letter talks about the ease and convenience for the donor and the many benefits it offers them) and they generate between 1.5% – 2% of sustainers every time.

What's even better, they use this same welcome package to reactivate lapsed donors and they're getting similar response percentages. In addition, they generate between 4% – 10% of additional donations from those who are not yet ready to give monthly.

For your organization, this is the most cost-effective and fastest way to grow your sustainers. And, their new donor retention rate is at 32% (compared to 19% nationally).

For your organization, including an ask in your thank you letter is the most cost-effective and fastest way to grow your sustainers.

2. SEND A SPECIAL INVITATION TO GIVE MONTHLY

If you're not totally ready to go all the way with your sustainer in the first thank you letter, make it a two step approach.

- First, send your thank you for the initial donation.
- Then, within the first 4 weeks, send a special invitation to give monthly. This means an extra appeal, but it should pay for itself.

3. INCLUDE A BUCK SLIP

If you're not willing to do a special appeal, consider a more passive approach by still using your first thank you letter, but including a little buck slip or small brochure about your sustainer program. It's not a 'hard ask' (the donor can 'take it or leave it'), but it will generate a few new sustainers at minimal cost.

Options 1 and 2 of course will generate more, but this may fit better with your communication approach.



4. CALL YOUR DONORS

If you can add the phone to the mix, you'll be able to maximize your results. Send out the sustainer invitation (option 1, 2 and 3 all apply). Then use the phone to say thank you for their first donation and then talk to the donor about the benefits of monthly giving.

The donor has most likely seen the initial information and you can have a conversation on the phone and negotiate the amount. It's important to realize that the postal thank you goes out first as you'll not be able to reach everybody by phone.

You should send the new donor a postal thank you letter, no matter how the donor's first donation came in.

* * *

With all these approaches, you'll be able to convert new donors to monthly donors within the first 3 months, thus improving your donor retention rate and generating more money from your sustainers over time!

So, choose what works for your organization, but most importantly, what works for your donors and you'll grow your sustainer program.

03. To Ask for One-Time Gifts or Monthly Gifts... That's The Question!

Many nonprofits struggle with the decision to make the move and ask for monthly gifts. Here's what I hear from organizations when I ask them about their monthly donor program:

- *"I need one time gifts."*
- *"I can't focus on monthly gifts right now. They're too small to concern myself with."*
- *"I only have so little time. Why would I worry about small donors?"*
- *"It's all about the net and monthly donors don't contribute to the net."*
- *"It's expensive to ask for monthly donations and takes too long to see the return"*

MONTHLY GIFTS ARE TOTALLY WORTH IT

If you look at some organizations who 'get it', they see the tremendous power and value in monthly gifts. They raise MORE money!

It's a new year and do you know what most of these organizations are doing? They totally took over the home page of their website and are all about asking for monthly gifts.

Just think of it this way:

if your average donor gives \$35 when you send an appeal and you can convert them to give \$10 a month, that becomes \$120 a year.

You just tripled that donor's value!

Even if you're an organization that gets \$65 when you send an appeal or email newsletter, converting that same donor to give \$10 a month, is still doubling the donor's value. If you know that the average monthly gift right now is \$24 a month, that means \$288 a year! How's that for contributing to your net?

Don't worry. Many donors will still give to your appeals as well, so you're not losing out on one-time donations, **but you're upgrading them to higher levels.**



Isn't that what fundraising is all about? And remember, these monthly donors are more likely to leave you in their will! One of my clients currently has 30,000 monthly donors, generating half of their revenue and last year 75% of their legacy income came from monthly donors!

Research shows that the typical monthly donor gives two to three times the value of a one-time donor.

So, what does this mean for you and your need to get one-time donations? Don't change what you're doing now in your direct mail program, but simply add a few monthly donor asks online. Virtually no expense. Positive impact on your net.

How about this:

Maybe you're considering doing something around Easter or Earth Day or another world giving day for your particular type of cause.

I dare you to take an email appeal you're planning to use to ask for one-time donations and make a version where you're just linking to the monthly donor page instead of the one-time donation page, send it and see what happens.

Research shows that the typical monthly donor gives two to three times the value of a one-time donor.

04.

Top 3 Monthly Donor Retention Tips

By now, you know the tremendous power monthly donors have. You know how it can help improve your donor retention to much higher levels. We typically see monthly donor retention rates between 87 percent and 95 percent—that's double that of one-time donors.

So, as monthly donors are starting to take hold in nonprofits, it's important to put a few things in place to keep those donors giving monthly to your organization.

1. PUT SOMEONE IN CHARGE OF YOUR MONTHLY DONOR PROGRAM

Put someone in charge that will actually be able to look at the numbers, trends and processes and take action if needed. This person will help to manage declining or expiring credit cards.

I see too many organizations that have “multiple cooks in the kitchen.” They're all wonderful individuals who execute a portion of the program, but they may not know how the pieces all come together. And what happens? Things start falling through the cracks.

If you put someone in charge, he or she will help prevent monthly donors from dropping off and drive the program to higher growth than you could ever imagine.

2. TEST YOUR DONOR SERVICE

Monthly donors are loyal donors. They are interested in what your organization is doing. They will have questions. Make sure that there is someone at the other end of the phone or email to answer those questions. Some phone systems nowadays can be very complicated and convoluted. Have a family member or friend make a call or send an email to see how long it takes for them to get an answer. It only takes a few minutes to do.

3. TEST YOUR “SYSTEMS”

Don't Forget! Whenever you create a new online monthly giving page or try something new in your program, always test a monthly donation first to make sure all of the pieces work.

- You want the auto-responder to look the way you want it to look and the email confirmation to come out the way you want it to come out.
- You want the monthly donation to flow into your donor base, and you want the hard copy “thank you” letter to go out right away.
- You may wish to consider one or two volunteers who are close to your donor's typical age and have them try it out first.

Yes, it'll take just a little bit longer to go live, but it will save you time in the end because everything will be perfect!



Conclusion

Turn fear into action because the consequence of doing nothing is much scarier and is certainly going to raise less money! This approach should be applied especially to monthly donors. There seems to be a fear of starting, and it prevents organizations from growing to their full potential; it holds them back.

I'm not sure what organizations are fearful of. Yes, it will take some time to get it started and going, but I guarantee you, it will take a lot less time than the next event you're organizing!

If it's the technology, there's no reason to fear any longer because there are so many wonderful tools at your fingertips, and solutions are only a text, telephone call or email away.

Based upon what I'm seeing and hearing from those organizations that have started a monthly donor program, they're not regretting it one iota. You know that expression:

"If you keep doing what you're doing, you keep getting what you're getting."

If your organization doesn't need to raise any more money, go ahead, stay fearful. But if your organization needs to raise more money every year because you're doing a great job, you're supporting more people, more animals, more clients, you must start a monthly donor program. You won't regret it!

Meet the Author

Erica Waasdorp, President of A Direct Solution, lives and breathes direct response and fundraising and can be considered a Philanthropyholic. Building partnerships and trying to find the best solution for members and donors and thus clients' needs are what Erica does best. Her multi-lingual skills and multi-cultural experience are of added value to those clients interested in raising money internationally and her experience in monthly giving has given her an edge for those clients who are ready to embark on this way of giving.



Erica started A Direct Solution in December of 2003 with more than twenty years of experience in direct marketing, from both sides of the desk, on the client side and the agency side. She has since worked with numerous nonprofit clients on and off-Cape as well as internationally.

For more from Erica Waasdorp,
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